WHERE'S MY MOIC?

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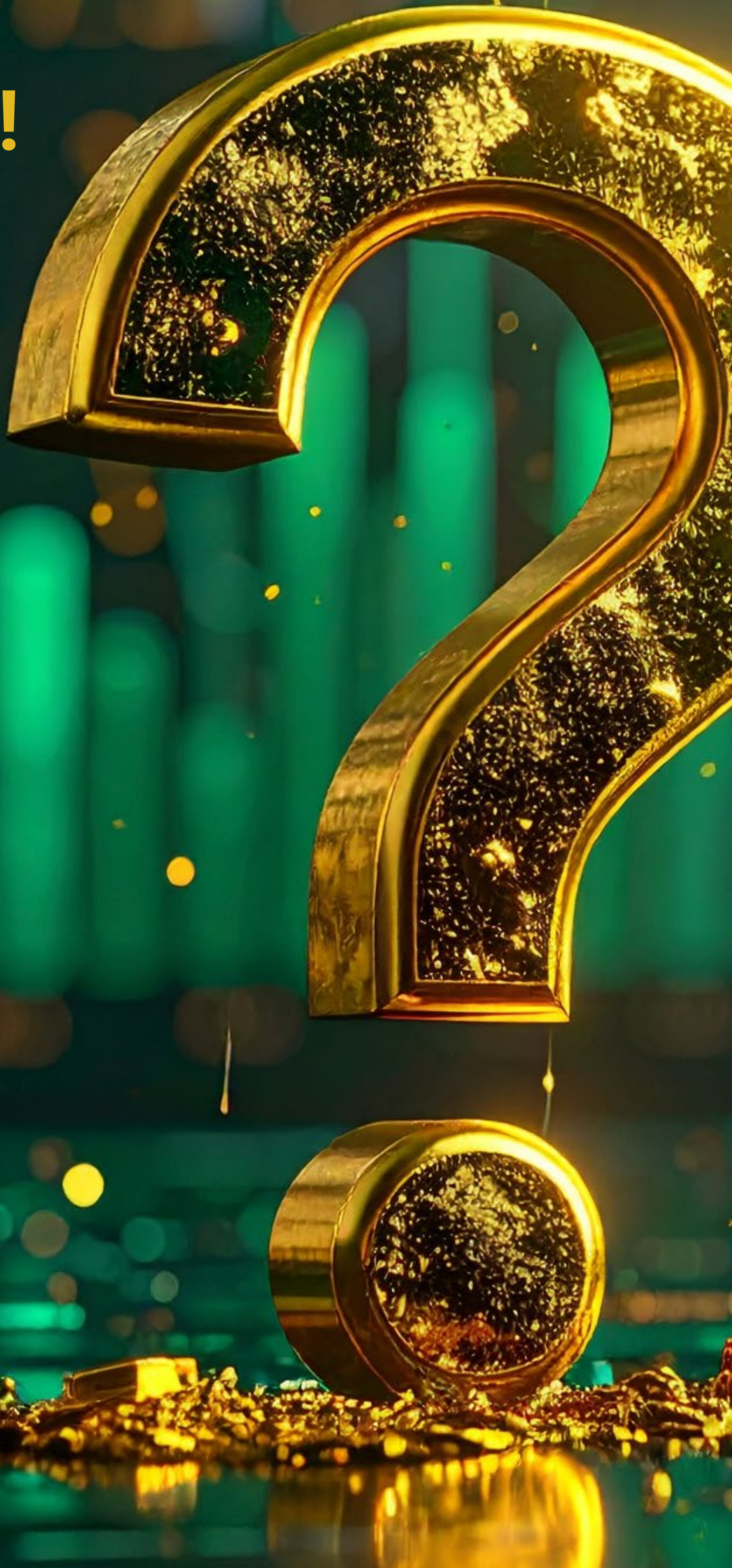
ASK THE ACCOUNTANTS!



Private equity firms and their portfolio companies are facing a critical threat to value creation: an exodus of accounting talent that shows no signs of abating. While this talent drain may seem like a trivial back-office operational issue, make no mistake — it directly impacts **Multiple on Invested Capital (MOIC)**, the ultimate scorecard of investment success. When accounting falters, MOIC suffers, and investor returns diminish.

