

EXCERPT FROM:

# The Business Valuation Firm Benchmarking Guide

For business valuation, forensic,  
and litigation support professionals

2023 EDITION

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# **THE BUSINESS VALUATION FIRM BENCHMARKING GUIDE**

2023 EDITION

**FOR BUSINESS VALUATION, FORENSIC,  
AND LITIGATION SUPPORT PROFESSIONALS**

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## **What It's Worth**

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- APPENDIX: 2023 BUSINESS VALUATION FIRM BENCHMARKING SURVEY . . . . . 65**

Dear Business Valuation Professional:

Welcome to *The Business Valuation Firm Benchmarking Guide, 2023 Edition!*

More than 190 firms responded to this edition of the survey. This is more than the number that responded to the last edition of this survey, despite the ongoing consolidation and, thus, shrinking number of firms in the profession.

The depth and breadth of data makes this survey the largest and most thorough analysis of business valuation firm best practices that you will find anywhere. Data about more than 830 business valuation firm owners/partners and more than 1,700 staff members are reflected in the survey sections on “Practice Performance”; “Staff Hiring, Promotion, and Compensation, Partner Requirements and Compensation”; “Billing and Fees”; “Marketing and Practice Development”; “BV Operations”; and “Practice Expectations and Professional Concerns.”

The survey was conducted between May 2023 and July 2023. (*Note: Any headings in the columns refer to the data collected for this, the 2019/2020, 2017, and 2011/2012 editions of past guides but may pertain to the previous fiscal year, such as 2022 data for this edition of the guide.*) All responses to the survey are anonymous. Our sincere thanks to all who participated!

We know these results will provide interesting tidbits about our profession, but we also hope that they lead to practice-building comparisons and assistance with your firm’s planning. The data are sorted in ways that should enhance your ability to “see” where your firm fits and highlight your relative successes and areas for improvement.

If you did not receive a survey form this year and would like to be a part of future surveys, please contact us, and we’ll make sure you are included.

We have done our best to work through the responses we received and only include data that appear reasonable. Many respondents chose not to complete all parts of the survey or felt that certain questions were not applicable to their practices. For that reason, the sample size for each exhibit in the survey varies.

Again, thank you to the participants. We hope the data included in these pages help you turn the practice you have into the practice you want in the year to come. We look forward to hearing about ideas for improvement for the next edition!

Sincerely,



Rod Burkert

Burkert Valuation Advisors, LLC

rod@rodburkert.com

## About Rod Burkert

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In one way, shape, or form, Rod has been performing business valuations since the late 1980s. In July 2000, he started Burkert Valuation Advisors in Philadelphia, where he ran a “traditional” valuation practice for 10 years.

From March 2010 to March 2022 (12 years!), Rod traveled full-time throughout the U.S. and Canada in an RV with his wife and their dogs. When he saw the possibilities of a location-independent practice, he started rbCOACHING to help others transform their BVFLS firms.

Today, Rod is settled in Bisbee, Ariz. (for now!), and focuses solely on coaching practice building. If you know what a successful practice should look and feel like to you, but need some help getting there, his resources are designed for you.



# Executive Summary

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*The 2023 Business Valuation Firm Benchmarking Guide* has eight sections, 102 pages, and 71 exhibits that focus on different aspects of practice management and practice building. Here is one highlight from each section that you will want to know/pay attention to.

## **Firm Information**

Business valuation firms have been around for a long time, so it's no surprise that the profession is maturing—or has matured. And, while most firms operating today began in the 15 years between 1996 and 2010 (38%), an equal number of firms started up in only the 11 years since 2011 (see Exhibit 2). These post-2010 startups are a trend to monitor. Why? Because, as much as we read about consolidation in the business valuation profession (which is also affected by the consolidation of accounting firms with in-house valuation practices), de novo valuation practices are thriving.

## **Practice Performance**

Given the size of the business valuation profession and its fragmentation, it is aspirational to note that 41% of firms reported revenue per owner/partner exceeding \$500,000 (see Exhibit 6). But we all know it's not what you make, it's what you keep. That's why profit margin (after staff salaries and before owner/partner compensation) is so important. We observed that the smaller firms yielded the highest profit margins (see Exhibit 8). This would make sense as staff salaries would not be material at this firm-size level. The average and median profit margin for all reporting firms was 50% for both 2022 and 2021.

## **Staff Hiring, Promotion, and Compensation**

Staff shortages—what can we say? Fifty percent of survey respondents reported no current staff shortage (see Exhibit 21)—that response is down significantly from prior years. We suspect the post-COVID-19 volume of valuation and litigation work has caused larger firms to grab whatever talent they could find. For those firms reporting staff shortages, it's clear the chasm is in the ranks of senior-level appraisers: The percentage of firms reporting a lack at this level in 2022 tripled from the percentage reported in 2018—not a good sign. We believe the valuation profession can trace its staffing woes to the gradual decline in the number of accounting graduates—a trend that is well-documented but only recently being acknowledged. Accounting graduates become CPAs, and some of them find/stumble their way into business valuation. If our pipeline of future analysts is drying up at the very source, individual firms will need to incorporate this constraint of people resources into their capacity planning, service mix, and pricing.

