

AN INDUSTRY BRIEFING FROM GRAIL

What's Changing in Your Practice-Equity Story

Your next €5M of firm capital. The three-year plan you sign. The thesis your partnership council can recite back. Three questions that look separate, but are actually one. A briefing for CFOs and Managing Partners at mid-market European advisory firms.

PREPARED BY

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FOR

European mid-market
advisory-firm finance leaders

DATE

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Tuesday morning, partnership council in a fortnight

Every CFO or Managing Partner at a mid-sized European advisory firm has had the same Tuesday morning. Four things on the screen at 8:30. The fourth compliance proposal this quarter lost to Aspia on price, and the partner running the pitch sent a short note asking whether the rate card is still defensible. A senior partner's retirement timing email arrived over the weekend with a date earlier than anyone wanted to hear. The Big 4 poached your second-best advisory lead last month at a package you could not match. An email from a PE-backed consolidator landed on Monday, polite and patient, "keen to explore a conversation about your firm's next chapter."

You have signed five three-year plans for this partnership. The pattern used to be simple. Hold the client book, hold the compliance margin, hire laterals in the good years, introduce the junior partner to the top accounts when the retirement conversation comes. The practice was understandable.

Something changed. Your compliance margin is compressing faster than your advisory mix is migrating. Your three-year plan was built on an advisory-mix assumption that last quarter did not hit. Your best lateral partners are being retained by Big 4 AI-and-advisory packages you cannot match on compensation alone. The partner-IP extraction argument you have been selling to owner-managed clients for a decade is the one you have not yet run on your own firm. The cobbler's children have no shoes.

The job has not changed in fifty years. The bar has risen on every measure of doing it, simultaneously, and the contradictions you have been living with since you took the seat are suddenly re-openable. The advisory-firm CFOs who treat them as engineering problems run the offensive play. The ones who treat them as permanent trade-offs watch a consolidator write the practice-equity story for them within eighteen months.

This briefing covers what is happening in your sector, what it means for the firm you run, and the three questions your partnership should answer before the next council meeting.

The advisory-firm market just lost the equation that priced the sector for a decade

Every compliance mandate you lose to Aspia is priced on a cost structure you cannot match. They run statutory accounts, corporate-tax returns, and routine audit work on an agent-plus-junior stack at half your partner-to-staff ratio. Big 4 is catching up from above, with AI investment capacity your firm cannot self-finance. The fractional-CFO platforms in your advisory lane are offering mid-market owner-managers a fifth of your retainer for work that looks, on paper, similar to yours. Three directions. Same force. Your compliance book compressing from below. Your advisory book pressured from above and the side. The middle is where the mid-market firm sits, and the squeeze is already in the quarterly proposal-win data.

Your peers are not waiting. A small set of Nordic and DACH mid-tier firms have already started migrating revenue mix from compliance-heavy toward advisory-heavy at a pace the partnership council tolerates. Others are accepting consolidator approaches, selling the practice at a compliance-heavy multiple, and banking the partner proceeds. A few of the more patient firms are building the partner-IP extraction infrastructure on their own retiring partners, quietly, ahead of the transition cohort. They are the quiet compounders. The rest of the mid-market is signing compliance-production contracts with platform vendors and hoping the advisory-mix migration happens organically.

Your compliance margin is compressing. Your advisory mix is not yet migrating fast enough to replace it. That is not a pricing problem. It is a practice-equity decision the finance seat has not yet claimed.

The practice-equity multiple gap is widening underneath everyone at the same time. Compliance-heavy firms are trading at one to two times EBITDA at transition. Advisory-heavy firms are trading at four to six. The mid-tier sits in the squeeze zone, and the firms that treat this as a sales problem rather than a mix-migration-and-capital-allocation problem are walking into a partnership-council conversation they will not win.

Your capital, your plan, and your thesis are feeling it every day

Your capital allocation. Your Managing Partner wants €5M for a tuck-in acquisition of a sub-scale peer. The IT Director wants €800K for an AI-compliance platform. The Head of Advisory wants a lateral-hire envelope. The People Partner wants the partner-IP extraction infrastructure nobody has priced. These are not four separate conversations. They are one capital-allocation decision with three-year practice-equity consequences, and most mid-market firms are processing them in four different meetings.

