



# How to Double Your Revenue Per Partner

A Gusto report based on research by the  
AICPA and The Growth Partnership



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## Growth opens doors

Revenue isn't everything, but it's a useful tool if you're a firm owner who sees accounting changing and wants to help it adapt more gracefully. Perhaps you hope to give accounting professionals more rewarding jobs, foster an uncommonly balanced work environment, or ensure that work creates a better personal life for everyone from CPAs to clients' employees. If that's you, consider this your guide.



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### *The only way to significantly increase your revenue per partner is to decouple your growth from the need for additional workers*

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We've selected "revenue per partner" as our chief metric for success here for two reasons: We have plentiful data thanks to multiple surveys. And it's a "roll-up metric" which contains multitudes of other metrics that, in sum, are difficult to falsify. The only way to significantly increase your revenue per partner (providing you report it faithfully) is, as we'll explore, to decouple your growth from the need for additional workers.

If you do that—if you're able to grow without needing an equal increase in headcount—you produce a vortex of productivity and profit. That in turn, allows you to hire the people you want, only this time, as you add them, the productivity gains compound.

If this seems like a lot to take in, don't worry. We'll explain it all step-by-step and provide specific recommendations with a dash of Gusto commentary.

## About the data

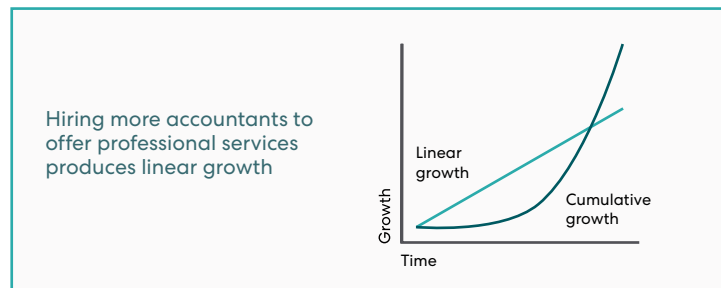
The data in this report comes primarily from two sources: The 2021 National Management of an **Accounting Practice (MAP) Survey** from the AICPA Private Companies Practice Section (PCPS), a survey of 1,000 accounting firms, and the **2021 Rosenberg Survey**, by The Growth Partnership, which studied 315 firms. It's not a huge sample size, and we consider this a fertile area for future research.



## One more time. Decouple growth from workers?

On paper, accounting firms tend to grow linearly. That is, their productivity per partner or per full-time employee is a fixed ratio. Adding another accountant to your team means you can bring on 20 new tax clients, less the cost of employment. And in practice, it isn't even quite that clean. You'll also have additional overhead like real estate and a layer of people managers, human resources, and IT, so the return diminishes. Plus, there's the difficult-to-quantify cost of communication breakdowns and the need for more process as those teams grow.

Thus, a firm hoping to grow the way it's always been done will tend to grow as it always has: rather slowly. If you hire accounting professionals who offer services like tax and auditing, they're only able to add a fixed number of hours to the firm's total. And because of overhead, that linear line regresses to a point of diminishing return, unless you get very clever.



As a business model, this works great for many firms. But it won't always produce the sort of growth ambitious owners seek, nor does it ensure a particularly exciting place to work. Tax work is tax work, and many accountants today **are seeking more meaning.**

Now, if this equation is true, how did the Big Four grow so large, you ask? Good question. And the answer is history. They had more than a century and a half head start, and have gone through many mergers. The companies that became the Big Four were scooping up new clients back before Germany was a country. The year Ernst & Young was technically founded, San Francisco's meager population of 850 people could have comfortably sat for dinner together. That was a very different market.

Now, there are **134,000 accounting firms**, and laws and agencies like the IRS have helped to commoditize these services for tens of millions of businesses and hundreds of millions of people. In today's environment, it's more challenging to grow. There's more competition and less differentiation. But there are some firms that nevertheless generate double the net profit per partner, and it's because they've introduced a new variable into the linear equation from the graph above.

And they did it by decoupling the ability to grow from their need to hire additional workers.

## The state of firm growth today

Let's take a look at what it means to grow today. If you are growing at all, you are doing quite well. Firms with over \$2 million in revenue grew at an anemic 5.7 percent in 2020 according to the Rosenberg Survey (the most recent data available). And a quarter of that growth (23 percent) was due to acquisitions and mergers.

