AICPA

Private Companies
Practice Section

CPA.com

National Management of an Accounting Practice (MAP) Survey

2021 Executive summary

Contents

Introduction

Moderate growth. Solid margins. Firms holding their own with plenty of future potential.

This describes the results of the 2021 National Management of an Accounting Practice (MAP) Survey from the AICPA® Private Companies Practice Section (PCPS) and CPA.com. The profession's largest benchmarking survey on practice management yielded 1,065 responses ranging in size from less than $200,000 in annual net client fees to those with $10 million or more. The survey measured firm performance for fiscal year 2020, the first year of the worldwide COVID-19 pandemic.

This 2021 survey shows that, overall, firms experienced a median **net client fee growth rate of 4% and an increase in equity partner compensation of 1%**. Most promisingly, **firms posted margins of 39%** — stronger than those reported by other CPA profession surveys. Yet there were also signs that **firms have room for improvement**:

- The median equity partner compensation for all survey respondents (All Firms) was essentially flat while median billable hours per equity partner were slightly up. **That translates to more hours for fewer dollars.**
- Realization increased to 97% overall for All Firms, signaling the possibility that there is **room to raise rates, earn a slightly lower realization rate but take in more real dollars**.
- Median billing rates by role or level showed rate increases ranging from 5% to 13%, which would be great news if they represented a single year's increase. But because of the one-year delay in fielding the survey due to the pandemic, the 2021 MAP Survey measures firm performance and compares it to firm performance across the three years prior (2018, 2019 and 2020). This means the **billing rate increases by role or level represent only a 1.7% to 4.3% increase in rates per year** — just ahead of the cost-of-living increase for those same periods.

There are some interesting insights when comparing the median performance of all participating firms with the top 25% of respondents with respect to Net Income Per Partner, referred to in the survey as Top Performers. **The Top Performers reported nearly three times the Net Fees Per Partner, double the profit per partner and double the compensation per partner as compared to all-firm respondents.** Firm leaders benchmarking their firms against this survey's results would benefit by studying the practices of top-performing firms.

As inflation mounts, challenges finding and retaining talent continue, and opportunities to help clients are plentiful, firm leaders can learn from the best practice suggestions and comparative insights provided in this Executive Summary.

Because the landscape for firms is changing quickly, business models should also be changing. We welcome your suggestions for key metrics that could enhance your understanding of the market as we plan for the next survey. You'll find information on how to submit suggestions in the "About the Survey" section later in the summary.

"This is certainly the right time for firms to consider changes to their underlying business model. The market demand is great and growing. Firms have an opportunity to make changes to their service offerings and to expand their Client Accounting and other advisory services. The time is right to make fundamental shifts and firms that have done so are reflecting the results."

Carl Peterson, VP — Small Firm Interests — Public Accounting, AICPA

Methodology

The AICPA PCPS/CPA.com National MAP Survey, the profession's largest benchmarking survey on practice management, was fielded in June 2021. The purpose of the National MAP survey is to collect information on the financial results and practice management approaches of today's firms. The data provides firm leaders with a comparative look at where their firm's performance stands related to other similarly sized practices along with firms across the profession. It also spotlights profession trends, areas of concern and potential opportunities. This report includes key statistics, commentary and a section entitled "Preparing Your Firm for the Future," all of which give practice leaders an in-depth look into the survey results and ideas to put the information to work inside their firms.

Firms providing accounting and consulting services across the United States were encouraged to participate. The survey closed in September 2021 with responses from 1,065 unique practices, **noted throughout the survey as "All Firms."** Top-performing firms, marked in this report as **"Top Performers," were defined as the top 25% of reported respondents with respect to Net Income per Partner.** See more about the Top Performer designation on the next page of the report.

The National MAP Survey was previously fielded in 2018 and is ordinarily conducted every two years. Because of the global COVID-19 pandemic and its impacts on the profession, in 2020, the survey was delayed a year. It is anticipated that the survey will be fielded again in 2023. As a result of this, if comparing prior National MAP Survey data, it must be noted that survey to survey comparisons for this data set represent three years, which is different from prior surveys.

The National MAP Survey results are reported as medians* and broken into segments by size of firm, ranging from firms with less than $200,000 in annual net client fees to those with $10 million or more. Responses reflect practices' fiscal year 2020 financial results.

* The median value represents the middle value in a data range (not the average). Median values help to prevent unusually large or small data points (outliers) from skewing results.

Top Performer insights

In this survey, 262 firms have been identified as Top Performers based upon their appearance in the top 25% of the median for Net Income per Partner. By reviewing Top Performer data, firm leaders may identify possible shifts they can make to improve their profit performance. Profitability is a tried-and-true way to measure success because when firms are profitable, it generally indicates that financially, things are going well. *We offer this Top Performer analysis with the caveat that profits don't consider how people feel about working for an organization, nor do they indicate whether firm leaders are making the right long-term investments in talent, technology and client experience to ensure the sustainability of their firms.*

While not every accounting firm is striving to be a "Top Performer," the benchmarks for Top Performers can be useful to understand the strategies of these more profitable accounting firms.

Some Top Performer findings include:

- **Size and longevity matter.** Top Performers that earned the most profit generate over three times the Net Client Fees per Equity Partner (NCF per EP) and a higher percentage of Top Performers have been in business 11 years or more as compared to All Firms.
- **Leverage pays off.** The NCF per EP for Top Performers is more than double that of All Firms, meaning partners are managing more revenue. Still, the $1.2 million median NCF per EP reported in this survey is considerably less than the just over $2 million managed per partner in other CPA profession surveys, so there is room for more leverage.
  - Top Performers also had fewer billable hours at the Partner and Director levels with more charge hours for sub-contractors, interns, paraprofessionals, new professionals, and associates than their all-firm counterparts. **Both fees managed and hours point to the potential that Top Performers are more leveraged in their work than All Firms.**
- **Pricing affects profits.** Top Performer bill rates averaged 16% more than All Firms. While their realization percentage was lower, it can be assumed that their collections were higher.
- **Investing in talent pays dividends.** Top Performers gave bigger annual increases to their people, paid an average of 14% more in salaries across all categories of client-facing personnel, excluding Equity Partners, and a much higher percentage of them planned to expand their capacity and grow their teams by hiring more new and experienced professionals. In addition, Top Performers have far more people working remotely than their all-firm colleagues.

The side-by-side comparative chart that follows illustrates some differences in both approach and results between the 1,065 responding firms (All Firms) and the 262 firms that represent the Top Performers in the survey.

