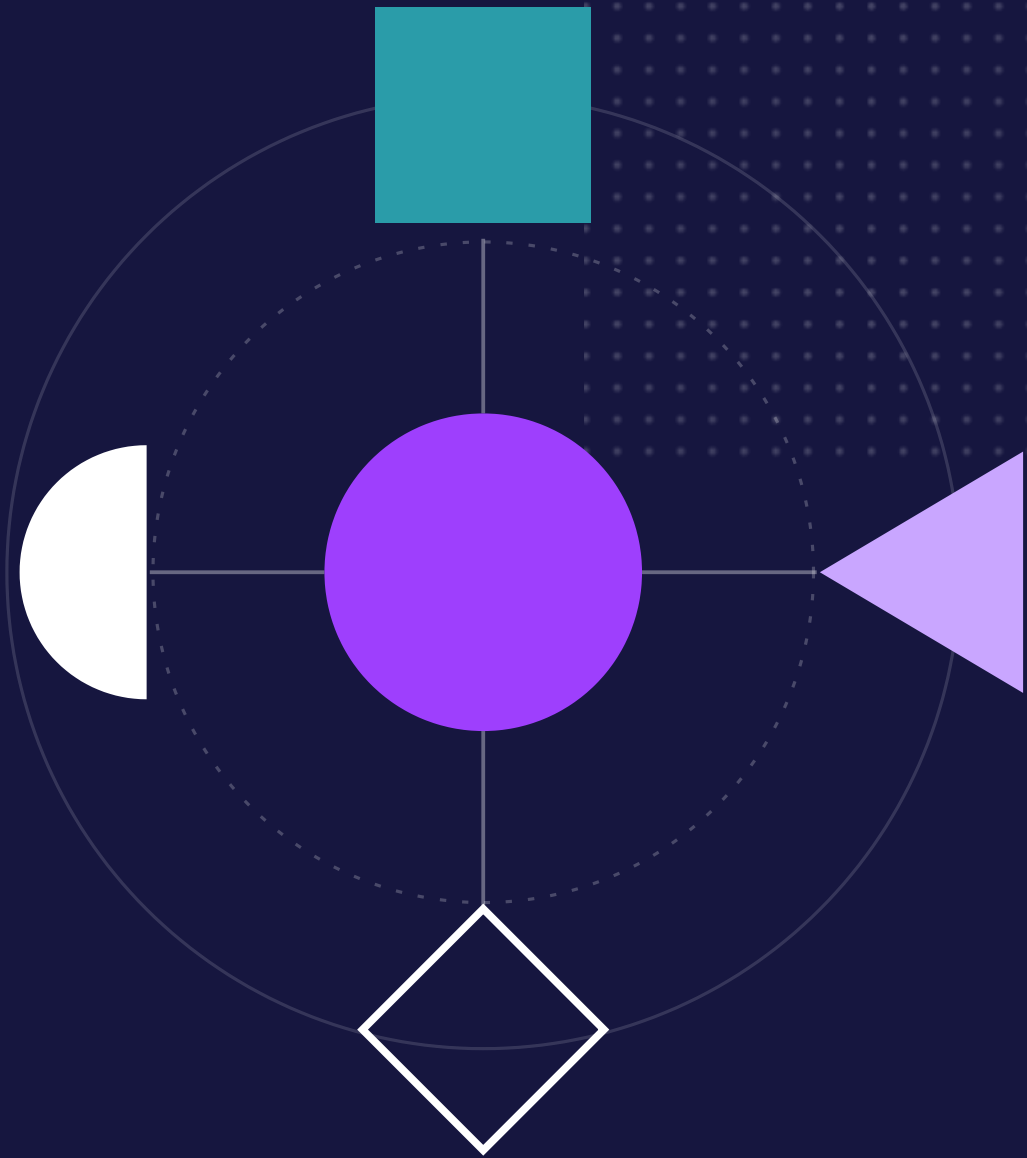




Five Forces Analysis

What's Shaping Profitability in Accounting, Law and Advisory (2026)

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Key findings at a glance

Each figure below is labelled by market and sourced in the section on that force.

THE OVERALL PATTERN

Pressure on profitability is concentrated on standardised work, which clients can compare on price and which new entrants or tools can replicate. Complex work shows less pressure, and some of it is being priced higher. In every engagement, routine or complex, the skills to build trust with a client and advise them directly are becoming more important.

01 New entrants

Barriers to entry are falling for standardised work through regulatory change, outside capital and AI. Senior people are also leaving established firms to build well-funded challengers.

46% of UK mid-tier accountancy firms have private equity backing, up from 12% in 2024. (UK)

Unity Advisory and WTS UK, two challengers led by former Big Four leaders, have raised **\$300 million and more than €500 million**. (UK)

02 Clients

Clients are using their own AI adoption to push back on fees, and many say they are ready to switch. The UK is also consulting on making audit optional for some medium-sized companies.

78% of corporate clients say AI-enabled quality improvements are essential. Only **6%** think most providers deliver them. (Global)

7% of clients recall being told AI was used on their work, while **81%** of firms say they disclose it. (UK and Ireland)

03 Talent

Fewer people are entering the professions, more are open to leaving, and losing someone senior is expensive.

67% of accountants aged 55 and over plan to retire. (UK)

52% of professionals expect their next career move to be outside their current organisation. (Global)

Firms estimate it costs **more than \$1 million** to lose a third-year associate. (North America and UK)

04 Substitutes

Large clients are moving repeatable work in-house, and AI tool adoption is uneven.

96% of law firms and **66%** of accountants use AI, but **75%** of professional and business services firms lack the data infrastructure to use it well. (UK)

17.2% of small enterprises use AI, against **57.7%** of large ones. (Ireland)

05 Rivalry

Private equity-funded consolidation is accelerating, and the firms already backed by it plan to keep buying.

Private equity accounted for **54.8%** of accounting firm deals in 2025, up from 38.9% the year before. (US)

94% of private equity-backed mid-tier firms plan further acquisitions within three years, against 58% of independent firms. (UK)

How these pressures affect your own firm depends on its clients, its people and the choices its leaders make. The Value Readiness Check looks at four areas that connect directly to this report. It has 32 questions, takes about six minutes, and is free and confidential. When you finish, you receive an instant, personalised report showing your firm's strengths and gaps, helping your leadership team decide where to focus.

[Take the Value Readiness Check](#)

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Executive summary

Michael Porter's Five Forces framework examines five pressures that together shape an industry's long-term profitability. These are new entrants, buyer power, supplier power, substitutes, and rivalry among existing competitors. This document applies that framework to accounting, law and advisory, using evidence from the UK, Ireland, the United States and, where it exists, other countries.

Work in these professions sits on a spectrum from standardised, repeatable work to complex work that depends on the specifics of the situation in front of the professional, which is harder for a tool to replicate. That difference reflects how repeatable the technical task is, not how much care or thinking goes into serving the client; the evidence throughout this analysis shows careful, situation-specific thinking at both ends. A separate question is how much the professional delivering the work must also understand the client's organisation, objectives and the people involved, and help them decide what to do next. That relational and advisory work is not reserved for complex engagements. It is expected on routine compliance work as much as on the most complex advisory assignment, and the evidence gathered here shows firms are increasingly expected to deliver it across every engagement, complex or routine.

Several patterns recur across the five forces. New competitors are entering in two distinct ways. Regulatory change is allowing non-traditional ownership of law firms, and senior professionals are leaving established firms to build well-funded challengers aimed at their former employers' clients. Buyers are gaining leverage too, as large clients consolidate into fewer, bigger purchasers with more negotiating power and use their own AI adoption to press for lower fees. In the UK, the government is also consulting on removing the audit requirement for some medium-sized

companies, which would turn compulsory work into a choice for those clients. Client self-service and the new entrant and challenger firms described above are both substituting for parts of what incumbent firms offer. AI is one driver, but not the only one.

Separately, the supply of skilled people is tightening in both the UK and US. Reasons include retirements at every level of seniority, from sole practitioners to senior partners, career changes, and the cost and length of professional qualification. Losing people is expensive. At partner level, the highest cost is often the clients who leave with them, and evidence suggests risk is lower when more than one person at the firm holds the relationship. Firms are responding in several ways. Some are moving work offshore to cheaper labour markets, and several regulators, membership bodies and firms report that what they need from the people who remain is broadening beyond producing technically correct work, toward building trust with a client, advising them directly on what to do, bringing knowledge of the client's sector, and the wider advisory and interpersonal skills that go with that.

Rivalry is intensifying through private equity-funded consolidation, with a growing share of firms joining, while some deliberately remain independent to retain control over decision-making and culture. One of the largest independent firms, RSM, is exploring a stock market listing as an alternative to private equity. Separately, as more clients operate across borders, the resulting complexity is itself becoming a source of demand for the firms best placed to advise on it.

A breakdown of each force follows, with sources, publication dates, and a note on how much evidence supports each claim. A conclusion then draws the five forces together, followed by a short section on what they mean for an individual firm. References are numbered in the order they first appear, with the full list at the end of the document.

Research method

Practice Edge works with law, accounting and advisory firms on how they win and develop client relationships. In that work, and in conversations with firm leaders and with current and future leaders on its programmes, Practice Edge sees client relationship and advisory skills becoming more important as more technical work is automated. This analysis was prepared for two reasons. First, to understand the forces shaping profitability in the industry and inform how Practice Edge continues to create and deliver value for its clients. Second, to gather the most current evidence in one place, so firm leaders and their teams can see how these pressures interrelate, rather than considering them in isolation, and assess the combined impact on their own firm.

This is secondary research. Most evidence comes from government bodies, regulators, professional bodies, established research organisations, and legal, accounting and business trade press. A small number of claims draw on company press releases or vendor-published material, and the reference list names each source. Most figures are dated to their month of publication; where a source gives only a year, or no date, the reference reflects that. Where the evidence is thin or points another way, the document says so. Claude, an AI

model made by Anthropic, helped with the research and drafting. Practice Edge set the research questions, reviewed the findings and edited the final text.

Law, accounting and advisory are treated as one competitive space, because Practice Edge's clients often combine or work across these professions and the professions themselves are converging, as set out under new entrants below.