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### *Firms with over \$2 million in revenue grew at an anemic 5.7 percent in 2020*

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Net income per partner climbed just five percent, the lowest increase since 2017. Meanwhile, at the time of writing, the inflation rate (CPI year over year) was up to **7.9 percent**.



And while the rate at which firms realized that revenue (the realization rate) only dropped five percent, the Rosenberg Survey's authors are skeptical of this finding. They believe the issue is worse than that number suggests, and that many firms are struggling to realize revenue as they adapt to a virtual work environment where things feel scattered.

A big factor constricting firms' growth is of course **the talent shortage**. "The labor shortage in the accounting profession continues to have a major impact on nearly every firm," according to the Rosenberg Survey. And "[the] stagnating CPA pipeline is a threat. It's an issue that will only get worse and grow more troubling without action," writes the **Illinois CPA Society**.

The result is the average annual billable staff hours have been unchanged for three years. Help is not coming. And that's exactly what you could expect from a linear growth rate. It reflects an industry dependent upon additional workers, and unable to grow because those workers are not forthcoming.



Average annual billable staff hours have been unchanged for three years

## How to “decouple and double”

The AICPA’s survey (called “MAP”) provides data on a cohort of firms that appear to have double the revenue numbers by a variety of measures. While not a cloudless picture, it does bring into clearer focus what a “top-performing” cohort does differently. And with the Rosenberg Survey demonstrating how these metrics change as a firm grows its revenue, we can begin to infer a relationship between action and outcome.

Note: We are extrapolating from two sets of data and layering in commentary drawn from what Gusto’s team is seeing among firms.

The twice-as-profitable cohort enjoys: (From the MAP Survey)

- Median net client fees per partner of nearly \$1.25 million, compared with \$556,654 for all firms.
- Median partner compensation of just under \$400,000, compared with about \$167,000 for all firms.
- Median net remaining per owner (profit) of slightly above \$490,000, compared with about \$208,000 for all firms.

### How top performers earn differently

Net client fees (revenue)	2021 median all respondents	2021 median top performers
Total net client fees	\$876,614	\$3,334,824
Net client fees earned – prior FY	\$867,000	\$3,241,808
<b>Net client fees per partner/owner</b>	<b>\$556,654</b>	<b>\$1,247,930</b>
Net client fees per FTE professional	\$164,000	\$214,244
% charge in net client fees from prior year	4.17%	6.52%

Net remaining per partner/owner (profit)	2021 median all respondents	2021 median top performers
Net remaining per partner/owner	\$207,604	\$490,082
Net remaining for partner/owners as % of net client fees	38.9%	41.4%

Ratios and expenses	2021 median all respondents	2021 median top performers
Firm realization %	97.0%	93.5%
Utilization % – firmwide	62.3%	64.6%

Data from the AICPA’s MAP survey

It's of course difficult to tease apart causation and correlation, but these twice-as-profitable firms do look and act differently on a number of measures:

### **They have more firm partners**

The more revenue a firm has, the more partners it has, irrespective of full-time employees. And as the number of partners grows, the number of employees does not necessarily grow in proportion. Meaning, that firm is able to sustain more partners and more profit with fewer full-time people. (Though more workers overall.)



### **They stay in business longer and employees stay for longer**

Seventy-eight percent of top performers had been in business 21 years or more. Compare that to the average of 63 percent of all firms. Top-performing firms also retained their people for more years of service than other firms, and professional staff turnover also appears to drop somewhat as firms grow.

### **They have proportionally more operations staff**

Top performers employ twice as many operations staff with a median of 7.6 full-time operations employees, compared with 3.5 for all firms.

### **They charge higher fees**

Top performers earned twice the median net income per partner. They appear to do this not just by hiring more people (their headcount does not increase in equal measure), but by charging more for the same services. Top performers charged \$300 per hour for equity partners/owners and \$260 per hour for directors/non-equity partners, compared with \$227.50 and \$215 respectively for all firms. It's unclear how much the firm's notoriety and name recognition plays into this.

### They use their time more efficiently

Top performers push more billable work down from the partners and directors to employees. This is most notable among interns (1,164 billable hours per intern among top performers, versus 1,000) and professional subcontractors (1,584 billable hours per contractor versus 1,416).

There's a strong relationship between "automation" and offering value-based pricing. If software can help more junior people accomplish higher-level work, your margins increase. Not to mention, it can help people's careers, because software may allow you to hire individuals from non-accounting backgrounds.