Top Performer and All-Firms side-by-side comparison chart

	Benchmark attribute	2021 median Top Performers	2021 median All Firms
Organization	Number of Top Performers identified	262	1,065
	11 or more years in business	91%	81%
	Tax Is Major Revenue Service Line	75%	77%
	Audit & Assurance is Major Revenue Service Line	16%	10%
	Firm Purchases Cyber Liability Insurance	91%	82%
Financial and growth	Net Client Fees (NCF) for Firm	$3,334,824	$876,614
	Net Client Fees per Equity Partner	$1,247,930	$556,654
	Net Client Fees per Professional (FTE)	$214,244	$164,000
	Growth in Net Client Fees over Prior Year	6.5%	4.2%
	Bill Rate for Equity Partners	$300	$228
	Firm realization %	94%	97%
Net income and compensation	Equity Partner Compensation	$398,812	$166,572
	Net Income per Equity Partner (Net Remaining)	$490,082	$207,604
	Margin	41%	39%
Staffing	Equity Partners/Owners	3	2
	Total Professionals (Includes Equity Partners)	16	5
	CPAs in firm	9	3
	Total Firm Operations Staff	8	4
	Salary expenses (excluding owners) as a % of net client fees	36%	32%
	Firm turnover ratio %	8%	0%
	Billable Hours per Equity Partner	1,176	1,242
	Average Base Salary Increase (Client-Facing Staff)	5%	4%
	Percentage of Staff Working Remotely (Both Part-time and Full-time Remote)	50%	30%

All-Firms side-by-side comparison chart

The side-by-side comparative chart that follows illustrates differences between the responding firms that provided data to this survey in 2021 as compared to the firms that provided data in the 2018 survey. This chart, and the Top Performer Chart, serve as the basis for the insights shared in the sections that follow.

	Benchmark attribute	2021 median All Firms	2018 median All Firms
Organization	Number of firm respondents	1,065	1,910
	11 or more years in business	81%	80%
	Tax Is Major Revenue Service Line	77%	75%
	Audit & Assurance is Major Revenue Service Line	10%	12%
	Firms Purchase Cyber Liability Insurance	82%	72%
Financial and growth	Net Client Fees (NCF) for Firm	$876,614	$883,203
	Net Client Fees per Equity Partner	$556,654	$517,756
	Net Client Fees per Professional (FTE)	$164,000	$163,402
	Growth in Net Client Fees over Prior Year	4.2%	4.5%
	Bill Rate for Equity Partners	$228	$210
	Firm realization %	97%	96%
Net income and compensation	Equity Partner Compensation	$166,572	$165,000
	Net Income per Equity Partner (Net Remaining)	$207,604	$189,193
	Margin	39%	38%
Staffing	Equity Partners/Owners	2	2
	Total Professionals (Includes Equity Partners)	5	6
	CPAs in firm	3	3
	Total Firm Operations Staff	4	3
	Salary expenses (excluding owners) as a % of net client fees	32%	32%
	Firm turnover ratio %	0%	0%
	Billable Hours per Equity Partner	1,242	1,234
	Base Salary Increase (Client-Facing Staff)	4%	4%

Organization information

The number of firms participating in the survey was 1,065, down significantly from 1,910 in 2018. The opportunities and challenges of the pandemic were likely the cause of the decline in participation, with many firms overwhelmed managing their role as “first responders” to the various economic crises firm clients faced and personal challenges firm talent faced.

Participants were distributed across seven “size” bands, according to annual Net Client Fees (NCF) with the most significant number of firms being in the $1.5<5M size band. See the chart below for information about the revenue bands as well as information about the median number of equity partners (EP), professionals (including EPs) and CPAs relative to the median firm size.

One interesting note is the median number of CPAs employed by firms. It was half, or more than half of the total number of client-facing professionals those firms employed across all size bands, pointing to the significant number of non-CPA professionals working in firms to help serve clients. These non-CPAs may include administrative or operational support personnel, technical consultants or accountants who are not yet certified.

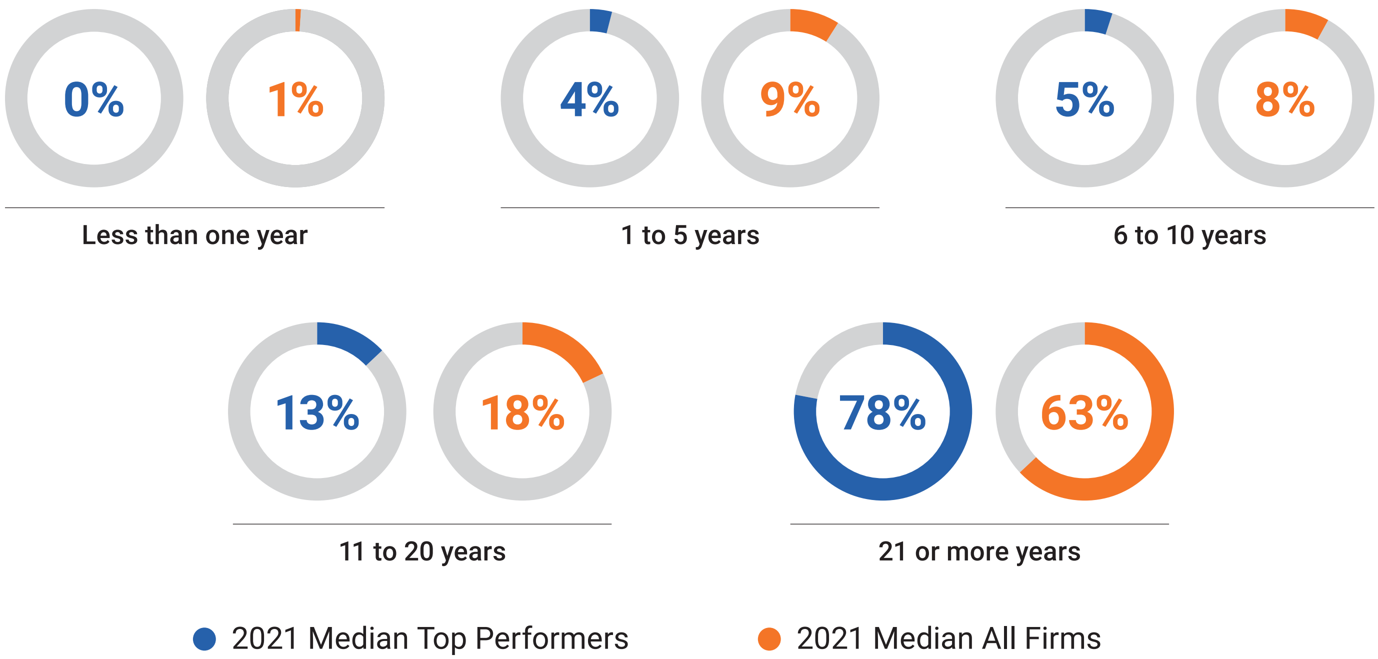
Median staffing data by revenue band

Size of firm (by annual NCF)	<200K	200K<500K	500K<750K	750K<1.5M	1.5M<5M	5M<10M	10M+
Number of survey respondents	153	212	118	186	262	83	51
Equity partners	1	1	1	2	3	5	11
Professionals (Including EP)	1	2	4	6	14	36	82
CPAs	1	1	2	3	7	20	48

Years in business

Participating firms demonstrated longevity, with 63% of All Firms and 78% of Top Performers being in business for 21 years or more.

