

Thomson Reuters Market Insights.

A podcast for tax, legal and compliance professionals around the globe.

Episode title: Talent issues & regulatory changes impact how corporate tax departments are managing in post-pandemic environment

Release date: August 3, 2022

Nadya Britton: Hi everyone and welcome. I am Nadya Britton, Enterprise Content Manager for Tax and Accounting at the Thomson Reuters Institute and today I'm here to discuss the newly released State of the Corporate Tax Department and I'm excited to be joined by Elizabeth Duffy. Elizabeth, please introduce yourself to our audience, welcome.

Lizzy Duffy: Hi Nadya, thank you for having me. I'm Elizabeth Duffy or by all means call me Lizzy. I'm Senior Director of Global Client services within the Thomson Reuters Institute.

Nadya Britton: Great and let's jump right into it. Elizabeth, could you tell us a little bit about your role and developing this survey, right?

Lizzy Duffy: Yeah, sure. So, when we set out to design a survey, which is the third of its kind, the third annual survey, we wanted to do a couple of things. So, the first thing we wanted to do is really invest in building up a bank of good benchmarking data about what corporate tax departments look like in terms of profile and size, which rules they have and then some of the behavioral trends. For example, usage of technology. So, we had some core benchmarking questions that allow us to compare the results this year to the previous year, but as we go through future years, we're building more longitudinal data that we can look for patterns and spot trends for signals of what may be to come and allow us to provide more forecasting insights in future. So, that benchmarking piece was one. And the second thing we really wanted to do was explore what is the corporate departments' perspective on the big issues that are putting pressure on the industry right now. And you've read the report. You know this inside out, Nadya. And yet the big two words are talent and technology. So, you know, I think all industries have felt a squeeze on talent because of the pandemic and the tax and accounting world was already facing some big issues around how they keep pace with digitalization and the changes in legislation as well as this sort of aging talent pool, if I can call it that. And then the risk that that presents in terms of retention or development needs and succession planning. So, the pandemic seems to accelerate the pace at which the impact is bearing down on those talent and technology issues. So, we wanted to make sure in designing the survey, which I was responsible for, that we covered both the benchmarking and the hot topic piece.

Nadya Britton: That's great and I can't wait to get into that a little more. Just for our audience let's set who were the respondents? What kind of responses did we get? Can you give us a little background on that, before we jump in?

Lizzy Duffy: Yeah, absolutely. So, a few numbers for you. We got 580 responses in total, which was phenomenal. It is a global survey so the about 3/4 were US based respondents, but we heard from people in organizations that are headquartered across 41 different countries.

Nadya Britton: Wow!

Lizzy Duffy: So yeah, it was brilliant! The majority, so about 93% are all in senior roles in their companies, with 72% either as vice presidents of tax, chief tax officers, directors, or senior managers of tax and technology. So, it was very representative, very senior group we spoke to. We covered 20 different industry sectors as well. And then, in terms of the demographics, we had a really nice, fairly even split between male and female respondents and in terms of age groups, we had a majority of 56% in the 41 to 60 years group, 31% were younger than that, and then just 8% older than 60.

Nadya Britton: Interesting, and that again probably could tie back to some of the titles, the senior titles that we saw.

Lizzy Duffy: Exactly, yeah.

Nadya Britton: Alright, well what would you say were the top findings in this report?

Lizzy Duffy: So, the big theme, as I mentioned, is the idea of talent and technology. So, what we saw this year, and it's consistent with what we've seen in the past two years of doing this survey, is tax reform remains the top strategic challenge, but there's a very particular focus on government legislative activity across the board, so that was the big challenge facing tax departments. But then, although there is a clear need, what we heard is that departments report that they're feeling even less prepared technologically to deal with those common regulatory changes than they did feel of the or than they were positioned last year. So, change is coming. The departments feel under-resourced and they don't feel that the tech is up to scratch. And then the other piece was just that we heard employees feel they don't have the resources they need to meet those challenges. So, two of the top skills gaps they identified were tax technology and leadership skills.

Nadya Britton: Interesting. So, first of all, stepping back a bit and thinking about feeling underprepared, right? It's- they've all just went through the pandemic, which I'm sure has kind of moved all of us, regardless of industry, up the technology scale department, regardless of where we were, but then to kind of be in this new place and still feeling or probably it's been revealed to them how much more so they probably need to go on their technological journey in terms of keeping pace with not just local, but obviously global regulations and changes. That's really interesting.