UK, Irish and US evidence dominates because that is where public data, regulatory reporting and industry research are richest and most current. However, Irish coverage is thinner for some forces, as noted where it affects a claim. The three markets do not share the same rules. England and Wales allow non-lawyers to own law firms, for example, while Ireland and most US states currently do not, and the document notes where differences like this affect a finding. Some of the same trends appear elsewhere too. Private equity investment in accountancy firms is also growing quickly across continental Europe.¹

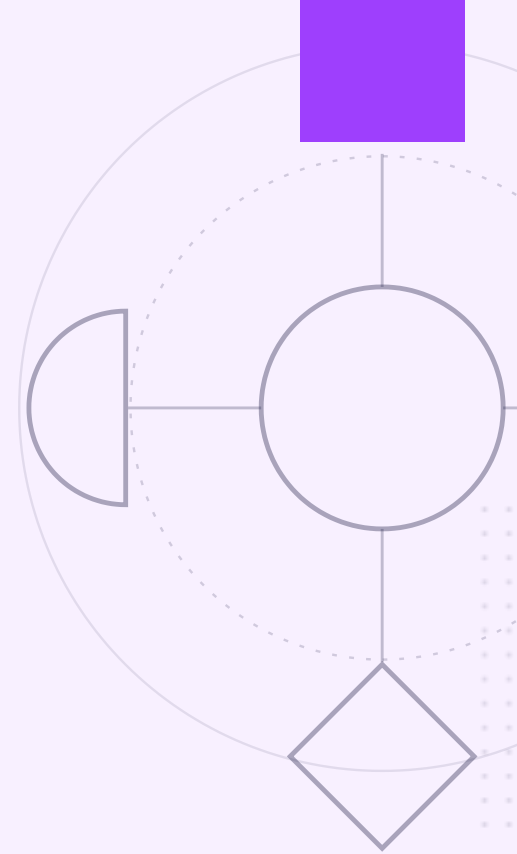
Five Forces is a framework for industry-level profitability, not a statement about what creates value for any one firm. The analysis stays within that industry-level evidence, and the final section turns to what it means for an individual firm.

01

FORCE 1 OF 5

Threat of new entrants

This force asks how easily new competitors can start delivering the same work as existing firms. When entry is easy, industry-wide profitability tends to fall because new supply pushes prices down. Where entry is hard, existing firms keep more of that profitability.



● Ownership rules are opening up

Changes in who can own a law firm are the most direct example of a lowered barrier in this industry. In England and Wales, the Legal Services Act 2007 created the Alternative Business Structure (ABS) framework, allowing non-lawyers to own law firms, which the Solicitors Regulation Authority regulates. The first ABS licences were granted from 2011.² Arizona introduced a similar reform in the United States in 2020, removing its Rule 5.4 restriction, effective January 2021, becoming the first US state to allow it, more than a decade after the UK.³

Opening ownership this way is not entirely new to the professions. The Big Four accounting firms built substantial in-house legal practices in the 1990s, before the collapse of Arthur Andersen and the Sarbanes-Oxley reforms that followed largely dismantled that model in the US.⁴ They have rebuilt it since 2012, helped by the same ABS and Rule 5.4 reforms described above, and their combined legal services revenue is reported to have grown from around \$900 million in 2015 to \$1.5 billion by 2021, according to research from Oxford's Saïd Business School.⁵ KPMG became the first Big Four firm to secure a US law prac-

tice licence in Arizona in February 2025, and mid-tier and larger accounting and advisory firms increasingly maintain in-house legal capability or work in close partnership with law firms to serve shared clients, even where full multidisciplinary practice remains restricted by professional conduct rules in most US states.⁶ This convergence between the professions, visible in how the firms themselves now operate, is part of why this analysis treats law, accounting and advisory as one connected market rather than three separate ones.

● AI-native firms enter the market

Several AI-native firms have used these frameworks to become licensed, regulated legal service providers, rather than software sold into existing firms. In the US, these include Norm Law, Eudia Counsel, and KPMG's US law practice, all operating under Arizona's ABS rules.^{7,8} Norm Law appointed Mike Schmidtberger, formerly executive committee chair at Sidley Austin, in January 2026, and has now raised more than \$260 million from Blackstone, Bain Capital, Vanguard, Citi and Khosla Ventures at a \$1.2 billion valuation. Launched in March 2026, the AI Firm Index tracks 27 such firms, including Crosby, Soxton and Garfield.⁷ In the UK, the SRA authorised LawFairy in February 2026, described by its founder as the first deterministic, technology-only law firm approved in England and Wales, currently focused on UK immigration cases. It is the

second largely technology-driven firm the SRA has approved, after Garfield, which handles small claims.⁹

On the accounting side, evidence of licensed, technology-only competitors is thinner. Two UK-founded platforms do show a related pattern taking shape in accounting technology specifically. Inflo, a digital audit platform built by former Big Four audit leaders, partnered with Inscope in April 2026 to unify digital audit and financial reporting workflows.¹⁰ DataSnippet, an AI audit-evidence platform used across 175 countries and by all four Big Four firms as customers, reported more than \$1.4 billion in client productivity savings in 2025, at a valuation that reached \$1 billion in 2024.¹¹ Neither operates as a licensed accounting or audit firm in its own right, the way LawFairy and Garfield do as regulated legal service providers. So the parallel with law's AI-native firms is not clean. The evidence gathered here did not include a UK, Irish or US example of a technology-only, regulator-approved audit or accounting firm.

● Senior professionals are building direct challengers

A related but distinct pattern is senior people leaving established firms to build new ones aimed squarely at their former employers' clients, sometimes with substantial outside capital behind them. In UK accounting and advisory, Unity Advisory launched in April 2025, chaired by Steve Varley, former UK chair of EY, and led as chief executive by Marissa Thomas, previously PwC's chief operating officer; it raised \$300 million from Warburg Pincus and targets firms with revenues of £500 million to £1.5 billion, particularly those already backed by private equity.¹² WTS UK, launched by Jeff Soar, formerly the global head of EY's law business, secured more than €500 million in private equity backing from EQT Partners and had hired 10 partners before launch, targeting more than 100 partners within five years, a scale that would reach roughly 60% of the size of EY's own UK tax practice. The firm positions itself around AI-driven automation replacing junior-level work and a partner-to-staff ratio of 1:4-5, against the traditional pyramid model most large firms still use.¹³

"Compete toe to toe with the Big 4, but without the structural constraints."

WTS UK, on its own positioning against the established firms

Law shows a comparable pattern. General Legal, backed by Y Combinator, employs 14 full-time lawyers, almost all Big Law alumni, and has raised \$11.5 million; Norm Law's appointment of a former Sidley Austin executive committee chair, covered above, falls into the same category.⁸ What the evidence does not show is whether clients are following these particular partners to their new firms. The funding and hiring data is well documented and growing. More general evidence, set out under supplier power below, suggests only a minority of clients follow a partner who moves firms. In BTI Consulting's research with US corporate counsel, about one in five said they planned to, or were likely to, do so.¹⁴ That evidence comes from US law, though, and says nothing directly about challengers in UK accounting and tax. The competitive effect on incumbent firms, where the evidence supports it, is covered under competitive rivalry below.

● How existing firms are responding

Existing firms are responding to AI in at least three ways, and the evidence does not show one approach as larger than the others. Some are buying or licensing tools built by others: legal AI platforms Harvey and Legora each raised several hundred million dollars in March 2026, at valuations of \$11 billion¹⁵ and \$5.55 billion,¹⁶ and between them report use by well over a thousand law firms and in-house teams, including DLA Piper, McCann Fitzgerald, Linklaters and White & Case.^{15,16} Both companies have since sought higher valuations. Harvey raised \$550 million at a \$15.5 billion valuation in September 2026.¹⁷ In the same month, Bloomberg reported that Legora was in talks to raise funds at around \$8.5 billion, and that its annual recurring revenue had doubled in under six months to about \$200 million, according to its chief financial officer.¹⁸ Thomson Reuters says its CoCounsel tool passed one million professional users in February 2026.¹⁹ UK-based Luminance, backed in part by Slaughter and May, raised \$75 million in 2025.²⁰ In accounting, Basis raised \$100 million in February 2026 at a \$1.15 billion valuation. They report use by around 30% of the top 25 US accounting firms.²¹

Others are building their own AI rather than buying it from providers. Kirkland & Ellis, a US law firm, is investing \$500 million over three to four years, reported May 2026, in technology developed for its own use and not sold to other firms.²² Thomson Reuters launched its own proprietary legal AI model, Thomson 1.0, in August 2026, built on an open-source base and

trained on its own Westlaw and Practical Law content, at a reported cost of around \$40 million over two years.²³ In accounting and audit specifically, EY launched an enterprise-scale agentic AI system across EY Canvas, its global assurance platform, in April 2026, covering around 130,000 assurance professionals and 160,000 audit engagements in more than 150 countries, built on a multi-agent framework with Microsoft Azure, Foundry and Fabric, with full end-to-end audit support targeted by 2028.²⁴ Deloitte's Zora, built on NVIDIA's AI infrastructure and launched the same year, spans finance, tax, audit and assurance work alongside procurement, HR and other enterprise functions, so it is a broader enterprise platform rather than an audit-specific tool.²⁵ A third route is partnership with a large technology supplier rather than either building or buying a finished product: KPMG committed \$2 billion to a partnership with Microsoft, reported August 2026, to embed Microsoft's AI services into its audit, tax and advisory platforms.²⁶

Two accounting firms, Modus and Fieldguide, follow an AI-native model of their own, raising \$85 million²⁷ and \$75 million²⁸ in 2026, respectively. Still, both invest

in and partner with existing accounting firms rather than compete directly for clients.