Your three-year plan. The partnership council voted on a 45% advisory mix by year three. The last quarter printed 32%. Your Head of FP&A cannot reconstruct the partner-by-partner migration story because the proposal-loss data lives in CRM notes, the lateral-retention signal lives in People conversations, and the client-concentration data sits in a WIP system that was designed for billing, not for advisory-mix tracking. The plan is not wrong because the ambition was aggressive. It is exposed because the data underneath it was built for monthly billing, not for continuous reconstruction of the mix-migration story.

Your pricing architecture. The partnership voted on a rate card that assumed AI would not change compliance unit economics. It has. Your compliance margin on standard statutory work is compressing, and your advisory retainer on the outsourced-CFO book is still priced by the hour, not by outcome. Aspia is running compliance at output-based pricing underpinned by agent delivery. Your rate card ran clean from 2015 to 2024. It is now the reason your compliance margin is printing below plan.

Your junior bench. The statutory accounts, corporate-tax returns, reconciliations, and first-draft partner packs that used to train a junior into a senior into a partner-candidate are now running on agents inside Big 4 and Aspia, and will be running on agents inside your firm within three years. The Q1 headcount win is real. The 2031 successor-partner bench is empty. The firm that cuts the junior layer without rebuilding the entry pathway has a cheaper compliance cost this year and no internal candidate for the senior advisory seats in five.

Your practice-equity thesis. Your partnership council has asked for the next five-year plan. Your banking syndicate has asked for the covenant-review pack. A consolidator has asked for a first-conversation deck. Three audiences, three different documents, each drafted by a different team. None of them are anchored in the same data. The firms pulling ahead write the thesis once and let the three audiences draw from the same architecture. The ones behind them are editing three decks and hoping the numbers match.

You do not have three scorecard problems. You have one.

Your sector is repricing from below because Aspia runs compliance on an agent stack and Big 4 is catching up from above. Your firm is stretched because the capital-allocation decision, the three-year plan credibility, and the practice-equity thesis are each being managed as a separate programme, each drawing on a different data layer, each drafted by a different partner. Same force, two altitudes. But there is a third thing happening that most advisory-firm CFOs have not named yet, and it is the one that matters most.

Capital allocation without forecast credibility is guessing. Forecast credibility without a thesis is scorekeeping. A thesis without a practice-intelligence architecture underneath it is marketing. The finance seat that holds all three holds one integrated asset, not three separate programmes. Every capital-allocation question, every three-year-plan gap, every thesis weakness is a symptom of the same missing layer: the practice-intelligence infrastructure that feeds all three from the same data, the same governance, the same discipline.

You sell this exact project to your owner-managed clients. Capture the partner's intelligence before the retirement conversation. Migrate the revenue mix before the exit. Build the advisory capability before the compliance revenue compresses. The cobbler's children have no shoes. The firm that runs this project on itself before the first senior-partner retirement keeps practice-equity authorship for the next decade. The firm that accepts the consolidator call hands it over at the compliance multiple.

You can tell which camp a firm is in from a single question. Can your partnership council answer any material capital-allocation question by walking the same intelligence graph, in the same meeting, with the same data? Most mid-market advisory firms cannot. The ones that can have already made the shift, and they are the ones the market is already revaluing upward.

You have twelve to eighteen months before the 2028–2030 retirement cohort lands and the compliance-margin compression fully expresses. The firms that own this decision personally run the offensive play. The ones that do not become the practice a consolidator buys at a compliance-heavy multiple before the mix-migration story lands.

What most firms are doing. What the winners are doing instead.

Every advisory-firm CFO has had the capital-allocation conversation. Most are making the same four decisions. A smaller group is making different ones. Default looks cleaner for three quarters. Winners compound from month fifteen.

THE DEFAULT PATH

Sign the tuck-in acquisition

Managing Partner drives. Practice grows on the compliance side. CFO countersigns the capital line.

Hold the rate card, defend compliance margin

Compliance compresses two to four points a year. Advisory mix migrates organically. Practice-equity multiple stays compliance-heavy.

Run the plan on an annual WIP roll-forward

Annual cadence. Advisory-mix projections rebuilt once a year. Below-plan quarters produce no partner-level story until the year-end review.