Lizzy Duffy: Absolutely, yeah.

Nadya Britton: So, was there anything that surprised?

Lizzy Duffy: Yeah, it's always a good question when we come out with the research results because you would hope that you have anticipated most results, but you're always looking for the surprising findings. For me, the piece that really stood out, and first of all I found it really interesting to get such a balanced spread across our respondents of male and female respondents, but we heard significantly more of the women who were responding to the survey told us they were lacking mentorship. Now, remember this is a predominantly senior group who've responded, senior titles and roles in their respective companies, but four times as many women said that a lack of mentorship was the reason that would cause them to leave their current role or current company compared with men.

Nayda Britton: Wow, wow. OK, that's pretty surprising considering again, we said that the numbers were pretty even, right? In terms of respondents, and so that's significant.

Lizzy Duffy: Yes, and often, you know, you'll see that lack of mentorship because, you know, in other industries there aren't enough women in leadership positions modeling that leadership, aspiration and also providing mentorship, and that doesn't seem to be the case here, because we've got that, you know, gender balance if you like across the senior group we're speaking to, so there's something else at play here.

Nadya Britton: Right?

Lizzy Duffy: And I would say it's certainly something that department leaders would be wise to dig into and explore in more detail because that is going to be one of the prohibiting factors of women being retained and developed and moving on into leadership positions.

Nadya Britton: Yeah, definitely. And you know, we're talking about talent, so let's stay with that for a little bit if that's OK. So, what were some of the other- because you mentioned the notion of being under-resourced. And I can, you know, I think we can say safely that being under-resourced means that we're requiring more work, right? Out of the staff you currently have. Is there anything you can speak to around that that came out from the survey?

Lizzy Duffy: Yes, and I think you're absolutely right. They're feeling under-resourced this year. The results are certainly pointing to the fact that's coming from an increased pressure on departments to deliver, so the demand the workload is increasing. We had 73%. So almost 3/4 said they expect changes to government requirements in jurisdictions they're operating in within the next couple of years. Significant changes, I should say. And that was a statistically significant increase on the proportion that we're expecting those changes last year, so it's absolutely a driver of the change, and the pressure that is increasingly facing tax departments. And that's particularly acute for the technology sector because respondents from technology companies, 92% of them said that they're expecting those significant changes to come.

Nadya Britton: Oh my. Oh wow, oh wow. Was there, I'm sure, were there questions around what the departments are considering doing about OK, we know this is coming, or it's here more has already been asked for us, was there any data points related to from a talent and then maybe we flow into technology in terms of how they plan to mitigate some of this?

Lizzy Duffy: Yeah, and we did ask that question, how were you going to face it? And so that, the impact of these significant changes in legislation is set to impact tax departments most when it comes to the technology that they're using, more so than an impact on their processes or their people. And you know it, it's a greater impact on technology this year than it was last year, but really, this increase in demand, greater workload, more pressure feeling under-resourced, it really points to we don't have the technology in place right now either in terms of the infrastructure and/or the skills. So, the way that tax departments are planning to deal with that includes a few things. So, one is planning to do more with automation and technology. So, whether it's bringing in new tools or getting the skills, skill set-up, but they're also talking about streamlining processes so they can drive some efficiency and relieve a bit of the burden on the workload, and then the other side is the talent side, so increasing the resource base and the first piece that they talked about there was actually relying more on additional external support and then they talked about hiring more people in so rather than just increasing headcount within the tax departments, they'll look into external sources first and foremost.

Nadya Britton: Is there any details around what some of those external sources might be? Was that, was any information provided on that, you know, were they looking to working increasingly bit more? Let's say you know tax firms, consultants added up, we have that.

Lizzy Duffy: Yeah, I mean it, it definitely came in and I think that, although this report is a survey among the tax departments, and there's such fantastic insight and benchmarking data in here for tax departments, I think tax firms would really benefit from delving into it because they are that external advisor. They have the knowledge base; they really need to support their internal clients in that. So, from a tax firm perspective, going back to these significant changes in legislation, that's a huge place where corporate tax departments will be relying more on the external advisors. Then that the pressure there is on understanding the changes afoot, figuring out how and to what degree there will be an impact on their business, its operations, its supply chain, its workforce, and all of that. And then make the right recommendations and for changes to the board and to ensure compliance. So, the external advice from the tax firm comes from the collective experience they have of doing that same work for multiple different companies in, you know, the same sector or similar situations to that one client, and being able to draw on that collective cumulative knowledge and experience to give even sounder, business focused advice to the that corporate tax department. And so, that I think that is really an area where departments will be relying more on the external advisors and where those external advisors can really get proactive, and you know, we like to use the term business savvy, but practical or pragmatic, commercial, however, you want to put it, but it's that idea of really putting the specialist knowledge into the context of the business.