● What hasn't moved

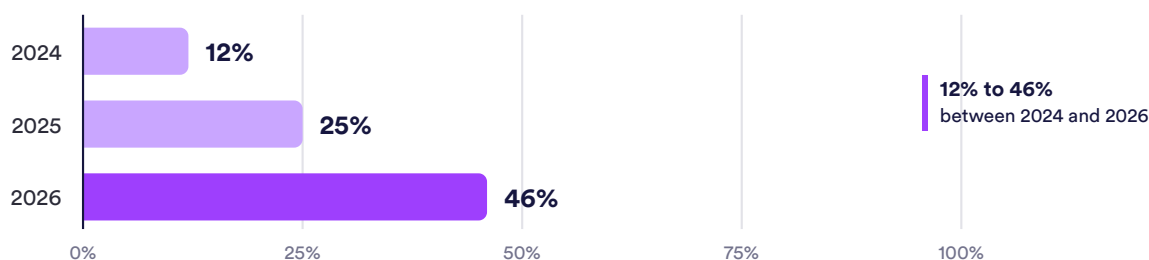
Entry barriers extend beyond ownership rules and capital. Qualifying as an accountant or solicitor still takes several years of study and supervised practice in both the UK and US. ICAEW's research into UK mid-tier firms, published in May 2026, found private equity is entering the profession mainly as an investor in existing firms rather than as a new competitor for clients: 46% of firms surveyed now have private equity backing, up from 25% in 2025 and 12% in 2024.²⁹

Entry barriers are falling for standardised, repeatable legal and accounting work in both the UK and the US, driven by regulatory change, capital investment and new AI tools. The barriers protecting complex work, professional qualification and regulatory standing have not moved the same way in either market. Falling entry barriers do not always mean falling prices. However, private equity-driven consolidation, covered under competitive rivalry below, can concentrate a local market into fewer firms and push prices up even for standardised work.

FIGURE 1

Private equity backing among UK mid-tier firms has almost quadrupled in two years

Share of UK mid-tier accountancy firms with private equity backing



Source: ICAEW, Evolution of mid-tier accountancy firms, May 2026.

■ KEY POINTS

Barriers to entry are falling for standardised work through regulatory change, outside capital and AI. Senior people are also leaving established firms to build well-funded challengers.

46% of UK mid-tier accountancy firms have private equity backing, up from 12% in 2024. (UK)

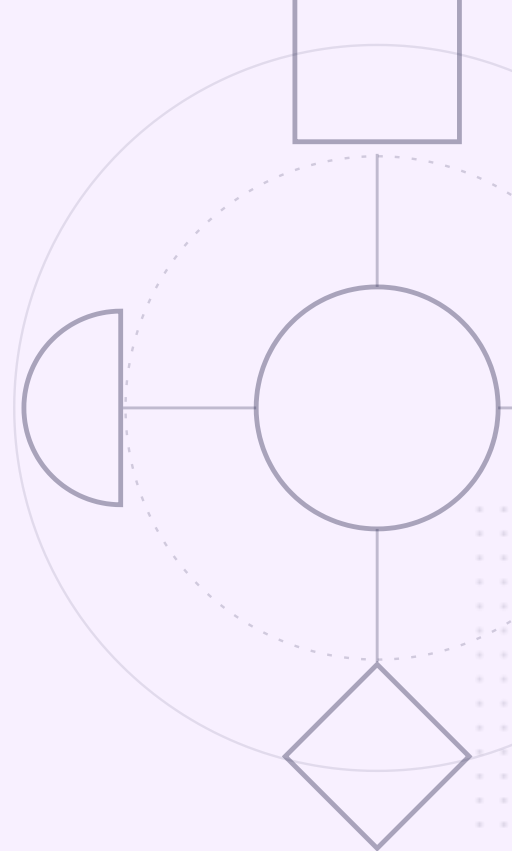
Unity Advisory and WTS UK, two challengers led by former Big Four leaders, have raised **\$300 million and more than €500 million**. (UK)

02

FORCE 2 OF 5

Bargaining power of buyers (clients)

This force asks how much leverage clients have over the firms serving them, for example, to negotiate on price, demand more for the same fee, or switch providers easily.



• Regulation and AI-driven leverage

Some of this leverage comes from regulation. In the UK, the Competition Commission ruled in 2014 that FTSE 350 companies must put their statutory audit out to competitive tender at least every 10 years, with no exceptions, and explain publicly if they choose not to tender more often.³⁰ This keeps large corporate clients able to compare and switch audit providers regularly.

Regulation can also reduce the demand firms rely on. In September 2026, the UK government opened a consultation, Modernising Corporate Reporting, which includes the option of extending the small company audit exemption to certain medium-sized companies, currently those meeting two of three limits: turnover up to £54 million, a balance sheet up to £27 million, and up to 250 employees. The consultation closes on 30 November 2026, and no decision has been made.³¹ An AccountingWEB analysis, based on an earlier government impact assessment, puts the number of companies that could become exempt at around 41,000, and raises the concern that more firms may give up audit altogether.³² If the change goes ahead, audit for

those companies would become a choice rather than a legal requirement, and firms would need to show clients why it is worth paying for.

A newer, faster-moving source of buyer leverage is also appearing in the data. Thomson Reuters' 2026 AI in Professional Services Report, published February 2026, found that corporate clients are now ahead of their outside firms on AI adoption, and are moving low-value, repeatable work in-house as a result. About three-quarters of both corporate clients and firms surveyed agree firms should lead the conversation about proper AI use, but those conversations mostly have not happened at scale yet.³³

A related study, Thomson Reuters' 2026 Future of Professionals Report, published June 2026, surveyed more than 1,800 professionals across 62 countries. It found 78% of corporate clients say AI-enabled quality improvements are essential, but only 6% believe most providers are delivering them.³⁴

78%

of corporate clients say AI-enabled quality improvements are essential. Only 6% believe most providers are delivering them.

Thomson Reuters, 2026 Future of Professionals Report

Within 12 months, 32% of corporate clients said they would reconsider who they use over this gap, an amount of revenue Thomson Reuters estimated at \$143 billion across US legal and accounting services alone.³⁴

A UK finding points the same way. Clio's UK and Ireland Legal Insights Report, reported in June 2026, found that 89% of legal professionals now use AI tools in some capacity, and 70% have adopted them within the past year. Still, only 7% of clients recalled their lawyer telling them AI was involved in their work, compared with 81% of firms that said they disclose AI use at least occasionally.^{35,36} The gap is not about whether AI is used. It is about whether clients are told.

A separate General Assembly survey of 258 leaders at US and UK firms with 1,000 or more employees, published March 2026, found 79% saying AI is changing pricing conversations with clients, and 42% saying clients are actively questioning their firm's pricing model.^{37,38}

● Fee pressure and the billable hour

A further, more direct form of buyer pressure has emerged in 2026: corporate clients are asking not just whether their law firm uses AI, but to pass the savings from that use on to them.³⁹ Citigroup's global head of legal, Adam Meshel, has put it directly. If the hours a matter takes have fallen because of AI, the bank expects costs to fall with them, and Citigroup now asks firms bidding for work to show their AI-related savings in the proposal itself.

Morgan Stanley's general counsel, Eric Grossman, has described this as a shift in the revenue model that has underpinned large law firms for decades, and the bank is moving more of its outside work to competitive bidding. Ford's general counsel, Steven Croley, is taking a different route, bringing more legal work in-house where AI has made that cheaper than paying outside counsel. A survey found close to half of large law firms

already report AI affecting their pricing models.⁴⁰ Separate research for LexisNexis found 94% of lawyers now use AI in their work, and 55% expect it to change how their firm bills.⁴¹

The pressure sits alongside rising headline rates rather than falling ones. Average billing rates at the largest US firms reached \$798 an hour for associates in 2026, up 33% since 2023, with partner rates up 29% over the same period, consistent with the higher rates already reported for complex work elsewhere in this analysis.⁴⁰ What clients are pushing back on is not the rate itself, but the number of hours a matter now takes, and therefore the total bill.

A Deloitte survey of 121 senior legal leaders worldwide, carried out in April and May 2026, found 61% of legal departments already in active AI deployment, compared with 76% reporting no AI adoption at all as recently as 2024. Separate PwC research into the UK's top 50 law firms found more than half already seeing measurable productivity gains from AI, with firms themselves estimating that around 16% of currently chargeable work could be automated.⁴²

A parallel shift is under way in accounting and advisory. RSM's Sergio de la Fe points to generative AI cutting a tax advisory report from 20 hours of work to 10, a change that puts a direct question to the firm: whether that difference becomes margin or a price cut for the client. KPMG's vice chair of advisory, Rob Fisher, has called value-based pricing increasingly important to how the firm prices its work, and RKL LLP has already piloted a value-based model with several dozen clients, working with the pricing consultancy Fore LLC.

Fore's chief executive, Michelle River, argues that selling time stops working once AI exposes how much of that time no longer reflects the value delivered. The AICPA's 2025 survey of more than 1,000 firms found median hourly billing rates still rose by nearly 7% over two years, to \$170, even as the report itself recommended firms move away from hourly billing.⁴³

A 2025 survey of US Best Law Firms found 72% already offer some form of alternative fee arrangement, rising to 90% among firms with 50 or more lawyers. However, most clients still compare a fixed fee against what the hourly equivalent would have cost, so the shift away from hourly-rate thinking is only partial even where the pricing model itself has already changed.⁴⁴

In both the UK and US, clients appear to know more about firms' AI use than firms assume, and around a third of large corporate clients say they are ready to act on that within a year, either by moving work in-house or by reconsidering who they use. That pressure is now reaching pricing directly: named clients across banking, law and accounting are asking for AI-driven efficiency to be reflected in what they pay, and firms in both professions are responding with more fixed-fee

and value-based pricing, even as headline hourly rates continue to rise. Separately, UK regulation already requires large corporate clients to periodically compare and re-tender their audit providers, which keeps buyer leverage high in that part of the market, and a current UK consultation could make audit optional for some medium-sized companies, shifting more of that choice to mid-market clients as well.

◀ KEY POINTS

Clients are using their own AI adoption to push back on fees, and many say they are ready to switch. The UK is also consulting on making audit optional for some medium-sized companies.