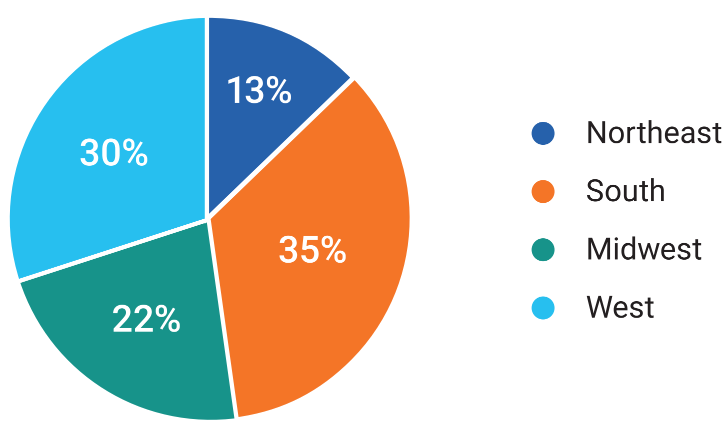
Number of years in business



Regional insights

Data by region shows the largest participation from firms in the South, followed by firms in the West. The smallest survey contingent was Northeastern firms (see graphic below). For additional insights by region, see the All-Firm financial performance section of this survey summary. Survey participants can run and review reports for a deeper insights into geography and sub-regional insights on the survey platform.

Firm's primary office location



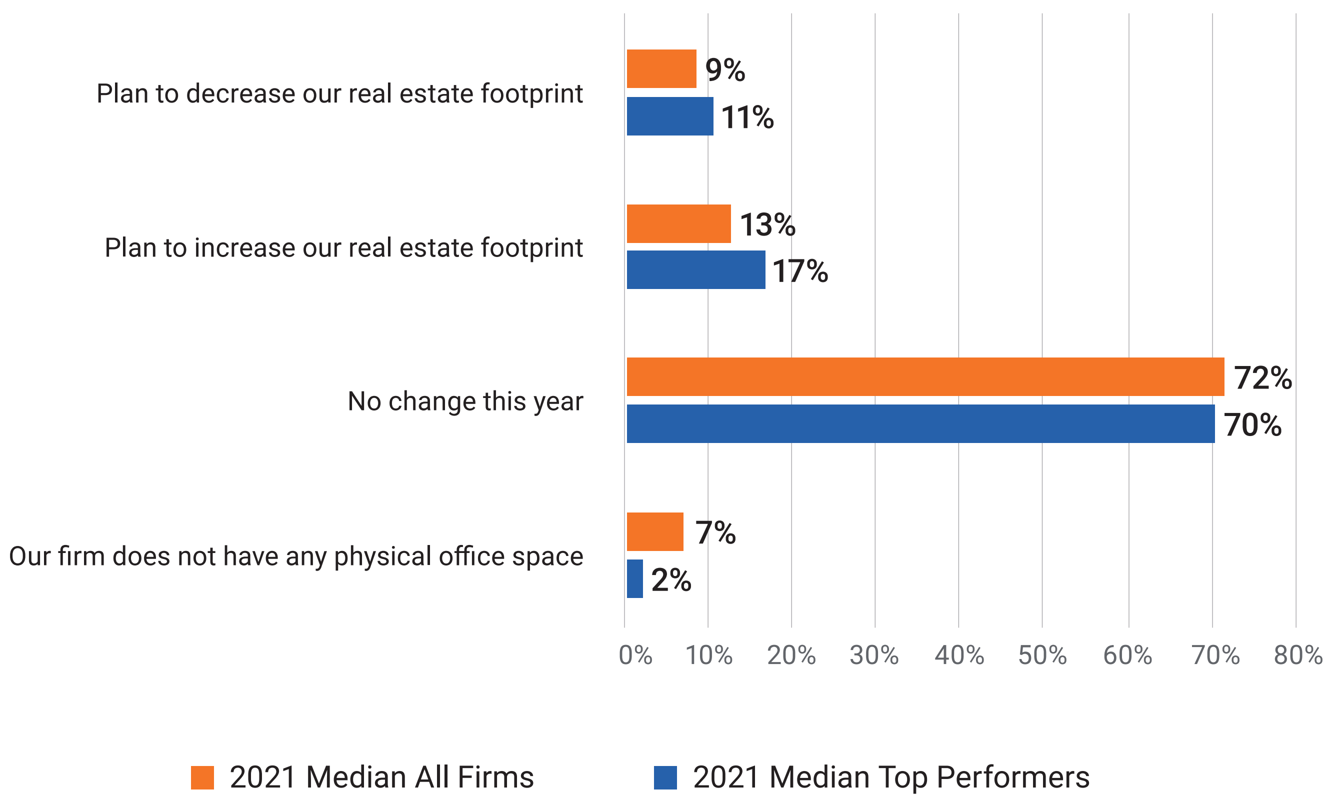
Office space spending and investments

Given the two most significant costs to firms tend to be labor and office space, **it is important to pay attention to trends in commercial real estate and use of facilities**. In this year's survey, Top Performers reported a median of 4% of NCF for Office Rent and Other Occupancy Expenses, less than their all-firm counterparts who spent 5%.

When asked to project their use of space over the next five years, **11% of Top Performers plan to decrease their real estate footprint in the next two to five years as compared to 9% of All Firms.** Comparatively, 13% of All Firms plan to increase their real estate footprint in some way in the next two to five years compared to 18% of Top Performers. This planned increase in office space could be attributed to growth. However, there is increased market demand for more remote and hybrid work, as evidenced by a [2022 Gallup study of 140,000 workers regarding the current and expected work environment post-pandemic], which stated, "… 53% expect a hybrid arrangement, and 24% expect to work exclusively remotely …" Coupled with the acceleration of salaries, **firm leaders will be well served to reimagine office space to support more hoteling and shared spaces before increasing facility costs**.

It is interesting to note that nearly 7% of survey respondents, or 71 firms, reported having no physical office space. Following this trend in future survey years may provide answers to the permanence of remote and hybrid work in the profession.