Nadya Britton: Yeah, and that's absolutely brilliant, Elizabeth, because you're right, it is a huge opportunity or potential opportunity for tax firms, especially as corporate tax departments are, for the most part, under-resourced, and then it's a great way to lend their expertise and help them. Anything else that you would like to share or that stood out or, yeah, anything else you would like to share?

Lizzy Duffy: Yeah, so I, a piece that I found really interesting was one of the first questions we asked about strategic priorities of tax departments. And so, there were sort of four broad categories, the first being we have to be an effective tax department and fulfill our rule. And so, they talked about specialist work streams related to that, keeping up with the company as it may acquire or grow or change in other ways. And so, you know, all related to that is good accuracy and quality and access to data, digitalization, et cetera so that, you know, being effective which is just fulfill the purpose of the tax department. The second most important strategic priority was this idea of safeguarding the business from risk, and that's where we heard a quarter saying that tax reform was top of their list. So, that is more of this sort of taking the longer term view looking around corners, horizon, scanning and again, coming back to that business savvy factor, they also talked about efficiency, but the fourth out of four strategic priorities, so the one that was mentioned least often was talent. And the reason I found that intriguing is, you know, later in the survey, we really heard how important talent factors are in enabling the tax department to meet its goals of being effective, safeguarding the business and being efficient. And so, the talent piece is incredibly important, and one of the issues is individuals are so busy doing the work and keeping up with changes for legislation and learning their new technology, they're not getting the time to invest in their own personal development and career or indeed too for the leaders of departments to spend time planning that longer term talent strategy and skills strategy of the team. So, the fact that talent was not higher on the strategic priority list I think is quite symbolic of that issue.

Nadya Britton: Absolutely and yeah, thanks for putting- because I did notice that and I would have assumed again based on every conversation, every industry that that would have been number one and the numbers did reveal itself later on as again as we looked at it, right? Are people just too busy to put the attention? Which again it's kind of like the horse and the cart, but you know, you need them both to get the work done, but how do you prioritize? So, thank you. Thanks for, you know, kind of laying that out and talking through that, but I think we're just at about time, so if there's any other closing thoughts, this was really informative and great report this year if I should say so myself. So, any other thoughts on your end?

Lizzy Duffy: Oh, just I, I completely agree. I think it was an incredibly insightful report, given how many of the questions with what we call "closed questions" and so few of those open-ended questions, we really, really got some great qualitative insight, as well as the trends piece, which we'll keep building in in future years, iterations of the survey, and that benchmarking component, I think, is hugely valuable for tax departments to be able to look in the report for example, and see you know for a company of our size and industry, sector, and location what's our spend on tax compared to similar companies? Or what's our team size compared to because it helps just make sure you're rightsizing and investing in the right areas or looking at OK we're a bit over compared to average could we drive efficiency somewhere else? So, I love both angles of this report. The where are we now and then that that future looking piece as well. So, it's been really interesting to work on this year, I'm already looking forward to next year's survey and report.

Nadya Britton: Oh my gosh please but yes, so am I. Again, the insights and benchmarking I can't wait to see where, you know, the corporate tax department would look like in, you know, twelve months seems a long way, but it really isn't, right?

Lizzy Duffy: I know.

Nadya Britton: So anyway, thank you so much for joining me, Elizabeth.

Lizzy Duffy: My pleasure, thanks for having me down here.

Thank you for joining us for Thomson Reuters market insights for more data driven analysis of today's professional services market and in-depth conversations with industry thought leaders, please visit us online at thomsonreuters.com/institute. You can also follow or subscribe to this podcast on your favorite podcast platform. Follow us on Twitter @TRIExecutives and on LinkedIn under the Thomson Reuters Institute. Thomson Reuters market Insights is a production of Thomson Reuters. Copyright Thomson Reuters 2021.