78% of corporate clients say AI-enabled quality improvements are essential. Only **6%** think most providers deliver them. (Global)

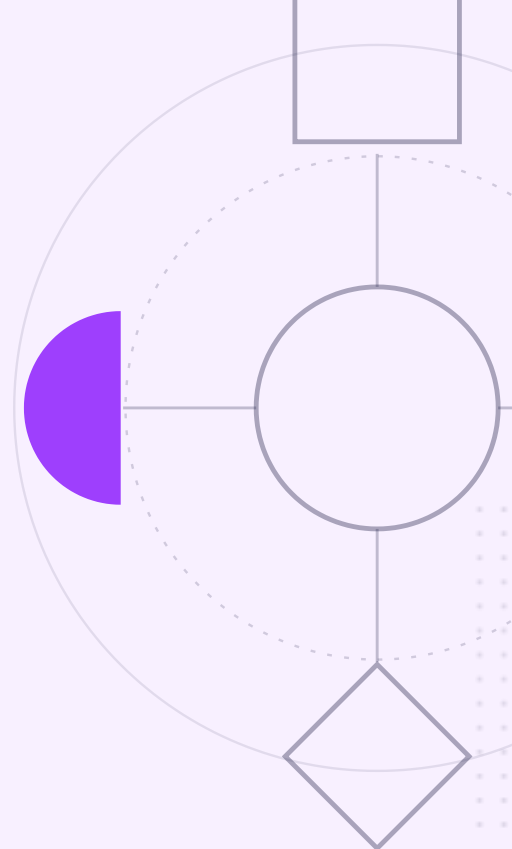
7% of clients recall being told AI was used on their work, while **81%** of firms say they disclose it. (UK and Ireland)

03

FORCE 3 OF 5

Bargaining power of suppliers (talent)

This force asks how much leverage the people a firm needs to hire and keep have over that firm. When qualified people are scarce or hard to retain, they can ask for higher pay, better conditions, or work elsewhere.



Qualified people in these professions are in short supply, and evidence suggests supply is shrinking even as expectations continue to grow.

● A shrinking pipeline

In the UK, the Financial Reporting Council's Key Facts and Trends in the Accountancy Profession 2025, published in October 2025 using 2024 figures, recorded just under 155,000 accountancy students across the UK and Republic of Ireland, a small decline on the year before, alongside a 6.9% fall in registered statutory audit firms in 2024 alone, down to 3,760, continuing a 24.9% decline over the previous five years. Training offices fell to around 9,600. Overall profession membership is still growing, but more slowly, up 0.8% in the latest year, while newly qualified auditors fell from around 1,900 to 1,800.⁴⁵

In the US, The CPA Journal reported in February 2026 that accounting degree completions have fallen to roughly 47,000, a 10% decline since 2021, and that more than 300,000 accountants left the profession between 2019 and 2022. The US Bureau of Labor Statistics projects 136,400 annual job openings in the profession from growth, retirement and career change combined. A separate post-pandemic survey of 574

firms found a third had professional staff turnover above 20%, with turnover highest among under-38s (39%) against 23% for those over 55.⁴⁶

● Retirement and succession

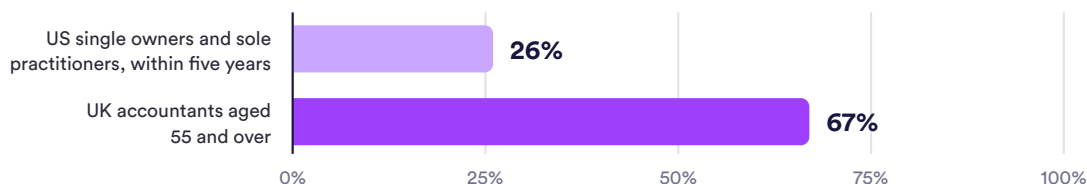
Retirement is a large part of this picture, and it is not confined to sole practitioners. An AICPA survey from 2020 found 26% of single owners and sole practitioners planned to retire within five years, a figure a September 2026 Accounting Today piece on the accounting succession crisis still points to as unresolved, since many of those practices have not found a workable successor.⁴⁷ The same pressure reaches further up the profession: a June 2026 UK survey found 67% of accountants aged 55 and over are planning retirement, and firms are responding by restructuring how partnership itself works, beyond simply recruiting more juniors. Grant Thornton UK is targeting 160 equity partners by 2027 partly to backfill retirements. Several firms are compressing the traditional 12 to 15-year path to partnership down to 7 to 9 years and decoupling equity buy-in from personal debt, since the old model is now seen as a retention risk at every level rather than only a succession problem at the top of small practices. Cooper Parry's move to private equity ownership under Lee Equity Partners is one example of a mid-tier firm using outside capital partly to address this gap, connecting back to the private equity

consolidation covered under competitive rivalry below.⁴⁸

FIGURE 2

Retirement pressure reaches beyond sole practitioners

Share planning to retire, two separate surveys



Sources: AICPA member survey, 2020 (via Accounting Today, September 2026); Accountancy Age, June 2026. Different populations and years, shown together to illustrate scale rather than a single trend.

● No fast route from abroad

Immigration policy adds a further constraint. The UK's Migration Advisory Committee, in recommendations reported in July 2026, did not include legal, HR, marketing, or financial and accounting occupations on its reformed shortage list. This mechanism eases visa access for specific roles. Firms in these sectors therefore have no dedicated fast route to recruit from abroad if the domestic pipeline keeps shrinking.⁴⁹

● Offshoring and outsourcing

Offshoring is a separate response to the same shrinking pipeline. Rather than compete harder for scarce staff at home, a growing share of firms are moving standardised parts of the work itself to lower-cost centres abroad. Accountancy Age, reporting July 2026 on the UK's Financial Reporting Council, found that between 30% and 50% of billable hours on a standard audit engagement can now be carried out offshore, typically in India, the Philippines or South Africa, and that this is common practice at both Big Four and mid-tier firms rather than a niche arrangement.⁵⁰

The regulator's concern is not that offshoring happens, but what it can do to audit quality. UK-based signing partners can rubber-stamp offshore work rather than properly review it; professional scepticism weakens when reviewers are several time zones removed from the client relationship; and communication delays can leave problems surfacing later than they should. The FRC put its own concern plainly:

"You can outsource the work, but you cannot outsource accountability."

Financial Reporting Council, on offshore audit work

This connects back to the supply pressure described above. Offshoring gives firms a way to hold unit costs down and free up scarce UK- and US-based staff for complex client work, which the pricing evidence elsewhere in this analysis shows increasingly commands a premium, but it does so by adding a layer of oversight and quality-control risk that firms and regulators are still working out how to manage.

● Law's own version

Law shows a related but separate pattern in both markets. In the UK, trainee contract numbers across 109 of the largest firms fell by 1.7% in the recruitment round reported in September 2026, from 2,593 to 2,549, with the largest single reduction at Linklaters (100 to 60). Most commentary attributes this to firms expanding school-leaver apprenticeship routes rather than to AI directly. However, several sources note AI is increasingly a factor in longer-term planning, since it now handles document review, due diligence and first-draft work traditionally used to train junior staff.⁵¹ In the US, Axios reported similar hiring caution at several large firms in May 2026.⁵² Separately, a Stanford Digital Economy Lab study using anonymised payroll data found employment among 22- to 25-year-olds in the most AI-exposed occupations running around 19% below where it would be had it kept pace with similarly aged workers in less-exposed occupations, through June 2026.⁵³

● AI and demand for qualified people

These figures raise a wider question about whether AI will reduce or increase demand for qualified people. In US law, recent data points to rising demand. Thomson Reuters' Law Firm Financial Index for the second quarter of 2026 found legal demand on course for its strongest year since 2021, although midsize firms continued to contract.⁵⁴ The ratio of associate work to partner work reached a 17-year high, and Thomson Reuters notes this happened while firms kept hiring rather than cutting staff.⁵⁵

Max Junestrand, Legora's chief executive, offers one explanation for continued hiring. He describes legal work as limited by the supply of lawyers rather than by demand, so better tools let lawyers take on more of it. In October 2026, he wrote that "our customers are hiring more lawyers."⁵⁶ He is describing his own customers, and Legora has a commercial interest in that view.

In accounting, firms report more demand than they have staff to meet. In a 2026 survey of 500 firms across the UK, US, Canada and Australia, 73% said they had turned away potential clients because they lacked staff. Advancetrack, an outsourcing provider with a commercial interest in that finding, conducted the survey.⁵⁷ However, the evidence so far does not

show AI leading accounting firms to hire more. In INSIDE Public Accounting's 2026 technology survey, almost eight in ten US firms said AI had had no noticeable impact on staffing and hiring.⁵⁸ Advisers to accounting firms quoted by Accounting Today in January 2026 describe firms planning growth while holding headcount steady.⁵⁹

The evidence does not yet show whether AI will reduce or increase overall demand for qualified people in either profession. In law, it shows the effects falling unevenly, by firm size and by level of seniority.

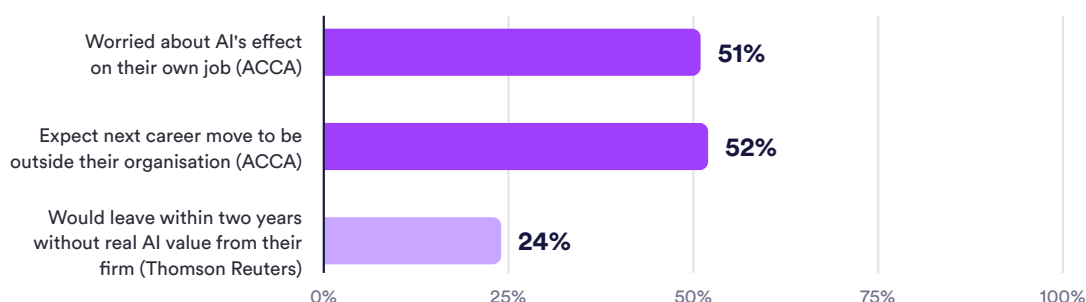
● The cost of losing people

The pressure runs the other way too. ACCA's Global Talent Trends 2026 survey, published May 2026, found 51% of respondents worried about AI's effect on their own job, and 52% expecting their next career move to be outside their current organisation.⁶⁰ Thomson Reuters' Future of Professionals research, published June 2026, found 24% of professionals would leave their firm within two years if they did not see real value from its AI investment, and roughly a quarter of law professionals would turn down a job offer from a firm without professional-grade AI tools. The same research found senior leaders tend to underestimate how close this pressure already is.³⁴

FIGURE 3

Half of professionals worry about AI's effect on their job, and half expect their next move to be elsewhere

Share of professionals, self-reported



Sources: ACCA Global Talent Trends 2026, May 2026 (global); Thomson Reuters Future of Professionals Report 2026, June 2026 (62 countries).

The most direct evidence on what it costs to lose people comes from the professions themselves. BigHand's August 2025 survey of more than 800 law firm leaders across North America and the UK found firms now put the cost of losing a third-year associate,

well short of partner level, at more than \$1 million once lost billable time, recruiting, onboarding and reduced productivity during ramp-up are all counted.⁶¹

"The cost of losing a third-year associate now exceeds \$1 million."