As reported in recent *Wall Street Journal* coverage, "More than 300,000 U.S. accountants and auditors have left their jobs between 2019 and 2022, a 17% decline, and the dwindling number of college students coming into the field can't fill the gap."[1] This exodus isn't merely a staffing challenge; it's a threat to reliable financial reporting, efficient capital markets, and ultimately, investment returns.

If accounting is truly the language of business, then the accounting function represents the translator through which all strategic value is expressed, measured, and ultimately realized. Accounting isn't just about compliance — it's the foundation upon which investor confidence is built and the lens through which multiples are determined.

While many organizations are implementing stopgap measures like outsourcing to Business Process Outsourcing (BPO) providers or establishing centers of excellence, the most successful companies are taking a more nuanced approach.

Accounting Excellence Drives MOIC

Before diving into tactical solutions, it's critical to understand the direct relationship between accounting quality and investment returns.

Deal Timing Optimization: Audit issues, insufficient controls, and restatements can delay transactions. Efficient, reliable accounting provides flexibility for sponsors, who can in turn control exit timing, improve exit multiples, and take advantage of favorable market conditions.

Due Diligence Efficiency: Clean financial records ease transaction processes. Accounting issues uncovered during buyer due diligence can lead to a reduced valuation or an extended transaction timeline.

Capital Efficiency: Effective accounting enables effective working capital management, more accurate forecasting, and more efficient capital deployment — all directly enhancing cash flow.

Restatement Risk Elimination: Financial restatements are perhaps the most direct destroyer of MOIC, often triggering immediate multiple contraction, increased financing costs, and costly remediation efforts. According to research by The University of Chicago Booth School of Business, companies that issue restatements experience an average 10% decline in market value upon announcement[2].

Investors assign higher multiples to companies they trust — and nothing damages trust faster than questionable accounting. Get accounting right to create the foundation for multiple expansion.