Plans to increase or decrease real estate footprint in the next two to five years



Significant uptick in firms purchasing Cyber Liability Insurance

According to Cyber Security Intelligence, businesses globally faced 50% more cyberattacks in 2021 than in 2020. Survey participants, as well as others offering accounting and consulting services are especially vulnerable because their work results in “a warehouse” of sensitive financial records from clients. The AICPA recommends certain cybersecurity policies and practices (see the guide *A CPA’s Introduction to Cybersecurity*) and notes that “many firms are adding a cybersecurity insurance policy to insulate the firm’s finances against a major breach.” Survey results demonstrate the validity of this assertion, showing a 14% increase in the percentage of survey respondents purchasing insurance to cover cyber liability risk (see chart below). In addition, 29% of the survey population purchased a separate standalone cyber liability policy (vs. covering risk by adding an endorsement or separate module to their professional liability policy), up from 18% in the 2018 survey.

Key cyber liability insurance statistics

	2021 Median All Firms	2018 Median All Firms
Firm purchases insurance to cover cyber liability risk		
Yes	82%	72%
No	13%	20%
No, but plan to purchase this year	5%	8%
Type of cyber liability insurance policy purchased by firm		
Endorsement to current professional liability coverage	47%	50%
Separate standalone policy	29%	18%
None	15%	25%
Module in current management liability package	8%	6%
Other	1%	1%

Survey participants can access more detailed information about coverage limits and annual premiums on the survey platform.

Financial performance

When evaluating the financial performance of survey respondents, four insights come into focus:

- **Firm top lines grew.** All firm-size bands posted growth in median Net Client Fees (NCF), with the largest median growth of 6.5% showing in firms from $5<10M in NCF, the smallest growth percentage of 2.4% coming from firms from $200<500K, and an annual median growth of 4.2% across All Firms. NCF median growth in 2021 was slightly less than the median growth reported in 2018, from 4.5% in 2018 to 4.2% in 2021.

Key financial statistics by size of firm (by NCF)

	<200K	200K<500K	500K<750K	750K <1.5M	1.5M<5M	5M<10M	10M+
Number of survey respondents	153	212	118	186	262	83	51
Median NCF	$116,232	$327,137	$595,662	$1,053,603	$2,499,609	$6,828,403	$16,317,321
Median NCF per Equity Partner	$114,000	$299,200	$550,000	$710,788	$898,276	$1,283,284	$1,661,979
Median NCF per Professional (Includes EP)	$99,700	$142,262	$144,588	$168,404	$186,197	$193,666	$209,922
Growth in NCF from Prior Year	2.9%	2.4%	3.7%	4.2%	4.3%	6.5%	5.8%

- **Partners and Firms made more money.** While the median Equity Partner (EP) compensation was up just 1% across all respondents, the median Net Income per Equity Partner (Net Remaining) was up a healthy 10% from 2018 for all-firm respondents. Median firm margins were up slightly, to 39% in 2021.

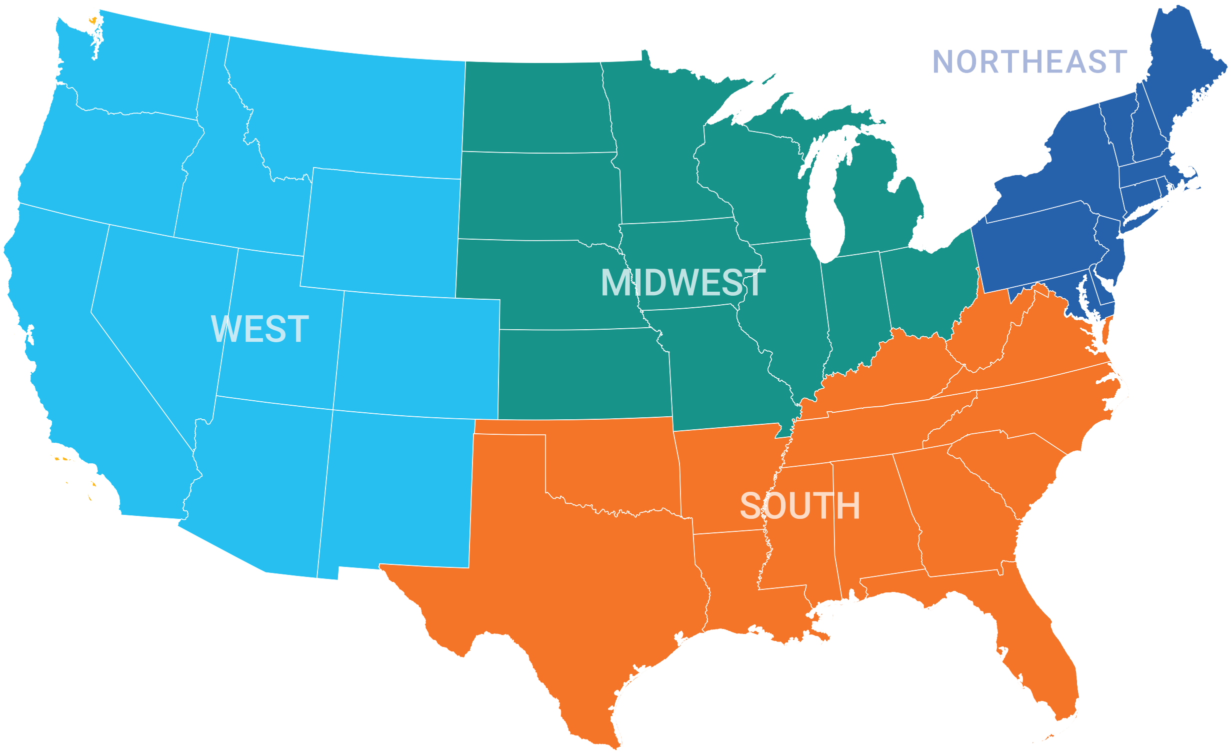
- **Partners managed more revenue.** The median NCF per EP was up 8% to $557K per EP in 2021, compared to $517K in 2018. Equity Partners hours were up only 1%. The median NCF per professional was essentially flat, and billable hours for most staff categories were down. It could be interpreted that firm staffing kept pace with the growth in NCFs and that partners leveraged more.

- **Billing rates rose and show potential to rise more.** Median billing rates were up an average of 8% across all roles/titles for the three years from 2018 to 2021. Regionally, the West led with the highest Equity Partner Billing Rate, nearly 10% higher than the next closest region, the Northeast. Overall firm realization rose 1% from 96% in 2018 to 97% in 2021 for all-firm respondents, highlighting an opportunity to raise rates further to increase fees and profits.