BigHand, Resourcing for Profitability, Client and Talent Retention, August 2025

Recruiters in the profession have put the figure lower, though still high. Major, Lindsey & Africa, a legal recruitment firm, estimated in 2017 that losing a US associate costs between \$200,000 and \$500,000 once recruiting, training, lost capacity and administrative time are counted. That is an estimate based on the firm's own experience rather than a formal study.⁶²

In the UK, research by Oxford Economics, commissioned by the insurer Unum and published in 2014, found that replacing a worker cost £39,887 in legal firms and £39,230 in accountancy firms, against an average of £30,614 across the five sectors studied. Most of that cost came from lost output while the new person got up to speed, and accountants took longer than workers in any other sector to reach full productivity, averaging 32 weeks. These figures are more than a decade old and cover workers earning £25,000 or more rather than partners.⁶³

Broader HR research shows costs rise with seniority. Gallup, in a July 2024 report, estimates that replacing a technical professional costs around 80% of their annual salary, and replacing a leader or manager around 200%. These are general US estimates, and Gallup does not publish how they are calculated, so they are used here for illustration only.⁶⁴ For a qualified professional earning £50,000, 80% would be £40,000, close to Oxford Economics' figure for the professions. For a senior manager or director earning £100,000, 200% would be £200,000. Neither figure is a measured cost for any firm, and neither applies neatly to equity partners, whose earnings are a share of profit rather than a salary. Few organisations measure this cost at all. In the CIPD's 2024 UK survey, only 31% of respondents who knew their organisation's turnover data said it calculates what turnover costs.⁶⁵

At partner level, the highest cost is usually the clients who leave with the partner. In BTI Consulting's February 2021 research with US corporate counsel, 11%

of clients said they planned to follow a partner who moved firms, and a further 10% said they were likely to.¹⁴ BTI's August 2026 survey of more than 350 corporate counsel found 23.9% hire the individual lawyer and treat the firm largely as a backup, while 21% could not name their relationship partner.⁶⁶ How a relationship is held appears to affect that risk. A study of more than 18,000 client decisions in US lobbying firms, published in Harvard Business Review in January 2017, found the chance a client follows a departing professional doubles after they have worked together for three and a half years, and falls by about 2.5% for each additional colleague who works directly with that client.⁶⁷ Many firms are not yet set up to build relationships that way. In a May 2026 survey by Passle, a legal marketing software company, of 100 partners and lawyers leading marketing and business development at US and UK firms, only 41% believed other lawyers at their firm understood their expertise, and 55% named a lack of visibility into colleagues' expertise as the main barrier to cross-selling and collaboration.⁶⁸

Replacing a partner from outside carries its own cost and risk. Recruiter fees alone are around 20% to 25% of the new hire's annual base pay, according to BCG Attorney Search, a US legal recruiter.⁶⁹ A 2019 report by ALM Intelligence and Decipher, which provides due diligence on lateral hires, drew on more than 10,000 lateral partner moves.⁷⁰ It found the average all-in cost of hiring a lateral partner was \$2.3 million, rising above \$5 million for the most sought-after, that 62% underperformed in bringing over the book of business they had described, and that almost half left within five years.⁷¹ Passle's survey found 58% of firms judge a lateral hire's success solely by the revenue they bring in.⁶⁸ Edge International's June 2024 survey of 100 firms, mainly in the UK, US and Australia, found around 75% of lateral hires were still with their firm two to five years on, but only 43% of firms said more than half of their lateral hires had met expectations.⁷² This analysis found no formal estimate of the full cost of losing a partner in accounting or law from professional bodies, recruiters or consultancies, and accounting has less published evidence at partner level than law.

TABLE 1

What losing people costs: the evidence at a glance

Cost or risk	What the evidence shows	Source and market
Recruiter fees	Around 20–25% of the new hire's annual base pay	BCG Attorney Search, 2025 (US law)
Getting a new person up to speed	Accountants take 32 weeks on average to reach full productivity. Replacing a worker costs about £39,000–£40,000 in legal and accountancy firms	Oxford Economics for Unum, 2014 (UK)
Losing a lawyer below partner level	More than \$1 million for a third-year associate (firm leaders' estimate). \$200,000–\$500,000 (recruiter's estimate)	BigHand, 2025 (North America and UK); Major, Lindsey & Africa, 2017 (US)
How cost rises with seniority	Around 80% of salary for technical professionals and 200% for leaders and managers (general estimate)	Gallup, 2024 (US, all sectors)
Clients who leave with a partner	21% plan or are likely to follow a departing partner. 23.9% hire the lawyer rather than the firm	BTI Consulting, 2021 and 2026 (US)
Replacing a partner from outside	Average all-in cost of \$2.3 million per lateral partner hire. 62% bring over less of their book than described, and almost half leave within five years. 43% of firms say more than half their lateral hires met expectations	ALM Intelligence and Decipher, 2019 (US); Edge International, 2024 (UK, US, Australia)
What reduces the risk	The chance a client follows a departing professional falls by about 2.5% for each extra colleague working with that client. Only 41% of lawyers think colleagues at their firm understand their expertise	Harvard Business Review, 2017 (US); Passle, 2026 (US and UK)
Whether organisations measure it	31% of those who know their turnover data calculate its cost	CIPD, 2024 (UK, all sectors)

● The skill set firms need is changing

A separate question sits alongside the supply of qualified people. What those people need to be good at is shifting too. The evidence throughout this analysis shows careful, situation-specific thinking at work in standardised tasks as well as complex ones; what changes along that spectrum is how repeatable the work is, not whether someone is exercising judgement. Several independent sources point to a related shift in which skills are becoming more important. ACCA's July 2025 commentary on AI reshaping the profession argues that "trust remains a fundamentally social concept built on human interaction, transparency, and oversight," and quotes its head of technology research, Alistair Brisbane, saying professionals who can "embrace uncertainty, develop strong judgement skills, and continuously adapt their expertise will thrive."⁷³ The Journal of Accountancy's May 2026 coverage of the same shift is practitioner commentary rather than survey research. Still, several named consultants make

a consistent point: Sandra Wiley of Sandra Wiley Strategies argues relationship building "will set you apart from other people ... or other machines," and Gale Crosley, a CPA strategist, puts it more narrowly still: "persuasion and influence skills are what's needed in public accounting."⁷⁴

"Relationship building will set you apart from other people ... or other machines."

Sandra Wiley, Sandra Wiley Strategies

The same Journal of Accountancy piece quotes Guy Gage, a leadership consultant who works with accounting firms, on what that shift looks like in practice: "you've got to know who you are and how you come across to others," and, more bluntly, "I'm a human being, not a human doing. I'm not a robot."⁷⁴ ACCA describes the same change in similar terms but at the level of a role rather than an individual, pointing to "an evolution of mid-level roles to incorporate more

judgement and client interaction," "an expansion in strategic and advisory decision-making," and "the cultivation of skills that complement technical capabilities."⁷³ Read together, what these sources describe is not one skill called judgement, but a wider shift in what a professional is there to do. Less time goes into producing the technical output itself, and more into helping a client understand it, decide what to do about it, and plan the next step. That is a role closer to supporting, advising and guiding a client, at times closer to a business coach than a service provider, than to producing a deliverable and moving on.

The AICPA's own Profession Ready research, cited in a Thomson Reuters Institute piece published September 2026 and based on a survey of more than 1,000 members, found 48% of professionals worried that AI is undermining how junior staff develop independent judgement, and named critical thinking and professional scepticism as a specific gap, beyond technical competence alone. The AICPA's Carl Mayes puts the practical question behind that finding directly:⁷⁵

"How do you know what good looks like if you've never done the work yourself?"

Carl Mayes, Vice President of Ethics and Firm Quality, AICPA

This connects to a longer-standing body of writing on advisory relationships specifically. David Maister, Charles Green and Robert Galford's *The Trusted Advisor*, first published in 2000, argues that trust and relationship-building are distinct, learnable skills separate from technical delivery. It is a conceptual, practitioner-authored framework rather than a disclosed empirical study, so it is referenced here only lightly, as framing for a debate that more recent, data-backed evidence speaks to directly.⁷⁶

That more recent evidence is a study by Matthew Dixon, Ted McKenna, Rory Channer and Karen Freeman, published in the *Harvard Business Review* in November-December 2023 and later expanded into a book of the same name, *The Activator Advantage*. Unlike *The Trusted Advisor*, this is disclosed primary research: a global survey of nearly 1,800 partners across 23 professional services firms, sponsored by Intapp, a software company that sells relationship-management tools to the same industry, worth noting as a possible source of bias even though the sample size and method are considerably stronger than is typ-

ical for a source in this category. The study found one approach out of five, which the authors call "Activator," positively correlated with revenue performance: partners who built networks across a client organisation and routinely introduced clients to colleagues elsewhere in the firm, rather than treating the relationship as their own alone. In that vendor-sponsored study, moving from a weak to a strong Activator profile was associated with up to 32% higher revenue generation; the most common alternative approach, built around deep technical expertise, was associated with up to 15% lower revenue. Activator partners also spent 37% more time on business development than other partners, split evenly between new and existing clients. In contrast, other partners spent nearly twice as much of that time on clients they already had.⁷⁷

Knowledge of the client's sector is part of the same shift. Thomson Reuters Institute, drawing on its *State of the UK Legal Market 2025* report, wrote in July 2025 that corporate legal teams "place more trust in firms with strong reputations and deep industry knowledge that can help them drive strategic discussions with their organization's leaders."⁷⁸ In accounting, *INSIDE Public Accounting* reported in June 2026 that the number of firms in its survey reporting a niche specialisation rose from 489 in 2020 to 614 in 2025.⁷⁹ A 2025 survey of more than 350 US business decision-makers by TaxDome, a practice management software company, found that businesses earning over \$1 million a year were twice as likely to hire a specialist accounting firm as a generalist, and were willing to pay up to 25% more for that expertise.⁸⁰ This contrasts with the expertise-led approach in the Activator study, which describes partners relying mainly on technical expertise to win and retain work. Sector knowledge provides the context that helps a professional apply technical expertise to a specific client's situation. Evidence for its value comes mainly from client surveys and firm-level trends; this analysis found no independent study linking sector expertise directly to firm profitability.

