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# The Hidden Challenges of Remote Work for Tax Departments

## Managing Talent at a Distance

### Executive Summary

In recent months, remote work has become the norm. As we move forward into the "new normal," we are beginning to see a number of emerging implications for the tax industry. While there are upsides to working from home, we believe tax departments will soon encounter complications in two key areas.

#### Development

Encompassing everything from hiring and training new staff to cultivating the next generation of tax leadership, we predict that remote work will generate some novel development hurdles in four realms:

##### 1. Onboarding and Training

In the past, seasoned tax employees trained junior-level workers onsite. No longer the case, we believe the shift to remote work will significantly impact the onboarding, educating, and mentoring of your newest team members.

##### 2. Networking and Collaborating

In these offsite scenarios, tax talent at all stages of their career will likely experience less peer group interaction, as well as decreased exposure to upper management. In turn, this could negatively impact the levels of collaboration and innovation.

##### 3. Soft-Skill Acquisition

As automation continues to eclipse the demand for remote, task-heavy jobs, all tax professionals will need to develop their emotional intelligence, qualities such as self-awareness, internal motivation, empathy, and social skills. Strong importance must also be placed on developing communication skills, particularly to the non-tax technical audience. With an eye on the future, methods for developing these aspects remotely will need to be explored.

##### 4. Cultivation of Tax Leaders

Tax departments hiring offsite individuals into leadership development roles will need to assess the many risks and ask the right questions to avoid creating an internal succession-plan bottleneck. This is particularly critical as more than 2/3 of all current tax leadership in the US is expected to retire in the next seven years, with a majority exiting in the next three years.

#### Compensation

Along with these development challenges, we anticipate that tax departments will soon be confronted with dilemmas surrounding compensation. Should workers in rural locations be paid less? Should employees who relocate from large cities and continue to telecommute receive a pay cut? Along with debating the many sides of these scenarios, tax leaders must also consider the likely repercussions. (continued next page)



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1



While the solutions to these and other emerging remote work-based challenges are not yet clear, we believe the answers will lie in taking a hybrid approach and offering a mix of offsite and in-person opportunities.

As the tax industry moves forward, we will pay particular attention to companies that react well, and as we gain insight into their best practices, we will share it.

## The Hidden Challenges of Remote Work for Tax Departments Managing Talent at a Distance

In Spring 2020, in response to widespread harbor-in-place orders, much of the world's workforce did away with their commutes and began to work from home.

While few already had the technology or infrastructure in place to make the transition seamlessly, most companies quickly embraced available remote meeting platforms and other online solutions with overall success. At tech companies like Facebook and Twitter, the shift to remote work has been so favorable that they are giving up leases with plans to make a permanent shift to a hybrid approach.

### The Elephant(s) in the Room

Skip to Fall 2020, remote work is still being embraced in the honeymoon phase.

Existing employees, already well versed in their roles, were able to leverage technology and make a successful shift to a home office. While challenges around strategizing and team building without the benefit of organic, face-to-face interactions are known, some significant new challenges – the proverbial elephants in the room – have begun to emerge.

- Development
- Compensation

### Development Challenges

Concerned with training new staff and advancing the skills of those already on the tax team, remote development presents the greatest challenge for offsite employees in the tax industry. While there are numerous, inevitable complications, we anticipate development challenges will surface in four key areas:

1. Onboarding and Training
2. Networking and Collaborating
3. Soft-Skill Acquisition
4. Cultivation of Tax Leaders



## Onboarding and Training

With teams spread across the country or even the globe, many tax departments may soon face unprecedented struggles with the hiring, onboarding, and educating of their most junior-level employees. To explore the many challenges posed by remote work, we talked to two tax leaders who have worked overseas and reported into the US, and managed others based in geographically different areas.

"Drawing from international experience," said one, a tax executive at a Fortune 500 energy company, "there is an incremental challenge of how do you take someone new and junior and train that person up remotely. Normally I would pair junior people with someone more senior to train them. Never before have I started someone totally isolated unless they'd had some prior experience and were hired to work independently."