## **Partner Requirements and Compensation**

The past few years may have been witness to the most demand, the best growth, and the highest profitability the business valuation profession as a whole has ever seen. Partners/owners take the

risks of starting and operating their firms and deserve their rewards. And they did: About two-thirds of partners and owners saw their 2022 compensation increase over 2021 (see Exhibit 30). We are sure it wasn't easy.

### **Billing and Fees**

The sustained increase in demand for business valuation services permitted 84% of firms to increase billing rates over 2021 levels (see Exhibit 33); this is about a third more firms increasing rates than was reported in the 2018, 2016, or 2011 surveys. Further, the 2022 mean and median billing rate increases were in double digits and twice the increase reported in the 2018 survey. We note that, even if a firm does not charge by the hour, hourly rates are almost always used to develop fixed fee estimates and budgets.

### **Marketing and Practice Development**

For the first time, we asked whether firms are more likely to land a new engagement because of practice area or industry niche expertise. By a better than five-to-one margin, respondents said practice area expertise (see Exhibit 39). While this is understandable, professionals may have an opportunity to stand out with an industry niche since so few practitioners claim or rely on that expertise.

### **BV Operations**

Yes, we covered the usual reference and research tools. But the trend to keep an eye on is outsourcing/offshoring—it's still uncommon, but it is slowly gaining momentum (see Exhibit 57). On one hand, the cost and time-shifting advantages of outsourcing/offshoring cannot be denied. On the other hand, appraisers believe that this practice subjects them to a higher level of scrutiny if opposing counsel in litigation, auditors in fair value, or maybe even their own clients find out about it. Yet, why would the scrutiny be different from having in-house staff do the work? For specific details, we documented reporting firms' biggest hurdles to outsourcing/offshoring.

### **Practice Expectations and Professional Concerns**

In the 2018 survey, the most pressing practice management challenge was new client development—that didn't even make the list in 2022. What did top the list was quality control, followed by staffing concerns and business valuation standards (see Exhibits 69 and 70). On the profession front, "Maintaining valuation report quality" was rated as the top concern in 2022 and 2018. A question requiring further explanation is, "Why." Why is quality still an issue? Why hasn't the problem been solved?

# 1. Firm Information

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## 1.1 Primary business of firms responding to survey

Business valuation exists as a stand-alone service for much of the profession. And the use of business valuation is an adjacent service in other professional practices and firms. BVR received a wide range of responses reflecting this, as Exhibit 1 shows.

Exhibit 1. What Is Your Firm's Primary Business?				
	2022	2018	2016	2011
Business valuation	59%	44%	46%	39%
Public accounting	23%	34%	32%	37%
Fraud/forensic accounting	4%	12%	11%	6%
Management/other consulting	3%	NA	4%	7%
M&A, venture capital, private equity	2%	1%	1%	6%
Business brokerage/intermediate	2%	3%	2%	NA
All other	7%	6%	5%	6%

Note the decline in fraud/forensic accounting in 2022 from prior years. But anecdotal evidence suggests there is a lot of this work going on. Thus, BVR suspects that more people are doing more of this work, but it's become fewer firms' "primary" business.

## 1.2 Years in the business valuation profession

Business valuation firms have been around for a long time, so it's no surprise that the profession is maturing—or has matured. And, while most firms operating today began in the 15 years between 1996 and 2010 (38%), an equal number of firms started in only the 11 years since 2011, as shown in Exhibit 2.

The post-2010 startups are a trend to monitor. Why? Because, as much as we read about consolidation in the business valuation profession (which is also affected by the consolidation of accounting firms with in-house valuation practices), de novo valuation practices are thriving.