Cut the junior layer for the Q1 win

Headcount down twenty percent. Empty successor-partner bench in 2031. Lateral hire externally costs more than the savings.

THE WINNERS' PATH

Route the €5M through a single alternatives page

Acquisition, advisory-capability build, lateral-hire envelope, partner-IP extraction, AI-compliance platform. One decision.

Migrate pricing to three mechanics

Output-based on compliance, outcome-share on advisory, methodology-IP licensing to smaller firms. Mix migrates by design.

Rebuild the plan as a live monthly driver graph

Advisory mix and realisation tracked continuously. Below-plan quarters produce the partner-level story in the same council.

Redesign the junior pathway around judgment

New hires pair with agents on advisory work, client exposure, partner-IP extraction. Bench rebuilds faster than it would have grown.

The default path shows a cleaner Q1. The winners' path has visible friction for three quarters and compounds from month fifteen. The difference is whether the CFO is authoring the practice-equity story or administering it.

THREE QUESTIONS

Capital Allocation. Forecast Credibility. Value-Creation Narrative.

Three questions every advisory-firm CFO is tracking. The first is the crux. The other two are how you earn the right to answer it.

01 · CAPITAL ALLOCATION

Where does the next €5M actually compound?

Tuck-in acquisition?
Advisory-capability build?
Lateral-hire envelope?
Partner-IP extraction infrastructure? AI-compliance platform?
Today's default: the Managing Partner drives, the IT Director buys, the CFO countersigns, and the capital-allocation authority slides away from the seat. The question is not which deal. The question is whose decision this is.

02 · FORECAST CREDIBILITY

Why did the mix print below plan, and what is the partner-level story?

Your partnership voted on a 45% advisory mix by year three. Your last quarter printed 32%. Your Head of FP&A cannot walk the council through the partner-level story because the proposal-loss signal sits in CRM notes, the lateral-retention signal sits in People conversations, and the client-concentration data sits in a WIP system built for billing. Advisory-mix projections that used to run annually now need to run monthly. The bar has risen on what credible means.

03 · VALUE-CREATION NARRATIVE

What does this firm do that compounds faster than peers?

Your partnership wants the five-year plan. Your banking syndicate wants the covenant-review pack. A consolidator wants the first-conversation deck. Three audiences, three documents, three partners, and the numbers underneath them do not match. The firms pulling ahead write the thesis once and refresh it continuously from the same data architecture that runs the plan. The three audiences read excerpts of the same document.

What the firms winning this play are actually doing

Four concrete moves any advisory-firm CFO can start this quarter. Each addresses one lever. Pulled together, they become one practice-intelligence asset the firm runs on.

1 **Capital: route the next €5M through a single alternatives analysis, not five separate meetings**

The tuck-in acquisition, the advisory-capability build, the lateral-hire envelope, the partner-IP extraction infrastructure, and the AI-compliance platform all compete for the same firm capital. Present them on one page, scored against the same three-year practice-equity return, the same ROIC hurdle, the same retention-risk assumption. Name what you are choosing not to fund to protect the thing you are funding. That is the sentence that keeps authorship at the seat.

2 **Forecast: rebuild the plan as a live monthly driver graph, not an annual WIP roll-forward**

Your advisory-mix and realisation projection should draw from live proposal-win data, live lateral-retention signals, live client-concentration data, and live WIP lockup trends as one graph rather than four spreadsheets reconciled at year-end. Below-plan quarters produce the partner-level story in the same council meeting, not in the year-end review. The plan stops being a document on a cadence and becomes a live artefact the CFO invests in continuously.

3 **Pricing: migrate from one rate-card mechanic to three**

Output-based pricing on compliance with agent-delivered margin floor, defending the book against Aspia price pressure. Outcome-share or value-based on the outsourced-CFO advisory retainer, where you sell the same service you deliver. Methodology-IP licensing to firms two tiers below you in size, a new revenue line that consumes no partner hours. The hourly rate card holds the base. The three new mechanics convert the compliance compression into advisory-mix migration and a licensing stream.

