Grant Thornton crossroads: Three paths lay ahead of Irish partners. Here’s how they might play out

Grant Thornton’s Irish partners face a big call on the future of a company that has grown ‘gangbusters’ in recent years

- DONAL MACNAMEE

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Grant Thornton Ireland: posted approximately €300 million in revenues last year, and now employs 3,000 people. Picture: Fergal Phillips

US research analysts are surprisingly well-versed in the particularities of **Grant Thornton’s** Irish business – not to mention surprisingly opinionated.

Their view? That this is a strikingly successful operation that has achieved remarkable organic growth over recent years, thanks to a perceptive leadership team and a robust business model.

“Right now, as a firm, it’s hitting it out of the park,” Allan Koltin, chief executive at Chicago-based advisory firm Koltin Consulting Group, told the *Business Post*. “Grant Thornton Ireland is one of the most successful Grant Thornton offices in the world.”

Despite that, the company – which provides audit, tax and accountancy services under the stewardship of 72 equity partners – is now facing a **stick-or-twist moment** as it plots its future.

The conundrum facing Grant Thornton's partners – and its chief executive, Scotsman Stephen Tennant – is as follows: should Grant Thornton Ireland stick with an ownership structure that has propelled it to impressive heights? Or does it need to overhaul its partnership system to keep pace in a rapidly changing industry?

Stephen Tennant, Grant Thornton's chief executive: faces decision over firm's future Photo by Fergal Phillips

Analysts reckon the choice will define its future – and send a signal to the professional services world about where it views itself in the global pecking order.

What's happening?

Last week, the Financial Times reported that Grant Thornton's US business was discussing the possibility of executing a three-way merger with the non-audit parts of the brand's Irish and British operations.

That came less than four months after the Chicago-headquartered company – the biggest part of Grant Thornton's global network of distinct local entities, with revenues of $2.4 billion – completed the sale of a majority stake to the investment group New Mountain Capital.

In Ireland, the casual observer might have read the merger story and thought of it as a major new consideration for Grant Thornton Ireland – itself the fifth-largest entity in the business's global network, with €300 million in revenues and 3,000 employees.

Yet, as it **subsequently emerged**, Grant Thornton Ireland has already been actively reviewing its ownership structure over recent months, amid a flood of interest from private equity investors.

In May, the company hired Deutsche Bank to conduct a review of its future strategy. **As reported by the Business Post**, the options on the table include selling a stake to private equity, executing a debt deal, or retaining its existing ownership model – the "do nothing" option.

There's also the possibility of a tie-up with Grant Thornton's US and UK businesses – the scenario set out by the FT last week. That would bring together the three companies, which, despite their shared brand, operate independently with their own partners and ownership structures.

Private equity 'hurricane'

That Grant Thornton Ireland is being courted by private equity isn't a surprise. Long associated with reliable returns and now investing in game-changing technologies, professional services is being swarmed by covetous investors.

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As of 2023, private equity accounted for nearly a half of M&A deals in the consulting industry globally, according to Kennedy Intelligence, a Florida-based firm that analyses the consulting industry. Buyers from the sector, it added, are on track to make up the majority of consulting M&A activity in the near future.

"Private equity has hit like ... I couldn't even call it a storm – it's a hurricane," Koltin said.

“I would say that within six months, more than half of the top 25 firms will have gone through some sort of major transformation.”

The reason for that, according to Michael Mische, a former KPMG and AT Kearney principal who leads the University of Southern California’s consulting program, has a lot to do with the tech trends that are remaking the sector – particularly related to artificial intelligence, an accelerating arms race into which major firms are investing billions of dollars.

“These firms need capital,” he said of professional services companies. “Because the firms that have the capital – that can invest in proprietary AI – are the ones that are going to own this industry in 2030.”

That’s a big part of the reason why Grant Thornton Ireland is looking at its future operating strategy – with machine learning technology sure to reshape the industry, the firm must work out whether it can continue to compete under a partnership structure.

What are its options?

Speaking to the Business Post, sources close to the company stressed that doing nothing is a live option.

And that view isn’t without merit: after all, Grant Thornton has done a lot right over recent years without any outside involvement.

In the last two years, the firm has created over 1,500 jobs – including 800 in 2023 alone – and has enjoyed particularly strong growth in its consulting operations, with business up more than 50 per cent.

Yet for all of that, there’s a sense that in a rapidly changing industry, the no-change option carries its own particular set of risks.

‘What got us to the dance won’t keep us at the dance’

The calculation for Grant Thornton’s partners is that a model that has proved majorly successful up to now may not be enough to keep competing in an era of supercharged competition.

“I think they’ve read the tea leaves and they see that the industry is transforming exponentially,” Koltin, who was effusive about Grant Thornton’s Irish leadership team, said. “As the old adage goes, what got us to the dance won’t keep us at the dance – I think they realise that.”

Tom Rodenhauser, managing director at Kennedy Intelligence, said the choice facing Grant Thornton Ireland was relatively binary: move early, or hedge. The latter, he said, merely “kicks the can down the road” for the company.

“It's not dissimilar from an airplane that’s on autopilot,” Rodenhauser said. “Maybe it can be refuelled and keep flying, but it might also be losing altitude. At some point, the landscape changes and presents an insurmountable obstacle.”

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In that light, what Grant Thornton Ireland does next becomes less a question of if and more of when – and, crucially, what.

Clearly the firm is an object of desire for private equity investors, just like its counterparts in the UK and US.

Yet taking in private equity isn’t without its risks, Mische warned. Investors are hungry for growth, which yields a whole new type of pressure, which could pose a challenge for a firm like Grant Thornton Ireland, which has a clear strategy and a robust leadership structure.

Another option under consideration is debt finance - but placing that bet also has its drawbacks, Mische said.

“Debt is hard to take. Debt goes to the partners personally – and anything can happen in this business, so I’d be debt-averse. I’m not sure the BDO idea is going to fit with a firm like Grant Thornton.”

Then there’s the merger option – a proposal which analysts think has major upsides for Grant Thornton as a firm.

“There’s already a working relationship of referrals that goes back and forth between Grant Thornton US and Grant Thornton Ireland,” Koltin pointed out. “They already know each other, they like each other, they’ve got similar methodologies, their values are probably aligned."

Whether that happens immediately remains to be seen – Grant Thornton Ireland has plenty of options, and no shortage of interested suitors.

Yet if it does complete a US/UK/Ireland merger – an journey that would present its own headaches, including a series of strict regulatory requirements in all three jurisdictions – then Grant Thornton might well complete an industry first, Koltin said.

"One of the things that Grant Thornton might be the first accounting firm to achieve – even before the Big Four – is to create an actual global firm," he said.

"In today's world, we don't have global firms. People think we have them, but what we have is global brands where you share a name.

"But what private equity will allow to happen is that Grant Thornton US will have the capital to go acquire Grant Thorntons all over the world.

"I believe they'll be the first ones to crack the code, and go out and acquire other Grant Thorntons around the world, and really begin to position themselves as the first true global firm."