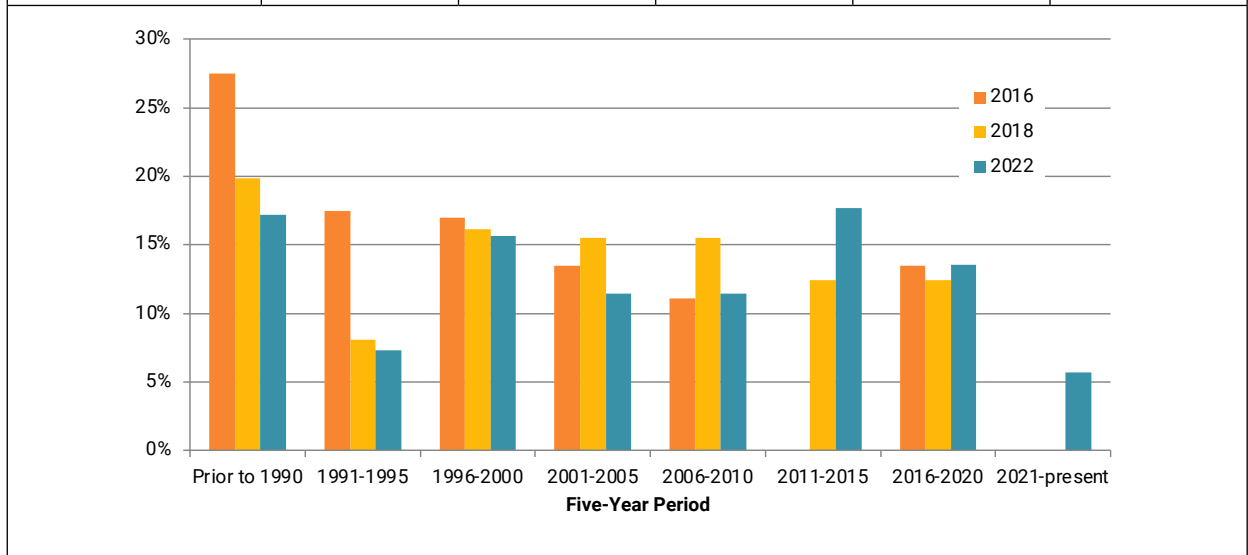
## 1.3 Professional and staff employee counts

The 2023 survey collected data on more than 830 BV owners/partners and more than 1,700 additional FTEs in both professional and support positions.

As expected, solo practitioners, whether full-time business appraisers or CPAs who also do valuations, continue to dominate the business valuation profession—cementing the reputation that BV is a cottage industry.

But some interesting perspectives can be drawn if we make some arbitrary classifications about firm size. For example, if we divide firms into small and large size—0 to five employees and six employees or more, respectively—the composition is relatively stable at two-thirds/one-third. But, if we further break out a medium category, we see the percentage of small firms getting smaller, the percentage of medium firms staying the same, and the percentage of large firms getting larger.

Exhibit 2. In What Year Did Your Current Practice or Firm First Offer BVFLS Services?					
Five-Year Period	2022	2018	2016	2011	2009
Prior to 1990	17%	20%	28%	30%	32%
1991-1995	7%	8%	18%	12%	19%
1996-2000	16%	16%	17%	20%	20%
2001-2005	11%	16%	14%	20%	21%
2006-2010	11%	16%	11%	18%	8%
2011-2015	18%	12%	NA	NA	NA
2016-2020	14%	12%	14%	NA	NA
2021-present	6%	NA	NA	NA	NA



This analysis of number of BV staff, including owners/partners involved in performing business appraisals, appears in Exhibit 3.

<b>Exhibit 3. Including Yourself, How Many Professionals and Other FTEs Worked on BV Engagements?</b>				
	<b>2022</b>	<b>2021</b>	<b>2018</b>	<b>2016</b>
	All Firms	All Firms	All Firms	All Firms
Solo practitioner	23%	25%	21%	20%
2 employees	12%	15%	13%	16%
3 employees	9%	9%	12%	14%
4 employees	10%	10%	13%	5%
5 employees	10%	8%	9%	8%
6-9 employees	14%	16%	16%	15%
10-24 employees	16%	12%	12%	14%
25+ employees	6%	6%	4%	8%
Small: 0-5 employees	64%	66%	68%	64%
Large: 6+ employees	36%	34%	32%	36%
Small: 0-4 employees	54%	58%	59%	56%
Medium: 5-9 employees	24%	23%	24%	23%
Large: 10+ employees	22%	18%	16%	22%

**1.4 Number of engagements completed**

It’s no secret that y’all have been busy. The conflation of COVID-19, low interest rates, and the change in presidential administrations created a tsunami of valuation work, particularly for the estate/gift folks.

Exhibit 4 shows just how busy the profession has been in the past two years. And one might expect that only the largest BV firms were completing the greatest number of engagements. However, this is not the case, as the “more than 50” response was spread over firms of all sizes.

Exhibit 4. How Many Valuations or Litigation Support Engagements Did Your Firm Complete?		
	2022	2021
None	1%	2%
1-10	14%	16%
11-20	14%	18%
21-30	8%	8%
31-40	9%	7%
41-50	6%	5%
More than 50	47%	45%



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# Rod Burkert

Turn the practice you have  
into the practice you want!™

BVFLS firms don't struggle because their work isn't technically sound – it nearly always is. No, they grind along because of the quality of their practice decisions in these key areas:



**MARKET**



**SELL**



**DELIVER**

When you know how to *better* **MARKET** (create awareness about who you are and what you do), *better* **SELL** (convert interested prospects into paying clients), and *better* **DELIVER** (convey results as outcomes instead of reports) – you will have the necessary tools to create The Practice You Want ... and get more Time, Money, and Freedom with less effort than you are already investing in The Practice You Have.

I help "mostly" successful BVFLS professionals in 1-3 person firms turn the practices they have into the practices they want!

Join the movement:  
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rod@rodburkert.com

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