### They spend a higher percentage of their revenue on salaries

Compared with all firms, top performers spend a higher percentage of total income on salary expenses (34.0 percent spent on salaries versus 31.6 percent) and on payments to retired partners (1.8 percent in payments to retired partners versus 1.4 percent).

### They spend proportionally less on real estate and software

Top performers spent less on rent and other occupancy costs (4.1% versus 4.9%) and software (2.9 percent versus 3.8 percent). Though in real terms, they likely spend much more. It's just that with size, an economy of scale sets in.

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*“I’m certain that CPA firms will utilize technology to provide more advisory services, better manage their operations, increase process efficiencies (enabling them to do more with less), and ultimately compete with organizations outside of accounting.”*

**—The Rosenberg Survey**

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### They may rely more on advisory work

While the MAP survey found that top performers did not derive significantly more revenue from advisory services, the Rosenberg Survey did. The latter found that the larger a firm grows, the more likely it is to offer advisory (specifically, investment advisory). It shows that less than one-fifth of small firms offer investment, whereas more than half of large firms do (58 percent).



A Gusto survey of 2,000 employers found that 92 percent expect business advice from their accountant, and 42 percent would pay more for advice on people matters like hiring, benefits, and HR.

### Data from the MAP survey

Service fees as a % of net client fees (for firms offering the service)	2021 median all respondents	2021 median top performers
Tax — individual compliance and planning for compliance and planning service fees	30.6%	23.8%
Tax — business compliance and planning service fees	24.0%	25.4%
Audit and attest service fees	14.8%	16.1%
Client accounting advisory service fees	12.0%	11.3%
% charge in net client fees from prior year	8.0%	6.9%

# How to act more like a top-performing firm

So what can we learn from the data? Firms with double the revenue per partner charge clients more, pay their people more, retain employees longer, hire more operations staff, and make more effective use of their time. It isn't possible to say whether they earn twice the revenue because of these habits, or whether these habits arose as a result of the firms being more profitable, but we feel the former idea holds some weight.

If your firm were to look more like those double-revenue firms, you might consider doing the following.



## 9 Recommendations:

1. Decouple your growth from workers with value-based pricing
2. Train your people so you can push more billable work down
3. Rely more on advisory and subscription services
4. Offer value-added services so you can charge more per client
5. Reduce your overhead by standardizing processes and software
6. Repackage and sell unprofitable clients
7. Create a genuinely good place to work
8. Employ more operations people
9. Seek out other partners who can bring a book of business

## 1. Decouple your growth from workers with value-based pricing

If you are reliant on hiring more people to be more productive, you're unlikely to double your revenue per partner. To charge more per partner, you need to be thinking about how software and advisory can help you deliver more value to clients than an hourly service. Counterintuitive as this may seem, it's the key to being able to sustainably hire more people and foster a better work environment.

- Segment your pricing by vertical or need
- Build modest annual price increases into your contracts



## 2. Train your people so you can push more billable work down

Training can be expensive, but having more skilled employees opens the opportunity for “moving up the value chain” to offer non-commoditized services such as advisory. A top complaint Gusto hears among firms trying to transition into more advisory is that there's too much existing tax and audit work to spare anyone for training. Software can help with that. Greater use of accounting, practice management, and HR and payroll platforms can free up employees for additional work. They can also allow lower-level employees to engage in higher-skilled and higher-margin work, which can help people with non-accounting backgrounds get into the industry.

- Maximize your use of software and get your teams certified (often free)
- Provide more training for your team and “insource” before you outsource

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*“CPAs played a critical role in helping their small business clients survive and, in many cases, thrive during these challenging times. The successful firms will build upon this and create more advisory and consulting services to complement the compliance and transactional offerings upon which they have built their firms.”*

—Jim Boomer, Boomer Consulting (Rosenberg Survey)

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### 3. Rely more on advisory and subscription services

More than half of large firms offer advisory services. Does yours? Advisory is the ultimate value-based service and lends itself to recurring monthly fees. And because there's no direct, one-to-one relationship to hours, that's an offering you can grow cumulatively. Similarly, consider building courses or digital products for your niche.

- Launch or promote your advisory offerings
- Aim to win a larger percentage of revenue from advisory
- Explore offering courses and digital products

### 4. Offer value-added services so you can charge more per client

With accounting services like tax and audit being fairly commoditized, accounting firms are branching out into other areas such as **people operations**. According to Gusto research, 62 percent of businesses would switch to an accountant that offered people operations advice, and 92 percent now expect some sort of business advice from their accountant.