The pipeline of people entering these professions is smaller than it was in both the UK and US, for reasons that include retirement, the cost and length of qualifying, and falling student and graduate numbers. At the same time, the people already in these professions are more willing to leave, partly over AI-related concerns; immigration policy offers no easy route to top up the shortfall from abroad, and the data suggests firms may

be underestimating how soon they will feel the effects, and how much it can cost them when it lands on someone senior.

Firms are not simply absorbing that shortage. Some are offshoring standardised work to keep unit costs down and free up scarce staff for complex client work, within limits regulators are actively watching. Alongside that supply problem, the capability firms most need to develop and retain in people appears to be broadening beyond technical delivery, toward building trust with a client, advising them directly, and the wider interpersonal skills that let someone support, guide and grow that relationship. That shift aligns with growing client demand for help managing complexity across borders, described next, and it affects how firms train, promote and reward people as much as how many they can find.

● Cross-border complexity is changing what clients need

A separate trend is adding to demand for the advisory skills described above, rather than competing with them. As more clients operate across borders, the complexity that creates is itself becoming a source of

work as much as a source of risk. HLB International's April 2026 analysis of cross-border growth puts this directly: "success is no longer defined by where they expand, but by whether they have the capability to manage complexity across markets."⁸¹ The same analysis identifies five specific areas where that complexity appears, covering regulatory compliance, supply chain reconfiguration, financial risk management, talent and operating models, and technology fragmentation. Each is a point where a client is likely to need outside advice rather than manage it alone.

A survey of 200 senior professionals for CSC, reported by MyChesCo, found the same pattern from the client side: 74% cited market entry and expansion as their leading execution burden, 71% cited ongoing entity governance and compliance, and entity setup specifically was the single most-cited issue, at 63%.⁸² Taken together with the evidence on evolving skill sets above, this points to an opportunity for firms that can combine technical delivery with the advisory, judgement-led capability clients are already asking for: a client expanding into a new market does not just need a set of accounts filed or a contract reviewed, it needs someone who can help it work out what to do next.

KEY POINTS

Fewer people are entering the professions, more are open to leaving, and losing someone senior is expensive.

67% of accountants aged 55 and over plan to retire. (UK)

52% of professionals expect their next career move to be outside their current organisation. (Global)

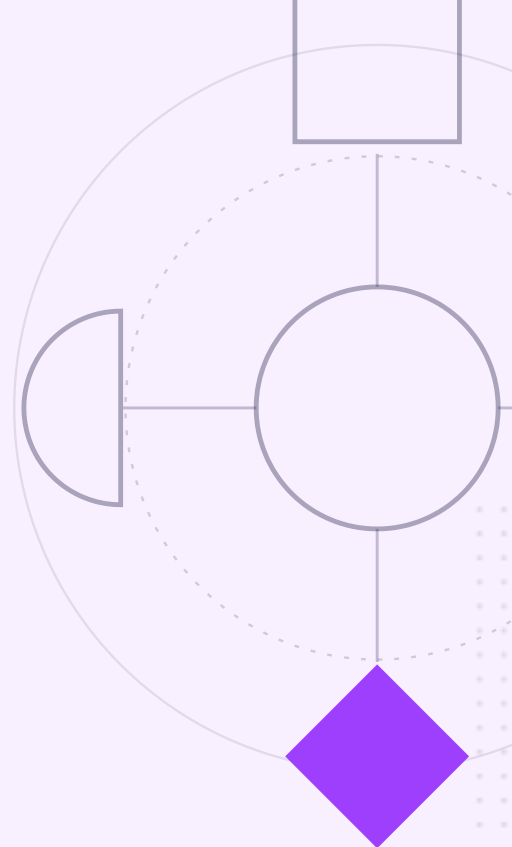
Firms estimate it costs **more than \$1 million** to lose a third-year associate. (North America and UK)

04

FORCE 4 OF 5

Threat of substitutes

This force asks whether a client can get the same outcome without using a firm, for example by doing the work themselves. Client self-service is not new; online filing and template documents predate AI and the wider wave of business software before it, and this section focuses on what current evidence supports.



It splits into two separate questions with different answers: how much businesses use AI at all, and how much of that use goes specifically toward accounting or legal tasks. AI is not the only substitution channel either, and the next two subsections cover both.

● Beyond AI: other substitution channels

The regulatory-enabled and breakaway firms described under new entrants above are themselves a form of substitution as much as new competition. A client moving standardised legal or audit work to LawFairy, Garfield, or a similar technology-only provider is substituting away from a traditional firm relationship entirely, not simply switching between two conventional firms; the same applies, in principle, to a client that moves work to Unity Advisory or WTS UK rather than staying with an incumbent, though as noted above the evidence does not show how often that actually happens.

Regulatory change can create substitution too. If the UK extends the audit exemption described under buyer power above, some medium-sized companies may choose to do without an audit, or opt for a lighter form of assurance.

Ordinary business software also substitutes for basic accounting work independently of AI, through conventional cloud accounting and filing tools that predate the current wave of AI adoption. The evidence gathered here does not separate how much of small-business self-service is AI-specific versus simply digital. That limit applies here as much as it does to the accounting-use-case question addressed below.

● Large clients moving work in-house

At the large corporate end, the substitution threat is well evidenced. The Thomson Reuters findings cited under buyer power above show corporate clients already moving repeatable work in-house.³³ Bloomberg Law describes a related shift in legal terms, with high-volume, standardised legal work being separated from complex work and served by technology-first platforms at lower cost.⁸³

Legal AI vendors describe the same shift. In an October 2026 interview with Bloomberg Television, Max Junestrand said "50% of our new market is coming from in-house legal departments."⁵⁶ Barclays and Salesforce both announced global rollouts of Legora across their in-house legal teams in 2026.^{84,85} Legora has a commercial interest in this trend. Even so, its figures point in the same direction as the Thomson Reuters client research cited above.

The UK government's AI Adoption Plan for professional and business services, published in June 2026, found 43.4% of professional and business services firms using AI by December 2025, up from 31.4% a year earlier, rising to 96% among law firms and 66% among accountants. The same plan found 75% of these firms still lack the data infrastructure and process redesign needed to use AI well, despite the adoption figures.⁸⁶

96%

of law firms have adopted AI. 75% of professional and business services firms still lack the data infrastructure to use it well.

UK Government AI Adoption Plan for professional and business services, June 2026

● AI adoption by business size

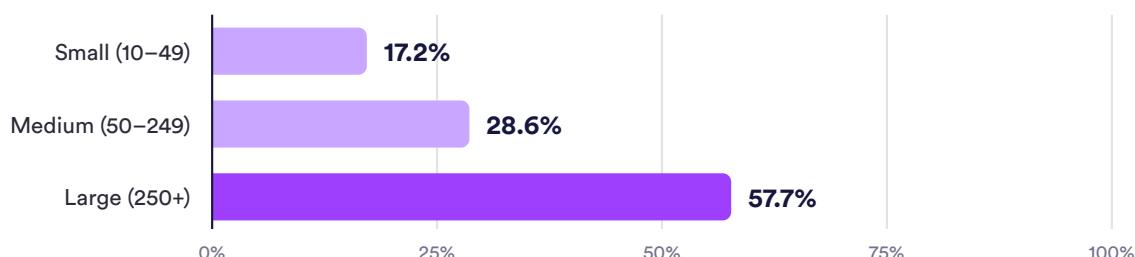
On overall AI adoption by business size, three independent sources across two countries agree, and the pattern runs against the idea that smaller businesses might be ahead. In the US, the Census Bureau's Business Trends and Outlook Survey, analysed by the Small Business Administration's Office of Advocacy in September 2025, found small businesses (under 250 employees) at 8.8% AI adoption in August 2025, below the rate for large businesses, though the gap was closing quickly.⁸⁷ JPMorgan Chase Institute research, published April 2026 and based on 4.6 million small businesses banking with Chase, found 17.7% had adopted AI by December 2025.⁸⁸

In Ireland, the Central Statistics Office reported in March 2026 that AI adoption among enterprises with 10 or more employees stood at 20.2% in 2025, rising with size: 17.2% for small enterprises (10 to 49 employees), 28.6% for medium enterprises, and 57.7% for large enterprises.⁸⁹ This analysis found no UK figure broken down by business size in the same way.

FIGURE 4

Large Irish enterprises are more than three times as likely as small ones to use AI

Share of Irish enterprises using AI, by business size, 2025



Source: CSO Ireland, Digital Sustainability and Artificial Intelligence Adoption, March 2026. Employees in brackets.

● How much of that is accounting, specifically

On the narrower question, how much of small businesses' AI use is applied specifically to accounting tasks, the evidence is thin, and this is the part to treat with the most caution. The only source with a direct breakdown by business function is NFIB's 2025 Small Business and Technology Survey (521 US small businesses, published June 2025), which found accounting cited as a use case by 4% of AI-using respondents, compared with 29% for communications and 27% for marketing.⁹⁰ This analysis found no equivalent breakdown for the UK, Ireland, or globally. CSO Ireland's

data comes closest but reports only a broad "business administrative processes" category (7.8% of enterprise AI use), which cannot confirm or contradict the US figure.⁸⁹

There is a plausible reason to think small businesses might lean on AI for accounting specifically: cost pressure makes a bookkeeper harder to afford, and vendors including Xero and Intuit QuickBooks are building and marketing AI bookkeeping features aimed at this segment. Several vendor sources claim high adoption of these features, but these figures are commercially motivated and could not be independently verified, so they are not included here as evidence. No

independent survey evidence was found, in any of the four countries covered, that directly tests whether small businesses apply AI to accounting tasks at a higher rate than larger businesses. This is a genuine gap in the evidence, not a settled answer.

Small businesses show lower overall AI adoption than larger businesses in every size-segmented dataset found, across the US and Ireland, with no comparable

UK breakdown located. Whether small businesses direct a larger or smaller share of their AI use toward accounting specifically is not well evidenced in any of the four countries covered. The one relevant figure available, from a single US survey, points to a small share, but it has not been repeated elsewhere. Treat it as indicative rather than conclusive.

◆ KEY POINTS

Large clients are moving repeatable work in-house, and AI tool adoption is uneven.