Survey-over-survey increase in hourly billing rates

	2021 Median All Firms	2018 Median All Firms	Percentage Increase
Equity Partners/Owners	$227.50	$210.00	8%
Directors/Non-Equity Partners (11+ years experience)	$215.00	$200.00	8%
Senior Managers (8–10 years experience)	$183.00	$165.00	11%
Managers (6–7 years experience)	$162.50	$150.00	8%
Senior Associates (4–5 years experience)	$132.00	$125.00	6%
Associates (1–3 years experience)	$105.00	$100.00	5%
New Professionals (<1 year of experience)	$100.00	$90.00	11%
Paraprofessionals	$88.00	$82.00	7%
Interns	$73.50	$65.00	13%
Professional Subcontractors	$150.00	$150.00	0%

Key Regional Statistics



MIDWEST

- **22%** of survey population
- NCF per EP **$570,205**
- Margin (Net Remaining) **38.0%**
- Growth in NCF over prior year **4.14%**
- EP Billing Rate **$215**

NORTHEAST

- **13%** of survey population
- NCF per EP **$535,000**
- Margin (Net Remaining) **38.3%**
- Growth in NCF over prior year **4.12%**
- EP Billing Rate **$229**

WEST

- **30%** of survey population
- NCF per EP **$560,230**
- Margin (Net Remaining) **39.0%**
- Growth in NCF over prior year **4.27%**
- EP Billing Rate **$250**

SOUTH

- **35%** of survey population
- NCF per EP **$555,605**
- Margin (Net Remaining) **40.4%**
- Growth in NCF over prior year **4.13%**
- EP Billing Rate **$220**

Staffing and talent management

In the 2021 PCPS AICPA Top Issues Survey, firm leaders were asked to identify the top issues they faced currently as well as the concerns that will affect their practices over the next five years. Most firm leaders chose staffing issues, including both recruitment and retention, as their No. 1 concern. This isn't a surprise because staffing has been the top concern for most firm sizes in the Top Issues Survey since 2015.

The results of this benchmark survey's staffing and talent management questions point to **some specific changes firms can make to manage their precious staffing resources more strategically**.

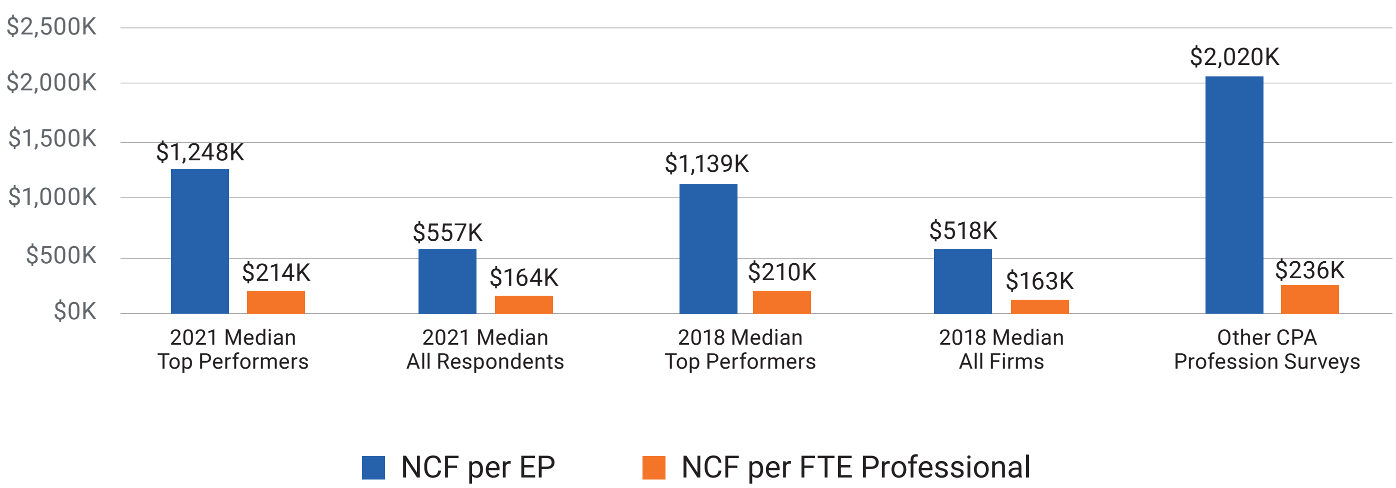
A leveraged talent pool

The tried-and-true staffing model in professional services is depicted as a pyramid, with fewer partners at the top, more managers in the middle and the most staff in the entry-level positions. This leveraged staffing model allows firms to produce work at lower rates per hour while also developing and training a pipeline of talent to succeed others in the future. Additionally, the leverage creates levels and a visible career path, necessities to satisfy the motivators of those team members who desire growth and development in their career.

Leverage can be measured in a few ways. In this survey, two leverage KPIs are Net Client Fees per Equity Partner (NCF per EP) and NCF per Professional (client-facing team members ***including partners***). In both statistics, Top Performing Firms were leveraged more than twice that of All Firm participants, as indicated in the chart below.

When looking outside the survey dataset at other CPA profession surveys, **Top Performers could be even more leveraged, as illustrated in the chart below, signaling further upside for firms**.

Comparing leverage of Top Performers, All Firms, and other CPA profession surveys



