taxnotes® state

Volume 113, Number 9 ■ August 26, 2024

Best Practices for Recruiting Critical Tax Roles

by Tony Santiago

Reprinted from *Tax Notes State*, August 26, 2024, p. 579

Best Practices for Recruiting Critical Tax Roles

by Tony Santiago

Tony Santiago is the founder and president of TaxSearch Inc.

In this installment of Tax Pulse, Santiago discusses employee turnover and the challenges flexibility sometimes creates for companies hiring in the tax talent space.

Employee turnover is an inevitable part of business life. Along with terminations, people retire, face unexpected medical issues, or leave for personal reasons beyond an employer's control. The impact of turnover is significant, as it requires strategic recruitment to maintain operational efficiency and stability.

In our previous article,[1] we discussed ways to enhance and retain talent through retention and development techniques. By leveraging that advice, you can ideally hold on to as many of your team members as possible. But with an even greater demand for tax talent, it becomes crucial to navigate the recruitment landscape effectively.

The current market still favors candidates. Talented tax professionals, especially top performers, have multiple options. Further, today's workforce tends to be less invested in their roles compared with previous generations, and platforms like LinkedIn have made it easier than ever for professionals to casually submit resumes. But this ease of application raises a crucial question: How many candidates are serious about the position?

Being flexible with recruitment terms can significantly expand your applicant pool. By offering remote work options, flexible hours, or tailored benefits, you can attract a diverse range of candidates who might not otherwise apply. This approach can be particularly advantageous in a competitive market by broadening your reach and increasing the likelihood of finding suitable talent.

However, this flexibility also comes with challenges. A larger applicant pool can make it difficult to identify truly exceptional candidates. The influx of applications from less serious or less qualified individuals can lead to a more complex, time-consuming vetting process. And there's a real risk of losing top-tier applicants if your recruitment process lacks purpose and speed. This is especially critical for pivotal positions for which the stakes are higher.

Is the Role Critical?

Not all tax roles are created equal. While all positions are important, some are more critical because of their impact on the organization. These roles require special attention and often a different recruiting approach.

This recruitment market is unlike anything you've seen in the past, making it crucial to clarify what exactly you are hiring for and how. The first step is determining whether a role is critical.

Determining which roles are critical involves evaluating factors such as title, functional area, and the risks associated with not having the right talent in place. Critical roles might also include those with high turnover, upcoming retirements, or positions essential to strategic initiatives.

The role in question might be an entry-level position, but it holds potential for growth and development. Alternatively, it could be a role in which you don't have the expertise, and you need to expand your bench strength.

Nonetheless, in many cases, management might require you to use internal recruiting resources before turning to third-party providers.

[1] Tony Santiago, "Optimizing Tax Talent in Challenging Times," *Tax Notes State*, July 22, 2024, p. 221.

The Importance of Timing With Critical Tax Roles

If internal channels are unavoidable, managing the time frame is paramount. Given the cyclical nature of hiring and the supply-demand patterns in the talent market, you need to have a candid conversation about timing and secure a commitment to ensure progress isn't stalled.

Let's take the example of recruiting for a tax accounting reporting position. If this role needs to be filled before year's end, initiate your search no later than July or August to allow for proper offer and notice periods. Keep in mind the standard tax hiring cycles: In the United States, about two-thirds of hires occur between February and June, with a second wave following to backfill those now-vacant positions.

If you initiate the search in August or September, it's vital to keep the time frame compact. In today's competitive market, recruitment needs to be wrapped up by Thanksgiving. Otherwise, year-end closures, bonus payouts, and vesting periods make it unlikely that you'll secure a candidate who can start before March or April.

You must be acutely aware of these constraints. If you're required to use internal resources for critical roles, provide them with a time frame that still allows a third-party provider to resolve your staffing needs within the necessary timeline.

Maximizing Internal Resources

While you may be tasked with internal recruitment, do you have the resources to attract and vet a top performer for a critical role?

Even when you identify a strong candidate, the vetting process can be precarious if conducted by someone who doesn't fully understand the role's nuances. It's surprising how often human resources is tasked with evaluating candidates for highly specialized positions across various departments, potentially risking the loss of top talent because of miscommunication or a misunderstanding of role requirements.

When starting internally, allocate a reasonable period for the search, but be prepared to pivot. If they're not delivering results, you and the HR department must reach a consensus on when to bring in a third-party provider. This approach should be applied to both critical and noncritical roles.

It's essential to establish clear guidelines with your internal HR group and financial leadership to support longer time frames for recruiting for noncritical roles and shorter ones for critical positions. If a role remains vacant for an extended period, candidates start losing interest and could infer that there's a problem with the position. There's also the danger of creating the false impression that the position is unnecessary and losing your funding.