96% of law firms and **66%** of accountants use AI, but **75%** of professional and business services firms lack the data infrastructure to use it well. (UK)

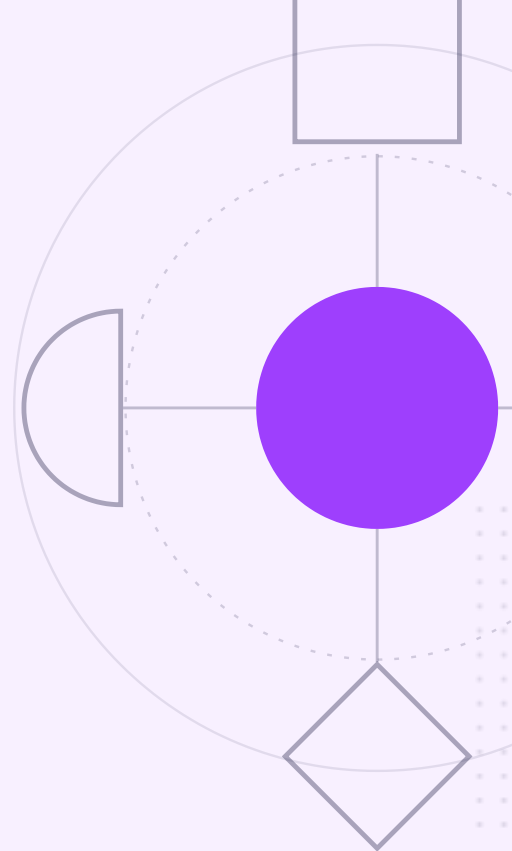
17.2% of small enterprises use AI, against **57.7%** of large ones. (Ireland)

05

FORCE 5 OF 5

Competitive rivalry

This force asks how intensely existing firms compete with each other, for example on price, on winning each other's clients, or by buying each other. Intense rivalry usually pushes industry profitability down.



Consolidation, increasingly funded by private equity, is reshaping the competitive landscape in the UK, Ireland and the US alike, while rivalry on complex work is shifting toward higher, more differentiated pricing. A further source of rivalry comes from the breakaway, well-capitalised challenger firms described under new entrants above: Unity Advisory and WTS UK are both explicit about targeting the Big Four's own client base and talent pool, even though, as noted there, the evidence available does not show whether clients are actually moving with them.

● Consolidation in the US

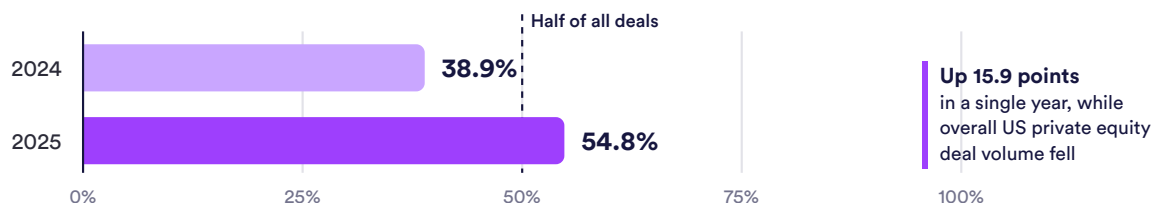
In the US, Capstone Partners data reported by CPA Practice Advisor in July 2026 showed private equity's share of accounting firm mergers and acquisitions rising to 54.8% of deals, up from 38.9% the year before. There were 194 deals in 2025, up 26% year over year, with 62 more completed or announced by August 2026, and PE-specific deal volume up 69.1% year over year.⁹¹ By contrast, PwC's mid-2026 US deals outlook found overall PE deal volume down 67% year over year in the first half of 2026, with sponsors concentrating

capital on fewer, larger deals.⁹² Accounting-sector consolidation is accelerating at the same time as private equity activity is slowing elsewhere.

FIGURE 5

Private equity buyers now account for more than half of US accounting firm deals

Private equity's share of US accounting firm mergers and acquisitions, by year



Source: Capstone Partners data, reported by CPA Practice Advisor, July 2026. Overall US private equity deal volume: PwC, mid-2026 US deals outlook.

One likely factor behind that is succession. As noted under supplier power above, a large share of sole practitioners and small firm owners are approaching retirement without a successor in place, and private equity buyers, including firms such as Thrive Holdings and Alpine Investors in the US, are acquiring smaller practices partly to address that gap.⁴⁷

In July 2026, Grant Thornton's US firm, majority-owned by New Mountain Capital since 2024, agreed to buy CBIZ for \$5 billion in cash. CPA Practice Advisor described it as the largest public accounting deal in more than 25 years.⁹³ For 30 years, CBIZ had been the only standalone accounting firm on the US stock market,⁹⁴ and in 2024 it acquired Marcum for \$2.3 billion. Grant Thornton expects the deal to complete in the final quarter of 2026, making it the fifth-largest US accounting firm, ahead of RSM.⁹³

● Consolidation in the UK

In the UK, ICAEW's research into mid-tier accountancy firms, published in May 2026, found 46% of firms surveyed now have private equity backing, up from 25% in 2025 and 12% in 2024. Among PE-backed firms, 94% plan further acquisitions in the next three years, against 58% of independent firms.

Firms surveyed were evenly split on whether this is good for the profession, 40% positive and 40% negative. The same research found 63% of firms expecting consolidation to produce a more divided market by 2030, with fewer large firms, a smaller middle tier, and more smaller, specialist practices.²⁹ Separately, the UK's Top 75 Firms Survey, published March 2026, recorded combined fees of £24.13 billion, a 5%

increase and the first time the figure has passed £24 billion, with growth concentrated among mid-tier firms.⁹⁵

● Consolidation in Ireland

In Ireland, coverage published in February 2026 described consolidation in the independent financial advice sector as something firms increasingly feel they have little choice about, with more than 900 deals completed across Britain and Ireland since 2020.⁹⁶

● Consolidation in continental Europe

The same pattern is visible outside the three main markets. Accountancy Europe reported in June 2025 that private equity deals involving European accountancy firms rose from 10 to 20 a year before 2022 to more than 100 in 2023 and about 200 in 2024. By early 2025, 21% of Dutch audit firms that do not audit listed companies had private equity backing. EU rules require audit firms to be owned mainly by qualified statutory auditors, so around 60% of deals target the accounting, tax and advisory side of firms instead, a split similar to the one described for the US below.¹

● Why some firms stay independent

Not every firm is taking this path, and the divide is less about whether a firm wants growth capital than about who controls it afterwards. GHJ Advisors, a Los Angeles firm with around 250 people, has deliberately stayed independent; its managing partner, Tom Barry, has said that taking private equity investment would mean losing control of the firm's culture immediately, regardless of what a buyer promises beforehand.

CliftonLarsonAllen, a top-10 US firm, has also stayed independent, funding a five-year, \$500 million technology plan without outside capital and keeping decisions inside a traditional partnership structure that requires partner consensus rather than investor approval.⁹⁷

Remaining independent at scale raises its own question about capital. RSM, the fifth-largest US accounting firm by revenue and the seventh-largest globally, held out against private equity through the deal boom of the past five years. Instead, it has built an alliance between its US, UK and Mexican firms, with combined annual revenue of more than \$5 billion. In October 2026, the Financial Times reported, citing people familiar with the matter, that RSM has held talks with bankers and is introducing the financial systems of a listed company, so that a stock market listing becomes an option. RSM has taken no decision. According to the same report, RSM would choose a listing if larger acquisitions, international expansion and client demand for AI-related services required more capital than partners and borrowing can provide. Private equity's involvement has also pushed up valuations across the sector, making those acquisitions more expensive.⁹⁴

A listing has a mixed history in the profession. RSM US spent more than a decade inside the listed group H&R Block before returning to private ownership in 2011, and its chief executive, Brian Becker, has cited that period as a reason to resist private equity. RSM Tenon, a listed UK firm in the same network, collapsed in 2013.⁹⁴ More recently, MHA listed on London's AIM market in April 2025,⁹⁸ and Andersen Group floated on the New York Stock Exchange in December 2025, where its market value has since roughly tripled.⁹⁴ A listing may also become a route out for private equity investors. The FT reports that some private equity-backed rivals, including Grant Thornton and Baker Tilly in the US, could list as those investors seek to exit. Either way, a listing avoids a private equity owner, but it still brings in outside shareholders.

Firms that take private equity investment describe a real change in how they run, not just where the funding comes from. One consultant who advises on these deals, Allan Koltin, has described the shift as moving a firm from a "country club" to a "country": more structure and accountability, less autonomy.

"A country club to a country."

Allan Koltin, on what private equity ownership changes inside a firm

Most deals also split the firm into two separate entities: one still owned by CPAs to hold the audit practice, and the other majority-owned by the investor to hold tax, consulting and technology work, specifically because non-CPAs are barred from owning audit work in most US states. New York only recently passed legislation allowing minority non-CPA ownership, and the AICPA has been revising its own independence rules in response to how common this structure has become.⁹⁹

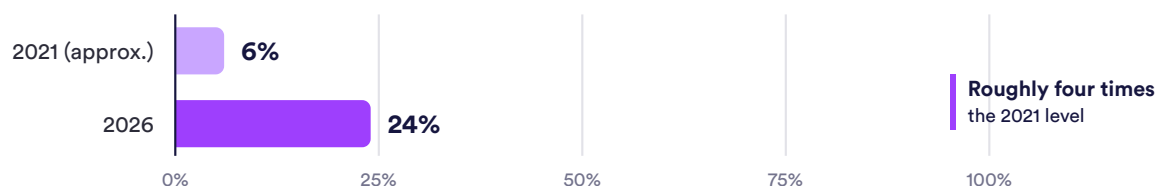
Firms that have gone through it point to more standardised, metrics-driven processes, higher staff turnover during the transition, and senior staff time increasingly reserved for the largest, most profitable clients rather than spread evenly across the client base.¹⁰⁰

The scale of this shift is now large enough to measure market-wide. Around 24 of the top 100 US accounting firms, and at least 10 of the top 30, now have private equity ownership, roughly four times the level of consolidation seen in 2021. Firms are increasingly being resold from one private equity owner to the next rather than settling with one buyer: Citrin Cooperman moved from New Mountain Capital to Blackstone in January 2025 at around 15 times EBITDA, up from the 11 times New Mountain paid in 2021. A December 2025 survey found 35% of accountants say they are not at all open to working at a private equity-owned firm.¹⁰¹

FIGURE 6

Private equity now owns around a quarter of the top 100 US accounting firms

Share of the top 100 US accounting firms with private equity ownership



Source: CFO Brew, April 2026. The 2021 figure is derived from CFO Brew's reported four-fold increase since 2021, not independently reported as a standalone figure.