A tax executive at a Fortune 100 tech company concurred, adding "Tax leaders will have to create the virtual equivalent of walking down the hall, chatting with and training people operationally, so that they know how to handle certain circumstances, who to contact when situations arise, and so on."

## Networking and Collaborating

With the switch from being physically in the same location to a sudden work-from-home model, tax professionals at all stages of their career are experiencing less peer group interaction, as well as decreased exposure to upper management, both of which are likely to impact collaboration negatively.

"If I report to the CFO in Europe," explained a tax executive at Fortune 500 energy company, "and I'm in the same location and doing a presentation for my boss, I can bring someone junior along and have them field some of the questions. When everyone is onsite, there are a lot of organic, in-person opportunities to present to someone more senior. If you're remote, it becomes much more difficult to give people those development opportunities. On a phone call, the CFO is going to look to the person he knows can answer the question."

This issue isn't limited to new, green staff or those at the junior level, but also raises questions about developing senior people into leadership roles. Those individuals need to be interfacing with cross-functional groups and corporate stakeholders in order to become effective leaders. Making a case for a hybrid solution would probably require them to spend some time at the company headquarters.

Case in point, in a September 17, 2020 [conversation with Bloomberg's Gerrit De Vynck, Alphabet Inc.](#) Chief Financial Officer Ruth Porat noted, "We believe that when people are together, that's a critical element for innovation. Collaboration helps support innovation; both collaboration within teams and collaboration across teams. It's collaboration and it's serendipity, so we do look forward to having people back in the office. What we're looking at is the productivity lift you get if people have the ability to work from home some days, but be in the office when their team or teams are in the office." (continued next page)



## Soft-Skill Development

Advanced technologies such as automation or AI have already challenged tax professionals to develop their creativity, interpersonal relatability, and emotional intelligence (EQ) skills. As defined, emotional intelligence consists of self-awareness, self-regulation, internal motivation, empathy, and social skills. Notably, the academic belief is that these emotional competencies are not innate talents but learned capabilities that must be recognized and consciously developed.

Ideally, career development and training would include in-person, one-on-one coaching in order to help young tax professionals develop these soft critical skills. Still, remote work will undoubtedly add new challenges.

"This situation puts a higher premium on effective written communications because you can't see a person's body language, eye rolls or other cues," noted a tax executive at a Fortune 100 tech company. "If someone has low EQ skills, it often comes out in their emails. For example, in tax, this is often seen with people who would make a decision on their own, but not bring anyone else along for the ride. However, a leader has to have a high EQ in order to be effective remotely. We can do all the technical training and address many of those types of issues, but the question is how do you get that other soft-skill training?"

## Cultivation of Tax Leaders

Historically we have not seen individuals coming into corporate headquarters from remote positions in order to be integrated into leadership roles. At most, there have been cases where future tax leaders were sent on short ex-pat assignments for developmental purposes. However, traditionally, lifelong remote workers whose careers have progressed offsite were not seriously considered for key leadership roles within tax functions.

The lack of face-to-face exposure with key leaders in the tax function, compounded with little communication to other cross-functional groups within the corporate headquarters, results in deterioration of strategy and innovation. While the ability to work around these issues might develop, we have limited examples of successes to point to.

In the current environment, all tax professionals have temporally become remote workers. Thus, when hiring for a role intended to progress into a leadership position, it's important to determine whether that person will realistically entertain a future relocation.

For example, suppose your key operations team is based in Austin, and you hire a remote tax person located in Seattle with an excellent planning and controversy background. In that case, you must be certain they have an interest in relocating to Texas. Their onsite presence will be necessary in order to provide the experience required to be an effective Head of Tax. This type of hire can be especially risky if the tax candidate has a trailing spouse who doesn't want to move, as post-COVID, many people now desire to stay near their family. (continued next page)



Along with remote workers who may be disinclined to relocate for personal reasons, tax departments hiring offsite individuals into leadership development roles must ask the right questions. Does the individual really want to be in a remote satellite situation? Depending on their location, how difficult would it be to recruit that person to a better role near where they live so that they don't have to worry about relocating in the future?