When conducting your recruiting effort with internal resources, start by considering the time of year and the cycle of hiring to ensure that you don't miss your windows of opportunity.

If it's a tax accounting or a chief tax officer role, you don't want to begin your search in September unless you're prepared to wait for them to start in March or April.

When and How to Engage Third-Party Recruiters

Internal efforts are important, but there are times when engaging a third-party recruiter is necessary. Specialized recruiters bring expertise and access to a broader talent pool, which can be invaluable for critical hires.

Internal efforts may fall short for roles that are highly specialized or require filling urgently. External recruiters often have the leverage and network to expedite the process and find the best candidates.

Choosing a reputable third-party recruiter is paramount. For critical hires, we suggest that you identify your preferred provider in advance. Look for firms with a specialization in your area and a strong track record. A good recruitment partner will understand the nuances of your industry and help you access the highest-caliber candidates.

Remember, in the world of tax and HR, timing and expertise are everything. By strategically managing your recruitment process and leveraging the right resources, you'll be better positioned to secure top talent in this competitive landscape.

Adapting to Evolving Tax Talent Needs

We are increasingly being called on to help with unraveling recruitment efforts. Employers extend offers that are either rejected or fall apart later. This collapse can occur at any stage of the interview process.

Meanwhile, other candidates are placed on the back burner, and you might end up losing them altogether. With this recent uptick in failed recruitment efforts, we've seen two themes emerge.

Personal Reasons and Expectations

Many candidates prioritize flexibility in their work arrangements, seeking remote or hybrid options even for roles traditionally requiring an in-office presence. This trend was fueled by the shift toward remote work during the pandemic and resulting personal preferences.

Further, people hear what they want to hear. Increasingly, candidates may interpret "hybrid" as the potential for remote work, which can lead to misunderstandings if the role is primarily in-office.

As a result, candidates may enter the recruitment process intending to negotiate more flexible terms post-hire. However, employers — especially for critical roles — often require a significant in-office presence for effective team management and collaboration. This mismatch can lead to early departures or candidates not showing up at all.

Some genuinely believe they can change people's minds. You'll have employers interviewing candidates and thinking that once they explain how great the opportunity is and the upside potential, candidates will reconsider their stance on relocating to the area.

This is where it really gets problematic. Let's say you hire them, but you weren't entirely clear on the details. Are they committed to moving to your area? When are they considering moving? These questions must be asked and addressed.

Even when employers are transparent about the job requirements, candidates might have the best intentions but be unrealistic about their constraints. For example, imagine a candidate who doesn't necessarily have to move to satisfy your department's hybrid needs but would face a long commute.

Once again, people hear what they want to hear: "No problem. I'm only going to be commuting three days a week; I can handle an hour-and-30-minute drive both ways, right?"

Probably not for long. This mismatch can lead to early exits as candidates realize the role does not align with their personal needs or preferences.

High Cost of Living

In regions with a high cost of living, such as California, the challenge is even more pronounced. Candidates may be reluctant to relocate, and employers may be forced to lower their standards to fill vacancies, leading to a decline in overall talent quality and performance.

This dynamic can erode the talent pool in some areas. When high-performing candidates see less qualified individuals easily securing positions, they may feel less motivated to strive for excellence.

The imbalance of supply and demand for skilled tax professionals, whether because of national trends or regional disparities, can also lead to lowered standards in hiring and retention practices as finding suitable replacements becomes increasingly difficult.

Charting a Course Through the Tax Talent Storm

The tax profession is facing unprecedented challenges in talent acquisition and retention. As we've explored, the landscape has shifted dramatically, with candidates wielding more power than ever before. From remote work expectations to compensation demands, employers must navigate a complex web of factors to secure top talent.

To succeed in this environment, tax leaders and HR professionals must adopt a multifaceted approach. This includes clearly defining critical roles, strategically timing recruitment efforts, and leveraging both internal and external resources effectively. Clear communication throughout the hiring process is essential, as is the ability to adapt quickly to changing circumstances.

But recruitment is just one piece of the puzzle. As discussed in our previous article,[2] development and retention strategies play a crucial role in minimizing unnecessary turnover and maintaining a strong team. By combining robust development and retention efforts with strategic recruitment practices, organizations can build resilient tax departments capable of weathering the current talent storm.

Nonetheless, some turnover is inevitable. No matter what you do, people outgrow companies and companies outgrow people. Lay the groundwork for strategic recruitment by implementing practices such as deadlines, identifying key recruitment locations, and developing efficient recruitment methods.

Flexibility, foresight, and a deep understanding of both organizational needs and candidate expectations will be key to success. By staying attuned to market trends and continually refining their approach, tax leaders can not only survive but thrive in this challenging tax talent landscape. ■

[2] *Id.*