Research published through the National Bureau of Economic Research, studying accounting, healthcare and legal services together, found effects that go beyond any single firm. In the two years after a private equity-backed buyer entered a market, employment at the acquired firm grew by around 40%, and local labour markets became 8 to 12 percentage points more likely to reach the most concentrated tier of employer choice within five years, meaning fewer real alternative employers for accountants in that area.

On price, the same research found fees for standardised audit work rose 7 to 12% in the first year after a private equity-backed acquirer entered a market, reaching 20 to 30% within three to four years, with no change in regulation or client mix to explain it.¹⁰² That complicates the pattern described under new entrants above: new competition and new technology are pushing prices down on standardised work in most of the evidence gathered here, but private equity-driven consolidation can do the opposite locally, by reducing the number of firms competing for the same clients.

● Pricing diverges on complex work

Rivalry on complex work is moving differently. Bloomberg Law notes partner rates on this work reaching as much as \$4,000 an hour in some cases, even as the standardised end of the market faces the margin pressure described under new entrants above.⁸³

Consolidation is advancing at a broadly similar pace in the UK, Ireland and US, and growing across continental Europe, funded substantially by private equity and, in part, by owners retiring without a successor, and concentrated among firms competing on scale and standardised delivery. Firms respond differently to that pressure: some sell control for capital and speed, others hold out for the autonomy to run the firm on their own terms, and the evidence suggests each choice carries a real, different set of consequences rather than one simply being right. Pricing on complex work is reported to be moving in the opposite direction from standardised work. Where private equity-driven consolidation reduces the number of firms competing locally, standardised work can also see prices rise, not just fall.

● KEY POINTS

Private equity-funded consolidation is accelerating, and the firms already backed by it plan to keep buying.

Private equity accounted for **54.8%** of accounting firm deals in 2025, up from 38.9% the year before. (US)

94% of private equity-backed mid-tier firms plan further acquisitions within three years, against 58% of independent firms. (UK)

Conclusion

Across the five forces, one pattern repeats. Pressure is concentrated on standardised, price-comparable work and, on the evidence gathered here, weaker on complex work. That is not because careful, situation-specific thinking only happens in complex work; the evidence throughout this analysis shows it is present in both. Standardised work is easier to price by output, easier for a client to compare across providers, and easier for a new entrant or a tool to replicate. In contrast, complex work depends on reading a specific, unfamiliar situation and working out what to do about it, which is harder to automate or outsource.

New entrants and buyer power are both acting on the standardised part of the work, through more than one channel. Regulatory change has opened law firms to non-lawyer ownership and capital; AI-native platforms and established firms' own AI tools are competing on cost and speed. Meanwhile, a newer trend—senior professionals leaving established firms to launch well-funded challengers such as Unity Advisory and WTS UK—is intensifying competition for both clients and talent. However, the evidence does not show whether clients are following these professionals to their new firms.

Regulation that gives large clients room to compare and switch providers, and clients themselves consolidating into fewer, larger buyers, both add to buyer leverage. A current UK consultation could further boost this in the mid-market by making audit optional for some medium-sized companies. Pricing evidence points the other way for complex work, with reported partner rates on that work rising even as rates on standardised work come under pressure.⁸³

\$143 billion

An estimated \$143 billion of US legal and accounting revenue is now in play, as corporate clients reconsider who they use over the gap between what they expect from AI and what firms are delivering.

Thomson Reuters, 2026 Future of Professionals Report

Supplier power does not follow the same divide. The evidence points to a smaller, more mobile pool of qualified people in both the UK and the US. Contributing factors include retirement across all levels of seniority, from sole practitioners to senior partners at mid-tier firms and above; the cost and length of qualifying; immigration policy; and career concerns, partly linked to AI. Losing someone senior is expensive, and at partner level the highest cost is often the clients who leave with them. Evidence suggests risk is lower when more than one person at the firm holds a client relationship, yet many firms say their people do not know enough about each other's expertise to work that way.

Firms are responding in several ways. Some are competing more aggressively for available talent; others are offshoring standardised work to lower-cost centres abroad, now common practice at both Big Four and mid-tier firms, though regulators are closely watching the impact on oversight and quality. That pressure affects a firm's ability to deliver both standardised and complex work, since it requires careful judgement throughout. Several regulators, membership bodies and firms report, separately, that the most in-demand capability is now broader than technical skill alone. It spans the ability to build trust, advise a client directly, bring knowledge of the client's sector, and support them through decisions that go beyond the immediate

piece of work in front of the firm. These sources describe it as a distinct, learnable capability, needed on routine and complex engagements, and increasingly as more clients operate across borders and need help managing that complexity.

Competitive rivalry is driving consolidation among firms competing on scale and standardised delivery. This trend is progressing at a similar pace in the UK, Ireland and the US, and increasingly across continental Europe. Private equity investment is a major source of funding, while the retirement of owners without successors is another driver. At the same time, competition is intensifying as challenger firms, backed by external capital, target incumbents' clients and talent. Meanwhile, some independent firms are looking beyond partners and private equity for capital. MHA listed in London in 2025, and RSM is exploring a stock market listing.

This is happening while private equity deal activity is slowing in the wider US economy, suggesting causes that may be specific to this industry rather than to capital markets generally. Firms are divided on whether consolidation is good for the profession, and the evidence on private equity-backed firms shows real effects both ways.

On one hand, firms gain access to capital and the speed to deploy it, greater structure and accountability, and the capacity to keep growing through acquisition, with 94% of private equity-backed UK mid-tier firms planning further acquisitions, compared with 58% of independent firms. Employment at acquired firms has grown by around 40% within two years, and owners without a successor gain an exit route. On the other hand, they face less autonomy, higher staff turnover during the transition, and senior people's time focused on the largest clients rather than spread across the client base. Some independent firms cite a loss of cultural control as a reason to stay out, and 35% of accountants say they would not consider working at a private equity-owned firm. In local markets, consolidation can leave accountants with fewer alternative employers and has been linked to higher prices for standardised audit work. Taken together, profitability pressure in this industry is not evenly spread. It is concentrated on work that can be standardised, priced by output and delivered at scale. Work that depends on reading a specific, unfamiliar situation and deciding what to do about it does not show the same pressure

in the evidence gathered here, and in some cases is being priced higher as the rest of the market changes around it.

Alongside the divide between standardised and complex work, the evidence points to a broader set of advisory, relationship-building and business-development skills becoming more distinct and valuable. These skills are observed across the full range of client relationships, from the most standardised to the most complex, and are increasingly associated with clients seeking support in navigating growth and cross-border complexity.

Several questions remain open. The evidence does not show whether clients are following the senior people who leave to set up challenger firms such as Unity Advisory and WTS UK. This analysis found no licensed, technology-only accounting or audit firm in the UK, Ireland or the US. Evidence on how much small businesses use AI for accounting comes from a single US survey. Evidence that complex work is being priced higher comes mainly from US law. Evidence that client relationship and advisory skills are becoming more important comes mainly from professional bodies' commentary, practitioner views and one large study sponsored by a software vendor. These sources are consistent, but little independent survey data is measuring it directly. No formal estimate of the full cost of losing a partner was found, and accounting has less published evidence at partner level than law. The evidence does not yet show whether AI will reduce or increase overall demand for qualified people. Evidence on the value of sector expertise comes mainly from client surveys and firm-level trends, and this analysis found no independent study linking it directly to firm profitability. Irish evidence is thinner than UK or US evidence for several of the forces. The evidence also does not point in only one direction. Where private equity consolidation reduces local competition, prices for standardised work have risen rather than fallen.

This describes what the evidence shows across five separate forces, not a prediction. It does not account for factors outside the scope of a Five Forces analysis, such as the outcome of the UK audit consultation, other future regulation, or how quickly any individual firm can adapt. It also does not say what any specific firm should do in response, which depends on that firm's own clients, capabilities and market position. The final section suggests where a firm might start.

What this means for your firm

The five forces describe pressures across the whole industry. How they affect one firm depends on its clients, its people and the choices its leaders make. The Value Readiness Check helps a leadership team see where its firm stands across four areas that connect directly to this report.

01

Commercial performance and growth potential

covers pricing, profitability by client and service, and how confident your people are in commercial and growth conversations. These are the areas most exposed to the fee pressure described under buyer power.

02

Operational excellence and scalability

cover how well your systems and technology support efficient delivery, and whether you have the foundations to grow or to integrate an acquisition. It connects to the technology changes described under new entrants and substitutes.

03

Leadership, people and culture

cover your pipeline of future leaders, how you retain high performers and build capability, and your succession plans. These are the pressures described under supplier power.

04

Financial strength, governance and risk

cover financial control, governance, client feedback and quality assurance. It connects to the client expectations described under buyer power and to the quality and oversight concerns described under supplier power.

Together, these four areas shape the choices open to a firm, whether that means growing independently, merging, taking investment or planning for succession, the same choices described under competitive rivalry.

The Value Readiness Check has 32 questions and takes about six minutes. It is free and confidential. When you finish, you receive an instant, personalised report showing your firm's strengths and gaps, to help your leadership team decide where to focus.

[Take the Value Readiness Check](#)

valuereadinesscheck.scoreapp.com

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Jonathan Lancaster helps firm leaders build the skills, behaviours and capabilities to differentiate their services, compete successfully and develop more valuable client relationships. He set up the business that became Practice Edge in 2016, drawing on substantial experience of winning work in competitive and regulated environments, spanning start-ups, PLC technology companies and consulting. A trained executive coach with The Integral Institute, he works with top 20 and mid-sized firms in the UK, Ireland and internationally, as well as with international networks of member firms.

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ABOUT PRACTICE EDGE

Practice Edge works with law, accounting and advisory firms, and with international networks of member firms, to help them win business and build more valuable client relationships. In most firms, the capability behind the best client relationships sits with a few senior people. Practice Edge helps firms develop it across the firm, from partners to emerging leaders.

Its work includes the Value Readiness Check, a free six-minute diagnostic; the Value Creation Review, conducted with leadership teams; the Client Value Programme, a six-month programme for partners and emerging leaders; and ongoing support.

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