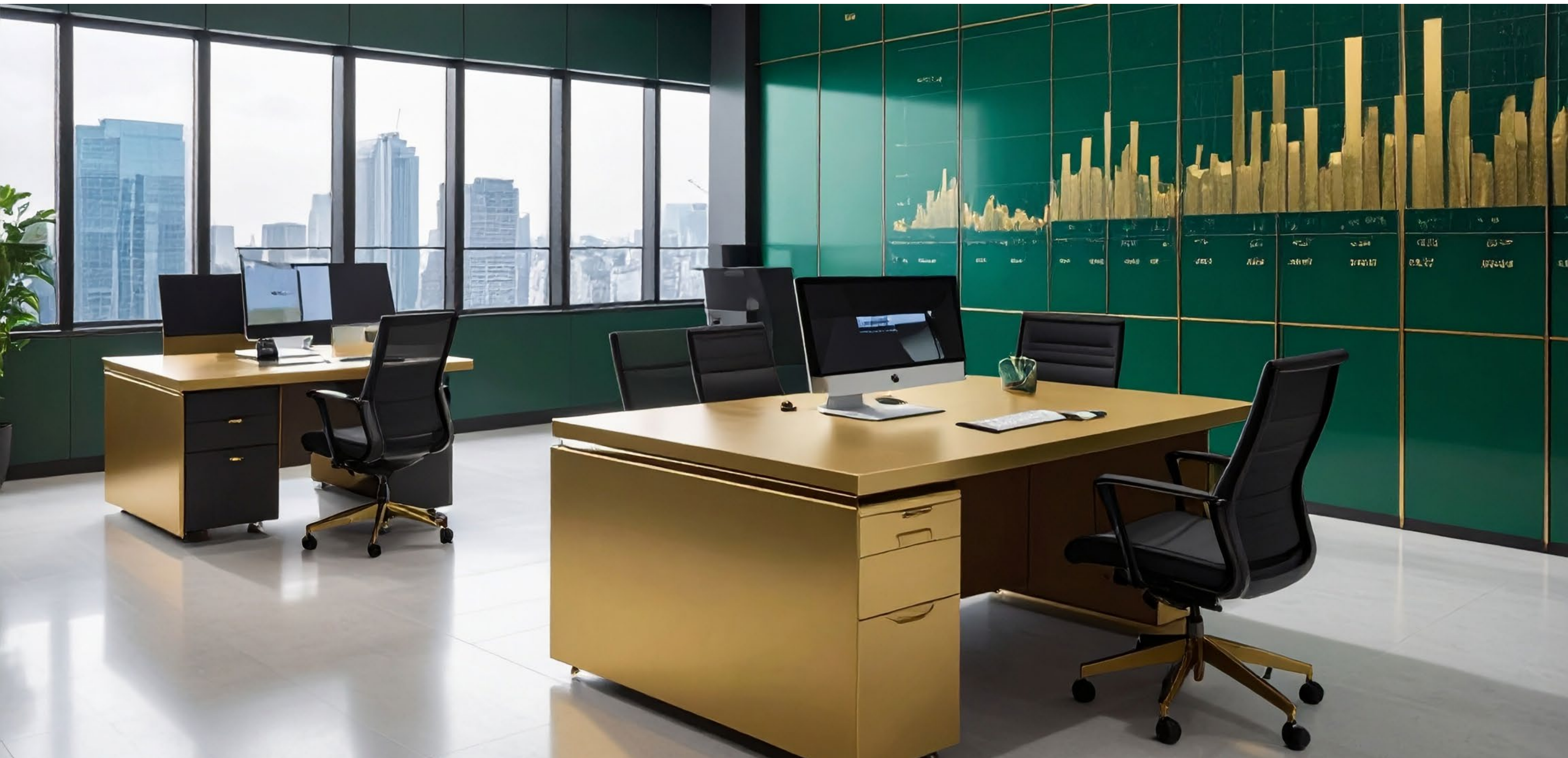
Accounting Talent Shortage Impacts

The accounting profession is experiencing unprecedented challenges. Low compensation relative to the education required, burnout from long hours, monotonous tasks, and limited growth opportunities have all caused an exodus of talent. As one former accountant noted in the WSJ, "The job security and the ability to have a comfortable life motivated me at first, but once I started, had some work and life experience, I realized there are better options out there."[3]

The numbers tell a sobering story: approximately 1.78 million people were working as accountants in the United States in 2024, about 10 percent fewer than in 2019[4]. Several businesses, including major corporations like Mattel, have reported delays to annual reports and other key filings due to the shortage[4]. These filing delays don't merely represent operational inefficiencies — they signal potential investor trust issues that directly impact valuation multiples.

Rather than waiting for talent pipelines to recover, many companies are aggressively shifting work overseas, with major U.S. accounting firms including RSM US, Moss Adams, Sikich, and CohnReznick expanding operations in India[4]. Some firms have ambitious growth plans — RSM US aims to more than double its India workforce to 5,000 by 2027[4]. This trend is reminiscent of the 1990s IT outsourcing boom that transformed the tech industry.

The IT and BPO services market in India alone is projected to grow by $214.8 billion between 2025-2029[5]. But this outsourcing rush raises a critical question for private equity (PE) sponsors and portfolio company leaders: Are these moves addressing the fundamental need for accounting excellence that drives MOIC, or merely shifting the problem across continents?



A Strategic Approach to Accounting Transformation

Truly effective accounting transformation requires a more strategic approach, not just outsourcing.

Hybrid Delivery Model: Selective outsourcing, centers of excellence, training and retention.

AI and Automation Integration: Intelligent document processing, workflow automation, predictive analytics, process redesign.

Strategic Value Creation: Business partnering skills, decision support capabilities, value-focused metrics, performance insights.

Considering AI for Accounting Activities

Leading organizations are recognizing that AI implementation can deliver superior results compared to traditional outsourcing.

Enhanced Efficiency: AI-driven automation can reduce processing times and achieve cost savings through automated workflows. These efficiency gains translate into improved margins and cash flow.

Improved Accuracy: AI systems can achieve superior data accuracy through validation techniques, significantly outperforming human-only processes and reducing restatement risk.