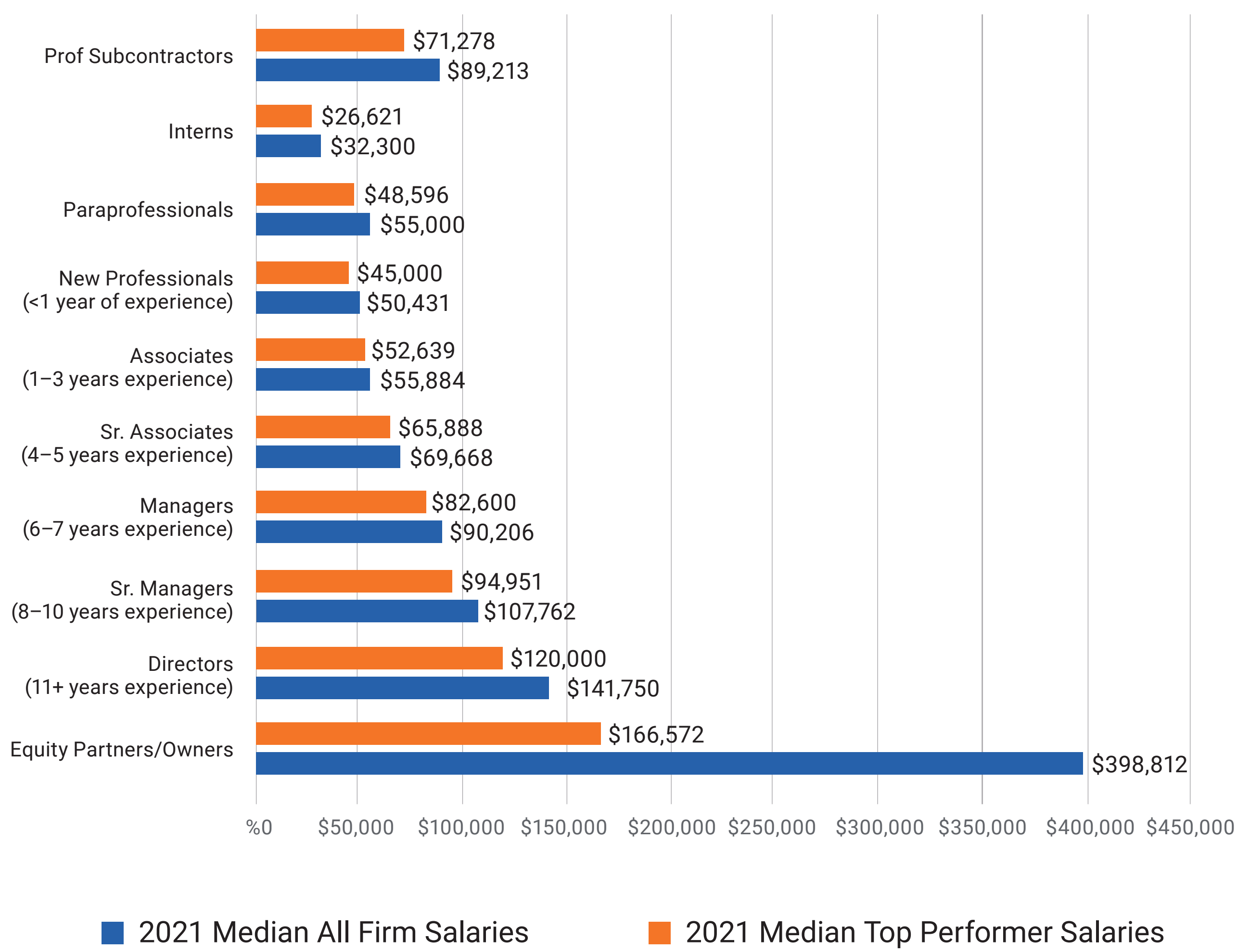
Ensuring competitive salaries

Research shows that team members are not one-size-fits all in how they are motivated. As an example, some value mentoring and personal development while others value transparent and frequent communication with firm leaders. Even so, compensation being at or above market remains an important priority for many and a "must-have" to attract and retain top talent.

Industry benchmark surveys and various employment websites and compensation studies provide firm leaders with the opportunity to compare the firm's salaries to market, an important exercise to undertake at least once a year. In the volatile market we're experiencing in 2022, many firms are comparing their compensation to market twice a year. Recruiting and hiring activities also provide first-hand market data, and firms often discover that existing personnel must receive market adjustments to reflect the increased value of acquired talent in the current marketplace.

According to survey data collected, **Top Performers paid their people between 6% and 25% more than All Firms, and partners at Top Performing Firms earned nearly 1.5 times more themselves**. These results demonstrate the investment Top Performers are making to ensure their people feel valued.

Top Performers are paying more than All Firms



A word of caution about starting salaries. Accountants are increasingly in demand, and not only in the traditional arenas of public and private accounting. A look at [Universum's 2021 Report on the World's Most Attractive Employers] shows that accounting firms are competing with the likes of Google, Microsoft, Apple and Amazon for business students. Accountants are being hired by accounting technology organizations and in other industries as business analysts. With these non-traditional competitors for accounting talent, [declining enrollments in accounting degree programs, and reduced CPA exam pass rates], the talent pool is expected to tighten even further soon.

In this survey, median starting salaries ranged from $50K–$54K for Top Performing firms and were slightly lower for All Firms. But your competitors for new accounting grads are not necessarily other accounting firms. **In today's competitive market, firms should ensure that they keep pace with the kind of "talent pricing" necessary to present a viable alternative to the many competitors vying for the best and brightest accounting students coming out of college**.

Another interesting data point related to starting salaries from the survey: firms are paying more to graduates who have satisfied the 150-hour requirement for licensure before they are hired.

Median salaries paid to new graduates

	2021		2018	
Annual salary	**Median Top Performers**	**Median All Firms**	**Median Top Performers**	**Median All Firms**
Grads with 15-hour requirement	$54,000	$52,000	$52,000	$50,000
Grads without	$50,000	$48,900	$48,350	$45,000

Supporting remote work

When asked the percentage of firm staff working remotely, either full or part time, Top Performing Firms far outpaced All Firms with a median result of 50% of their staff working remotely or on a hybrid basis versus 30% for all-firm respondents.

Flexibility is a key professional motivator for certain team members. That need for flexibility varies — for some, it might be occasional changes to where they work to accommodate personal commitments, while for others it means working part or all of the week from home or an alternative location. Flexibility also includes choice about the time of day worked and breaking away from a strictly 8-to-5 schedule. While this survey doesn't capture this data, it is an essential element to consider when managing team members. Research shows that flexibility granted demonstrates respect and engenders two-way trust between leaders and team members. There are benefits to organizations who open up these options for their team members.

When asked about the cause of 2020 voluntary turnover (where the employee chooses to leave), 14% of Top Performing Firms indicated it was due to a relocation to another city/state, 9% cited the team member reporting a need for more flexibility to manage family demands and 1% indicated staff left because remote work was not available. This turnover might have been avoided with increased remote and flexible work, key management tools available to help team members better manage both life and work demands. **Firm leaders will benefit from increasing their comfort and competence managing a more remote and flexible workforce.**

Primary reasons for voluntary turnover in 2020

	Top Performers	All Firms
Accepted position at another firm	34%	19%
Left the profession/career change	31%	20%
Unknown	23%	26%
Retirement	21%	15%
Other	21%	32%
Employee or family member relocation/moved to another city/state	14%	8%
Need for more flexibility to manage family demands	9%	8%
Safety concerns	2%	4%
Remote work not available	1%	2%

Is turnover bad?

Top Performers reported lower-than-normal turnover rates when compared to other CPA profession surveys, with Top Performers showing a median of 8% turnover versus 14% for outside sources. Yet All Firms reported a median 0% turnover. These results could leave some wondering whether Top Performers are making mistakes in their management of talent, driving higher turnover rates.

Turnover must be carefully managed because it is expensive financially and less tangibly in the impact on morale and client continuity. With that said, some level of turnover is a normal cost of doing business. In the very best organizations, team members retire or leave to explore a different career path — positive and normal reasons for **voluntary turnover**, measured when team members choose to leave.

In addition, there's **involuntary turnover**, measured when the firm chooses to release an employee from service. In an organization that is actively developing staff, some percentage will not measure up, whether due to a mismatch in technical skills or an inability to fit into the organization's culture and level of expectations. Involuntary turnover is likely a component of the median 8% turnover for Top Performers. As a result, higher rates of turnover could indicate that these more profitable firms are making difficult choices to ensure they have the **right** team in place.

Service areas

Service mix insights

Top Performers reported a higher percentage of service fees from Audit and Attest and Tax — Business Compliance and Planning than All Firms. Top Performers reported less service revenue from Review, Compilation and Preparation Services and considerably less from Tax — Individual Compliance and Planning. Top Performers may be serving larger clients who need more complex audit and corporate tax engagements. It can be challenging to build a practice based on large numbers of small engagements, where significant infrastructure is needed that may not on a per-client basis yield the desired levels of profit for the management required.