- Study what clients are asking for to develop new offerings



## 5. Reduce your overhead by standardizing processes and software

Business models that scale tend to be repeatable. Whereas firms with lots of fragmented processes tend not to be. If each CPA at your firm has their own document storage, sharing, and communication habits, and every client has their own payroll system, consider standardizing. For example, have your team follow a workflow in a practice management software, where they document their work. Or, standardize all clients on one payroll provider so your team can specialize.

Putting more of your clients on one software makes things simpler for your team (they are better able to cover for each other), but you also gain more clout when dealing with the maker of that software. If they offer tiered rewards, this may bump you up into a higher tier, which could mean more recurring revenue.

- Standardize everyone on one practice management and one payroll software
- Document your operations and train everyone on it
- Make the most of your software providers' partner programs

## 6. Repackage and sell unprofitable clients

Low-margin work can hold your team back. As you look to expand your offerings into newer, potentially more expensive services, consider that a certain portion of your client base simply won't want to change. Consider packaging those clients and selling them to a firm that's eager to have the business.

- Define what an ideal client looks like for your firm
- Create a scoring sheet for potential new clients
- Develop referral relationships with other firms who will take extra clients

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*“We cannot risk additional fatigue and burnout, and so firms are reassessing what constitutes an ideal client. They are strengthening their filters, raising their minimums, and questioning the client acceptance criteria. Often this does translate into culling of existing clients as well. I suspect this will create a small cascade of client movement from larger to smaller firms.”*

—Art Kuesel, Kuesel Consulting (Rosenberg Survey)

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## 7. Create a genuinely good place to work

It's difficult to know whether double-revenue firms pay employees more because the firm makes more money or the reverse. But very likely, given the talent shortage, your firm would do well to invest heavily in employee retention. That may mean paying higher salaries, but it probably also means paying more in benefits. According to Gusto research, workers say "flexible work" is now just as important as paid leave, and **second only to paid healthcare.**

As part of that shift, embrace hybrid work. **Supply remote workers with the tools they need**, and consider reducing your office space.

- Listen to your people and give them genuine (and not performative) reasons to stay
- Pay more to make more

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***“We are seeing a significant increase in the number of firms that are going almost completely virtual.”***

**—Terry Putney, Transition Advisors (Rosenberg Survey)**

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## 8. Employ more operations people

Part of what makes a great place to work is people are given challenging but attainable work. One of the biggest complaints, and a major cause of turnover, is busywork. Perhaps double-revenue firms know this, because they tend to employ twice as many operations staff, relatively speaking. These folks make work more enjoyable for all others, and free them up for more billable work.

- Hire operations staff before you need them, not after

## 9. Seek out other partners who can bring a book of business

You'd think that the fastest way to increase revenue per partner would be to have fewer partners. But that doesn't appear to be the case. More partners may create network effects that allow firms to offer more creative and innovative services. More partners means more specialists, more overlap in their networks, more brand awareness, and more capacity to plan for the future.

- Explore how more partners could contribute to your growth

## Begin your decoupling journey

The future of accounting is guaranteed to look nothing like the past. If we look at where these trends are headed, they seem to ensure that accounting firms move away from commoditized services and into other areas where they can use their insight into clients' financial operations to provide far more value. And as they provide more value, double-revenue firms are leading the way by charging for more for the same hours. They're able to generate double the profit per partner, and it seems to come down to their ability to decouple growth from the need for additional workers.

That, in turn, appears to allow them to hire more workers, but this time, do it profitably. They can pay more, train more, and retain them for longer. By moving away from the linear, "each additional accountant allows us to take on 20 more tax clients" model, these firm owners are creating a twice as profitable workplace that also creates an environment where people want to be.

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*That, in turn, appears to allow them to hire more workers, but this time, do it profitably*

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**Accounting is moving from:**

Transactional to **recurring**

Commoditized to **specialized**

Misery to **advisory**

Low pay to **high pay**

High burnout to **high retention**

Linear to **exponential**

If you're a firm owner who sees accounting changing and wants to help it adapt more gracefully, these findings are a great place to start.

Learn more about Gusto's people platform at

[Gusto.com/partners](https://gusto.com/partners)

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