Strategic Value Creation: With less time spent on manual processes, accounting professionals can focus on value-adding activities like financial analysis, strategic planning, and decision support.

Investor Trust Enhancement: Improved accounting capabilities can bring about greater investor confidence, directly impacting valuation multiples.

Steps for Chief Accounting Officers to Take

While strategic transformation takes time, there are several immediate action steps Chief Accounting Officers (CAOs) can take address pressing talent challenges while protecting and enhancing value. Here are five practical initiatives to implement:

1. **Assess Accounting Processes:** Map all accounting processes on a matrix of complexity versus strategic importance and MOIC impact. This will identify immediate candidates for automation or outsourcing versus those requiring local expertise. Focus first on high-volume, low-complexity processes that consume disproportionate staff time but add limited strategic value.

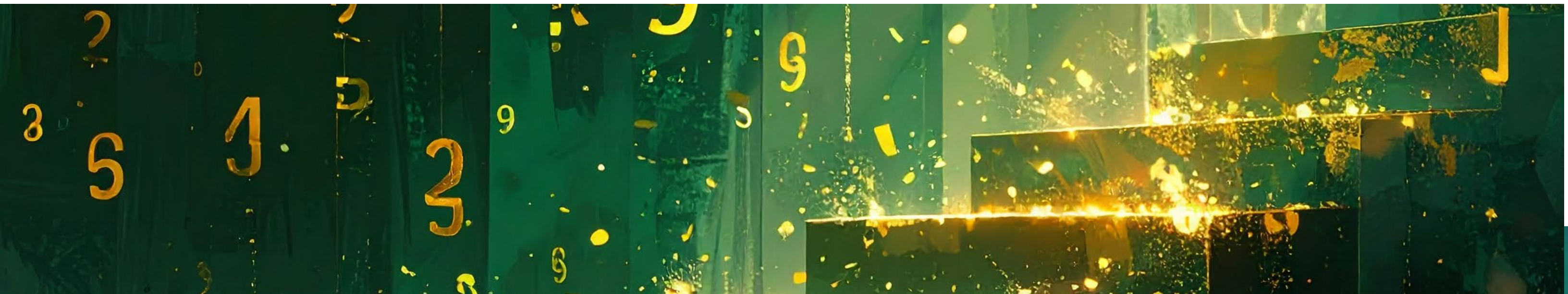
2. **Implement a "Quick Wins":** Identify 3-5 routine accounting tasks causing the most staff frustration and burnout. Examples may include deploying targeted automation solutions for account reconciliations, invoice processing, or journal entry creation to show immediate results. Even modest efficiency gains in these areas can significantly impact retention and financial statement reliability.

3. **Document Processes and Train Teams:** For critical accounting staff at risk of departure, implement a structured knowledge transfer program with documented processes, cross-training sessions, and recorded walk-throughs of complex accounting activities. This reduces your organization's vulnerability to institutional knowledge loss while building redundancy that protects financial reporting integrity.

4. **Launch a Strategic Skillset Development Initiative:** Identify the evolving skills your accounting function will need in an AI-augmented future. Offer learning and development opportunities to high-potential staff, with the goal of balancing technical accounting expertise and technology skills.

5. **Establish a "Future State Finance" Task Force:** Create a cross-functional team of accounting, IT, HR, and business leaders to develop your organization's vision for accounting excellence. This task force should evaluate global talent strategies, technology investments, and operating model innovations, connecting immediate actions to long-term transformation goals and MOIC objectives.

Implementing these practical steps will not only address immediate talent pressures but also create momentum for broader transformation initiatives while demonstrating proactive leadership to key stakeholders, including investors and potential acquirers.



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How We Can Help

At Ankura Office of the CFO®, we address the complex challenges confronting finance and accounting executives with a distinctive blend of strategic insight and hands-on implementation support. Our team comprises experienced operators who have served in CFO and CAO roles during critical transformation periods and successfully navigated the competing priorities of talent management, technology implementation, and value creation — all with a laser focus on MOIC enhancement.

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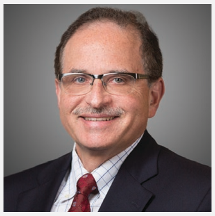

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