Service mix as a percent of NCF

	2021 Median Top Performers	2021 Median All Firms
Tax — Business Compliance and Planning	25%	24%
Tax — Individual Compliance and Planning for Compliance	24%	31%
Other	8%	8%
Audit and Attest	16%	15%
Client Accounting Advisory	11%	12%
Review, Compilation and Preparation	7%	8%

Percentages may not equal 100% as they represent the median value across each service category.

Billing protocols

Related to billing protocols, All Firms saw a slight decrease in value pricing and a slight increase in fixed pricing, with hourly-based billing being flat. All Firms saw a 10% jump in per-tax-form fee-based billing, with All Firms reporting 37% of their overall billing using this method. Meanwhile, Top Performers reported 16% of their overall billing as per-tax-form based, less than half as much as their all-firm counterparts. **Firm leaders should strive to capture revenue for the advisory value provided to clients around their tax compliance services and use caution in employing tax-form fee-based billing, lest they lose the opportunity to monetize insights provided to clients**.

Billing protocols as a percent of NCF

	2021 Median All Firms	2018 Median All Firms
Hourly-based billing	70%	70%
Per tax form fee	37%	27%
Fixed pricing	25%	22%
Value pricing and value billing	22%	25%

Percentages may not equal 100% as they represent the median value across each service category.

Preparing your firm for the future

With demand high for audit, tax, client accounting (CAS) and other advisory services, the outlook for accounting firms is very promising. And yet, client and talent motivators are changing as demographic shifts take hold. Jack Kelly of *Forbes* wrote, "during the bleak early days of the pandemic, in the third quarter of 2020, nearly 30 million Baby Boomers left the job market and retired, according to the Pew Research Center … about a year later, the exodus accelerated." Baby Boomers represent one of the largest population groups in our country and as they leave the workforce, they leave behind a shortage of talent and a different client landscape. To capitalize on the opportunities that high demand for services brings, firm leaders must change their leadership mindset and business model approaches now.

Here are the most important changes to consider:

- **Prepare for the changing face of your client.** Are you seeing leadership or decision-makers within your clients change? Does your individual client base reflect a spectrum of generations or is it heavy in those nearing retirement age or older? To maintain relationships as leadership changes, your firm's leaders will need to display a "change-ready" mentality to adapt to the evolving needs and expectations of your clients.
- **Expect your firm's leaders to invite Next Generation talent into leadership decisions now** so they are motivated by your direction and committed to the sustainability of the firm.
- **Shift to a talent-first, talent-forward mindset**, where your leaders drive team member growth, development, motivation, and retention as a primary goal. Become an irresistible or destination workplace as suggested by Josh Bersin, a renowned HR thought leader. He says, "This is not a Great Resignation, it's a Great Migration. Employees are migrating from 'crummy jobs' to 'better jobs' and from 'companies that don't seem to care' to 'companies that really, really care.' " As for actionable ways to show you care:
  - **Right-size your client workload** to more closely match your talent capacity. Disengage from clients who no longer fit the firm's ideal target client definition or who do not value the firm's people or services. Strive for a balance of engagements and client sizes, preventing a sea of smaller clients or small engagements from dominating the firm's strategies and decision making or overwhelming your people and processes with their volume.
  - **Invest in new talent solutions that create dynamic staffing opportunities.** Add administrative support along with fractional, outsourced or offshore talent to augment your team, reducing an overtime commitment that can drive talent away and help lighten the pressure of peak busy season periods.
  - **Develop a compelling value proposition** to answer the question, "Why should I work for your firm?" Be prepared to tell prospective employees why working with your firm will be unique, special, or different.
  - **Pay at or above market.** Undertake at-least annual salary and benefit studies and adjust your tenured employees as the market drives up starting salaries for new and experienced staff.
  - **Offer maximum workplace flexibility**, supporting remote and blended work as well as "anytime" or asynchronous work schedules. Avoid mandates to work a certain number of days in an office.
  - **Commit to a long-term, transformative Diversity, Equity and Inclusion (DE&I) strategy** to create a firm where bright talent across gender, culture, sexual orientation, ability, experience or any other background feel they belong and can thrive.
- **Invest firm profits in automation and innovation** to strip out the time and cost of repeatable and manual processes and data analysis. Free up team members to add value to clients and develop talent.

Continued firm participation in the MAP Survey, which is being fielded again in spring 2022, **will help firm leaders drive change** and **transform their leadership and management strategies**.

- **Leap forward in pricing and billing practices.** Value your knowledge and services and expect your clients to do the same. Ensure that fees keep pace with the rising cost of labor and technology. Price based on value versus time worked or compliance form completed. Price, bill, and collect ahead for all services. You won't be able to take this leap all at once but develop a plan to incorporate more value-driven billing strategies into your practice.

- **Focus on new KPIs** that de-emphasize time worked and underscore quality of services (like client Net Promoter scores), leverage (delegating as much work as possible to the talent who cost the lowest rate per hour), and net client fees managed (per partner, client-facing professional, and employee). Measure and reward your leaders for working at their highest and best use and based on the results they produce.

AICPA PCPS MAP Survey participants can get deeper insights into the benchmark data by accessing their comparative reports on the survey platform. Comparing their results to both All Firms and Top Performers will provide insights as to their top two or three change priorities.

Once change priorities have been identified, leaders can tap into the deep well of guidance, tools and resources available through the AICPA PCPS at aicpa.org/pcps.

Continued firm participation in the MAP Survey, which is being fielded again in spring 2022, will help firm leaders drive change and transform their leadership and management strategies. And, as it has for the past 20 years, the MAP Survey will continue to shape data collection, reporting and methods for measuring the performance of CPA firms well into the future.

About the Survey

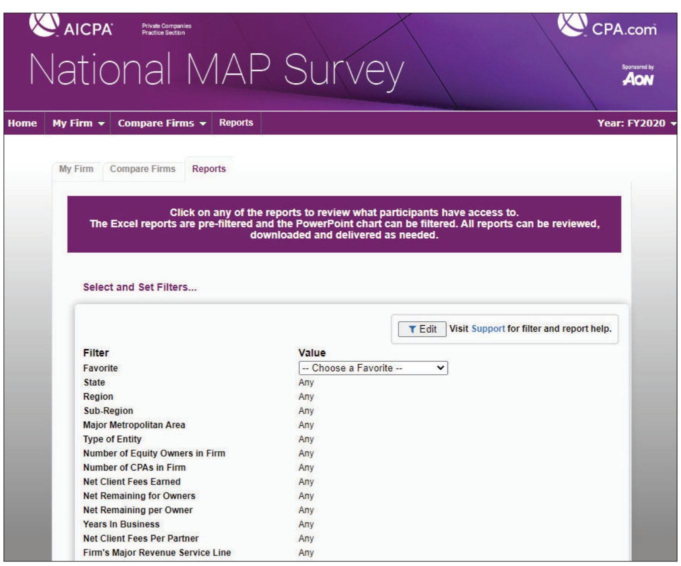
Below is valuable information regarding the AICPA PCPS/CPA.com National MAP Survey Results Report.