4 **Narrative: run the partner-IP extraction project on your own firm before the first retirement**

The project you sell to owner-managed clients about capturing partner intelligence before retirement. Run it on your own partners first. Nine to fifteen months of partner time with agents trained on client files, meeting notes, decision history, and succession dynamics. The cobbler's-children inversion. Refresh the practice-equity thesis continuously off the same infrastructure that runs the plan. Partnership council excerpts the thesis. Banking syndicate excerpts the thesis. Consolidator-defence excerpts the thesis. Three audiences, one artefact, four registers.

The only firm that has lived the compliance-to-advisory move itself

The advisory-firm CFO has four places to go. None can do what we do.

The Big 4 finance-transformation practices sell twelve-to-twenty-four-month programmes billing hours. They are the structural competitors squeezing your advisory book from above. Paying them to teach you how to compete with them is the conflict.

The practice-management platforms (Karbon, Ignition, TaxDome, CCH) sell software licences and long implementations. Your moat must sit on firm-owned infrastructure or it becomes a vendor asset at renegotiation.

The consolidator and roll-up conversations (Aspia, Accountor) sell the exit path, not the build path. The compliance-heavy multiple at sale is the lowest-value exit before the mix-migration story lands.

The AI-native bookkeeping and tax-automation startups (Aiwyn, Botkeeper, TrullionAI) sell substrate automation where margins already compressed. A cheaper compliance run, the same authorship gap.

The market offers four things you have already said no to. GRAIL is the fifth option.

WHAT YOU GET

Senior advisory that speaks partnership-council, not deck-room

Working infrastructure your firm uses the same week

Custom agents built on your partner book, your client files, your data

The start of a practice-intelligence layer your firm owns

No vendor lock-in at any phase of the engagement

WHY IT MATTERS

Founded by operators who have carried CFO-adjacent seats themselves

Business first, technology second

Three weeks from first meeting to working infrastructure

Your firm keeps the infrastructure, your partners own the IP

Every next step earned by what just shipped, never assumed

Three sessions with your partnership leadership. Working infrastructure from week one.

We start with your partnership leadership because the change cannot outrun the team's personal understanding of what is possible. Three workshops. Each delivers standalone value. Each earns the right to the next.

WORKSHOP 01

How to think

Walk through what is happening in your sector and inside your firm. Build the first piece of infrastructure in the room: a live advisory-mix driver agent on your real partner book, running against your real proposal-loss, lateral-retention, and client-concentration data. Your partnership leaves with a shared view of what to do next and the first piece of working infrastructure already in hand.

WORKSHOP 02

Your practice infrastructure

A half-day build. Your Head of Advisory, Head of Compliance, Head of People, and Head of FP&A each leave with five to ten pieces of working infrastructure tuned to their function. Proposal-loss analysis agents. Partner-IP extraction workflows. Lateral-hire ROI models. Advisory-mix scenario generators. Infrastructure your firm is using the same week, not decks about infrastructure.

WORKSHOP 03

Ready to run

Refined infrastructure based on real use. The rollout plan to the wider partnership. The capital-allocation-alternatives pack for the next council meeting. The pricing-migration roadmap for the Head of Advisory. And the banking-syndicate and consolidator-defence pack with numbers your partnership can defend: ROIC alternatives, mix-migration scenarios, practice-equity measurement.

Three weeks. No IT project. No council approval needed to start. The infrastructure your firm is already running on when we finish.

For your next partnership council

The questions where your partnership cannot agree on an answer are worth an hour on the agenda.

Your Managing Partner wants €5M for a tuck-in. Is it on the table as a capital line with four alternatives scored on the same page, or is it a separate conversation everyone is treating as already decided?

Your partnership voted on a 45% advisory mix. Your last quarter printed 32%. Can your team walk the council through the partner-by-partner migration story in the same meeting, or does it take a month to reconstruct?

Aspia is quoting half your rate on compliance. Big 4 is retaining your best laterals. What is the twelve-month plan to migrate from one rate-card mechanic to three, and who is authoring it?

Your partnership, your banking syndicate, and a consolidator have each asked for a different five-year document. Are they excerpting the same thesis, or are your partners drafting three decks that do not reconcile?

The partner-IP extraction project you sell your owner-managed clients. When did you last run it on your own retiring partners? Which partner's transition window is closest, and who owns the project from Monday?

If any of these produces a disagreement in your partnership leadership, that is the conversation worth having before the consolidator asks.

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