It's also important to analyze the motivations of someone who is applying for this remote position, as they may no longer want to come back into an office environment. While it's now easier to quickly fill a role with high-quality talent that may not be available in the local market, at the end of the day, it's key to be certain you aren't creating a future succession-plan bottleneck.

The tax talent marketplace is already highly competitive, so the demand for Millennials will become more cutthroat as the current leaders retire. As revealed in last year's white paper, [Keys to Avoiding Crisis as Corporate In-House Tax Leadership Prepares to Retire](#), 64% of heads of tax were presently age 55 and up, and 52% of #2s were also greater than 55 years old. Now, nearly two years later, [our study](#) found that over 52% of all cumulative knowledge in the tax profession will be lost to retirement in just seven years, with the majority exiting in the next three years.

While the sudden adoption of remote work has many upsides, there are also risks. In most cases, to avoid continually having to go outside the company to fill key leadership roles, remote tax talent is probably best utilized for positions where you're not planning on having them move up.

Along with plans to bring potential leaders to headquarters once it is safe to do so, the solutions to the other emerging development challenges of training, networking, and soft-skill refinement will likely lie in taking a hybrid approach. To build strong tax teams and cultivate future leaders, we believe the best results will be realized with a mix of remote and in-person opportunities.

## Compensation Challenges

Assuming a hybrid model will ultimately become the norm, the next clear hurdle facing modern tax departments will be compensation, as already, questions abound:

- Should remote workers in rural locations be paid less if their tax department is based in a high cost of living location?
- If a current employee in a big city relocates but continues to telecommute, should they get a pay cut?
- Is tax talent residing in a major metropolis worth the higher salary?

Regardless of one's opinion, once a company commits to a hybrid model, there will likely be repercussions. We anticipate two key dilemmas: (continued next page)



- **Workers in Rural Areas**
  - While there are arguments to be made for offering lower compensation to those in rural areas, talent will go where it pleases. Those companies offering less compensation are likely to see increased turnover with remote people as they gravitate to better-paid opportunities.
- **Workers in Big Cities**
  - When considering appropriate remuneration for workers in large metropolitan areas, it's important to note that demand for their services has multiplied ten-fold, and companies are willing to compete for that talent. What's more, talented tax professionals who have stayed put in big cities won't need to relocate in order to change companies.

No matter what stance a company takes on compensation, their management is going to get caught in the middle. What's more, unforeseen challenges could still emerge, such as whether there might be legal implications to paying two people doing the same job two different salaries.

On the upside, the hybrid model also holds the promise of making life much easier. As a tax leader, it creates a much larger talent pool from which to recruit. And in places with a high cost of living, this will be a game-changer in a positive way.

### The Implications for Tax

In the coming months, companies will likely find that they must physically rotate new or junior-level talent from offsite locations into corporate environments to get them the exposure they need. The same will need to occur to allow for collaborative problem-solving innovation. An emphasis on developing effective hybrid solutions is particularly critical for the tax profession as we are facing a veritable exodus of current tax leaders, with two-thirds of all tax leaders in line to retire in the next seven years.

Between recent tax reform and COVID-19 challenges, current tax leaders are exhausted and under-appreciated. Along with the pressures of budget constraints, we anticipate there will be more significant changes to the tax codes following the upcoming election. Whether the recent changes are modified or even reversed, we forecast that the majority of tax leaders approaching retirement will do so even sooner, likely in the next three to four years.

While initially daunting, remote work has become commonplace, and some work-from-home arrangements are predicted to become permanent over the long haul. On that note, talented tax professionals currently working remotely but with hopes of eventually stepping into leadership positions should take care not to get boxed into those remote roles, as they'll likely regret it.

Just like in the traditional workplace, the futures of both remote and hybrid work are unlikely to be found in a "one size fits all" package. As tax leaders move forward in this socially distanced world, they will be challenged by learning how to onboard new employees, foster team-based collaboration, develop the next generation of tax leaders, and confront and overcome the likely compensation hurdles. (continued next page)



The solutions haven't been created yet but will be keeping an eye out for companies that react well to develop them quickly. As always, when we gain insight, we will share it.

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7



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