Survey platform

The use of a dynamic platform makes it possible for survey respondents to access comprehensive benchmarking data as applicable to their firm. Survey participants can return to the dedicated survey site, making it convenient to analyze and compare data that is of greatest interest to them. Content categories include firm information, key performance indicators, financial, staffing and compensation, cyber liability and security, and a COVID-19 special section.

Survey respondents can access their data on the platform and compare inputs against results for firm segments, including location, major revenue service line, years in business and other elements (see filter options below). With the filtering options, it is possible to micro-slice the data many ways, giving you a 360-degree view of your accounting firm and how it relates to other firms across the country. The platform also makes it possible to compare your results against the 25th and 75th percentiles, which adds value to your benchmarking. Firms that responded to the 2018 Survey will be able to compare results across the two survey datasets.

Qualifying participants can also access their pre-filtered personalized reports by accessing the dedicated survey site.



Medians

Statistics have been prepared using medians. The median value represents the middle value in a data range (not the average). Median values help to prevent unusually large or small data points (outliers) from skewing results.

Multiple-choice questions

Results for multiple-choice questions (e.g., type of cyber liability policy purchased by firm, cyber liability coverage limit for endorsement or module policy and others) are based on firms that provided information for that section. This approach delivers the most accurate picture of the data by eliminating "nil" or "zero" answers because not all firms provided data for all questions.

Too few respondent areas

There may be some areas where not enough responses were gathered to provide meaningful benchmarking statistics according to a particular filter. At times, a particular survey question is "not applicable" for a particular respondent. Under these circumstances, the reports indicate a dash ("-") where there was not enough data collected to include in the report.

Comparisons and data mapping

While this is the first year for some firms to participate, returning respondents can compare the 2021 results to prior years. With each fielding of the MAP Survey, different firms respond, and questions are updated. These differences may have an impact on observed trend analysis.

In 2021, unique questions were developed to gather data on the impacts of COVID-19.

Thank you again for your participation. Please feel free to send your feedback and questions to pcps@aicpa.com.

National MAP Survey Team

PCPS
The Private Companies Practice Section is a voluntary add-on firm membership section of the AICPA that supports CPA firms in the everyday intricacies of running a practice. PCPS provides targeted and customizable practice management resources in the areas of technical toolkits, business development, human resources, benchmarking and succession planning to over 6,000 firms of all sizes nationwide. The PCPS Executive Committee, made up of CPA volunteer practitioners, steers the development of resources and programs to help improve the quality of services and operating success of PCPS member firms. The PCPS Executive Committee promotes the importance of firm practice management by regularly endorsing this survey.

It pays to be a member. The price of membership ($50 per CPA, up to $850 per year) is more than matched by the thousands of dollars in member benefits and discounts. If you have questions about membership, call us at 800.CPA.FIRM or email pcps@aicpa.org.

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Aon, the broker and administrator for the AICPA Member Insurance Programs, continues to be our valued, premier sponsor. Aon is the only AICPA-endorsed entity to provide best-in-class risk solutions that help protect the careers and lifestyles of accounting professionals and their families. As a leading global professional services firm, Aon provides a broad range of risk, retirement and health solutions that empower results for our clients. PCPS members are eligible for a premium credit for the AICPA Professional Liability Insurance Program. Risk advisers are available to help CPAs, please contact Aon at 800.221.3023 or visit cpai.com to learn more about the AICPA Member Insurance Programs.

Also sponsored by the CPA Firm Management Association (CPAFMA) and state societies.

ConvergenceCoaching LLC
ConvergenceCoaching LLC developed the analysis and commentary in this Executive Summary of the National MAP Survey. ConvergenceCoaching LLC is a national consulting firm dedicated to developing leaders and transforming teams. They provide services that meet their accounting and consulting firm clients' unique needs, including retreats and strategic planning, customized live and web-based training, leadership team and individual coaching, and more. Visit convergencecoaching.com to learn more.

Dynamic Benchmarking LLC
Dynamic Benchmarking, survey administrator for the National MAP Survey, builds web-based solutions that are flexible, scalable and allow for meaningful comparison of financial and operational performance in a dynamic and interactive manner. A North Carolina-based startup founded by a team of women entrepreneurs, Dynamic Benchmarking combines powerful, web-based technology with unparalleled industry expertise and customer care to deliver real-time, best-in-class, peer-to-peer data comparison for small businesses, associations, large enterprises and any organization looking to tap into the knowledge of the crowd for the collection of best practices, salary comparison, financial and operational data and more. For more information, please visit dynamicbenchmarking.com.

Glossary of terms

All Firms: All survey respondents as distinct from Top Performers (definition below).

Cyber liability insurance: An insurance policy intended to protect the policy holder from negative financial impacts in the event of a data breach.

Employee turnover: In the Survey, this is a value firms calculate themselves before submitting the data. The calculation they are given is: {[Number of employees who left during the year ÷ (Number of employees at the beginning of the year + Number of employees at the end of the year)/2] x 100}. Commonly divided into voluntary turnover, when employees decide to leave the firm, and involuntary turnover when the firm chooses to terminate the employee.

FTE: Full-time equivalents (FTEs) are calculated by dividing the total annual number of Professional Staff hours (including both full-time and part-time professionals) by 2,080 hours.

Leveraged staffing: Where a firm strives to produce work less expensively by delegating as much work as possible to lower levels of staff. Commonly measured by comparing equity partner hours to all other hours, comparing partner FTEs to all other staffing FTEs, and measuring Net Client Fees per Professional and Net Client Fees per Person (Employee).

Margin: Net Client Fees – expenses before partner salaries or draws. Also known as Net Remaining.

Median: The median value represents the middle value in a data range (not the average). Median values help to prevent unusually large or small data points (outliers) from skewing results.

Net client fees (NCF): Gross fees for services + Write-ups – Write-downs. Also known as Net Revenue.

Net client fees per equity partner (NCF per EP): Net Client Fees ÷ Number of FTE Equity Partners.

Net client fees per professional: Net Client Fees ÷ Number of FTE Professional Staff including Equity Partners.

Net client fees per employee: Net Client Fees ÷ Number of FTE Employees including Equity Partners.

Professional staff: Client-facing team members of the organization. If Equity Partners were included in the statistic, that was noted.

Realization: Net Client Fees ÷ Gross Client Fees.

Top Performers: Survey participants who, based on their appearance in the top 25% of the median for Net Income per Partner, have been identified as the most financially successful participants.

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