FOCUS

Talent and tax

Talent management – a strategic actor

Transforming tax education

Judgment and leadership: recruitment today

Diane Dossin
Chief Tax Officer, Ford Motor Company
The origins of the English word talent can be traced back to the ancient world. It referred to both a unit of weight (1 talent = approximately 26 kg), as well as a unit of value in silver. Depicted above is a silver talent from ancient Greece. At the time, one talent equaled 6,000 drachmas; and a skilled worker in Athens earned about 1 drachma a day.

1 "talent" = 6,000 workdays
Talent spotting – are you ready for the next era?

“The war for talent requires immediate action.” That was the conclusion reached at an EY event on the future of tax held last year in Zurich. Skilled tax professionals are more critical than ever to an effective tax function. Yet organizations are struggling to find the qualified people they need. Indeed, a joint survey by the American Productivity and Quality Center and the Institute of Management Accountants, published in 2015, found large gaps between the skills organizations need for success – such as leadership and strategic thinking – and the skills that entry-level management accounting and finance professionals possess.

The scope and role of the tax function are changing. Disruptive forces such as globalization, transparency and digitalization have given rise to both enhanced regulatory scrutiny and more complex business models. The tax function’s focus is consequently expanding from technical reporting, compliance and tax planning, to technology and digital tax, tax-related risk management and business-enabled tax planning. As a result, the tax department is being drawn out of its traditional silo and into the broader business. This means tax executives must develop closer relationships beyond finance, partnering more closely with the operating business units while broadening their engagement across the C-suite and the board.

What impact will these changes have on the skills profile of tax professionals? A strong technical orientation will remain important – and there will always be specialist roles – but tax professionals will also need a more rounded skill set. They must be able, for example, to assess the quality and meaning of data, to communicate complex tax principles in simple business terms and to work collaboratively with people outside their area.

Such a skills profile, accordingly, requires new, multidisciplinary approaches to tax and leadership education that go far beyond the historical emphasis on tax law. Pioneering university tax programs are striving to ensure that future tax professionals are equipped to deal with the entire range of risks in the real world. This includes having an understanding of IT, big data, intellectual property and supply chain management.

Globalization begets diversity. International expansion and intense competition for talent are creating a demand for workforces that are multigenerational, multicultural and gender-balanced. The needs and expectations of this new group – which includes millennials and Gen X – will be different from those of their predecessors. Companies must figure out how to train, manage and nurture a workforce that values international experiences and work-life balance.

At the same time, companies are increasingly being challenged to leverage a more mobile workforce – a global workforce – to deal with labor shifts and shortages. Thanks to new online and increasingly sophisticated platforms in the talent recruitment world, organizations can employ provisional workers (the growing “contingent” workforce) quickly, whenever they are needed on a temporary basis. Contingent workers, in a sense, are “on-demand” talent for corporations. But this category of workers comes with its own set of risks and challenges. Organizations will need help in optimizing and managing their contingent workforce.

Finally, the role of the tax director, too, is changing. The same disruptive trends evident in the evolving tax function have thrust the tax director into the spotlight. Increasingly, tax directors must function alongside CEOs and CFOs as partners in working through the tax-related implications of complex business decisions. Thus, tax directors must be strategic, business-savvy, strong communicators and leaders who are able to manage and motivate a diverse team of resources in order to meet an organization’s tax needs.

In this issue of Tax Insights, we examine the rising importance of tax talent – and what leading companies are doing to recruit, retain and develop tax talent for the future – while addressing the rapid changing world of tax being transformed by both business change and the robust tax regulatory environment.
“In China, most students assume that studying tax means a career with the tax authorities. Senior tax professionals have to send a message that businesses, too, need young tax professionals like us.”

Elaine Yi Long
EY Young Tax Professional of the Year 2015
Bridging the ...

The workforce today is getting older ... and younger. Baby boomers are increasingly opting to stay at their desks and delay retirement. Meanwhile, the ranks of the youngest workers – the millennial generation – are rapidly expanding. It’s a situation that could lead to some awkward moments: both groups have their own distinct working habits and ambitions. Differences aside, they are set to forge a new kind of workplace together in coming years.
Talent and tax

... generational divide

- Appreciate feedback
- Question authority
- Think and work globally
- Are versatile
- Need explanations
- Are entrepreneurial
- Are digital natives
- Prefer emails, text messaging
- Are ambitious
- Seek flexibility in terms of working time and location
- Value work-life balance
- Search for meaning

Sources: EY, Wall Street Journal, Forbes, Cardiff University, Pew Research Center, The Huffington Post, UN
“We need a mix of talent – those with in-depth, in-country tax knowledge and those who can collaborate and think strategically to coordinate projects across borders. Attracting, developing and retaining both sets of skills can be tricky.”

Dr. Christian Kaeser
VP and Global Head of Tax, Siemens AG; Chair of International Chamber of Commerce Tax Commission
Shaping talent’s future value
Is it not better to shape the future rather than to be shaped by it? Read about four key issues HR executives should be tackling to shape their talent’s future value.

Transforming talent: the banker of the future
How can banks embrace a new generation of bankers? Here are five smart steps.

Partnering for performance
The EY series explores ways in which CFOs can grow, protect and transform their organization by partnering with the leaders of different functions. This fifth part of the series explores the relationship between the CFO and the CEO.

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A talent for tax

At a recent recruiting event, a student asked me how I decided to go into tax. Let’s face it, most of us didn’t secretly dream from an early age of careers as tax professionals.

While my own path has been one of unexpected twists and fortuitous turns, tax has offered me a rewarding and intellectually satisfying career, and an opportunity to connect with a fascinating mix of people from different backgrounds and cultures. And I can honestly say – as I did to the young woman who asked me the question – that in my 30 years in the profession, there has never been a more promising time for bright, ambitious young people to consider a tax career.

While a lot has changed in business and in tax during that time, the fundamental role of the tax professional in helping organizations assess, anticipate and manage the implications of changing business and regulatory environments, has not. What’s different is the nature of today’s challenges. Heightened globalization and digital transformation contributing to the re-ordering of business operations and a correspondingly complex tax picture. In this environment, tax considerations take on an increasingly central and strategic place in business decision-making, thrusting tax leaders into more critical, visible roles and demanding new skills.

Another looming global challenge is that of talent. Talent – even more than capital or technology – may be the key factor organizations confront in enabling and sustaining growth. EY has made significant investments through global generations surveys to help the marketplace better understand the complexities facing today’s workers with an eye toward attracting and retaining millennials and maximizing their performance in the workplace. As examined in detail in the pages of this publication, the changing nature of the global talent outlook presents some pressing challenges. One of these is the shifting demographics – aging populations, especially in the most developed countries, mean that there will be fewer workers supporting a growing number of senior citizens.

The second challenge is growing global demand. Sustaining economic growth in advanced economies will require a staggering number of new workers over the coming decades who simply are not there. Only in India and parts of Africa do we see a surplus labor force for the future. Issues of labor mobility and innovative use of technology to fill these talent gaps – along with the tax implications of these movements – are likely to rise in importance.

The next talent challenge relates to employability. These new workers will need new skills for the modern economy. Many countries face a shortage of people educated in science, technology, engineering and math (often known as STEM disciplines) that are increasingly in demand. Also of growing concern for multinationals is a shortage of managerial and leadership talent, particularly in some developing economies that are expected to be the engines of future growth.

Finally, the expectations of how, when, where and why we work are changing. Generational and cultural changes, as well as a huge expansion of women in the workforce, are altering the nature of work itself. While there are many positive benefits to be hoped from this shift, organizations and society as a whole must adapt to these new paradigms.

For example, we are seeing flexibility becoming increasingly important beyond at the global stage, where managers are working more and also demanding more flexibility – in both emerging and mature markets. Among the top factors of concern for our global workforce include increased work hours, lack of flexibility, stagnant wages, lack of advancement; and increased travel for parents. While the top reason people quit their jobs globally was “stagnant wage growth (76%),” the numbers point to a lack of flexibility as a significant cause of attrition. The silent or unspoken ultimatum is, “Provide me more flexibility or I am walking!” Therefore, companies must adopt greater flexibility or risk losing managers.

The tax profession is, of course, subject to these same challenges in attracting and developing talent, and adopting new ways of working.

For example, many organizations are beginning to deploy novel tax technologies, driven in part by new reporting requirements and a push for greater transparency by regulatory authorities.

The use of technology to pull information from fragmented corporate data systems promises to streamline tax reporting, replacing tedious manual processes with cutting-edge automation and enabling tax professionals to refocus their efforts on identifying opportunities and decreasing risk for the enterprise.
The development of real-time tax “dashboards” and visualization techniques using data analytics offers game-changing opportunities for tax professionals to add value in new ways. This is giving rise to a new role in the tax department – a tax technologist. These advances demand new skills. While historically STEM disciplines accounted for less than 5% of the degrees held by EY tax professionals in the US, this is changing rapidly as we develop teams that can bring to bear the full spectrum of tax, accounting, legal and technical acumen. Recognizing the need for tax professionals to communicate and collaborate effectively across the enterprise with a range of stakeholders, we’re also bringing in more “nontraditional” candidates with liberal arts backgrounds who bring these types of valuable skills to the organization.

This increasing diversity in professional and educational backgrounds has been accompanied by profound changes in the composition of the tax workforce as well. Today, more than half the people entering the tax profession in the US are women, a major increase from just a few years ago. There is near parity in the number of women and men holding mid-level tax management positions in public accounting firms, while about 70% of tax examiners, collectors and revenue agent positions at the US Internal Revenue Service are women.

Though we don’t yet see this kind of representation of women in the top ranks of the profession, there are some signs that this, too, may be changing. In 2014, for the first time, seven of the top tax jobs at Fortune 10 companies (Wal-Mart Stores Inc., Berkshire Hathaway, Phillips 66, GM, Ford, General Electric and Valero Energy) were held by women. While women continue to be under-represented in the CEO and COO ranks of large public companies, the increasingly important role of tax and tax leaders in strategic decision-making points to tax as a potentially under-appreciated gateway for women to the executive ranks. We need to build on this momentum to continue to create opportunity and enhance diversity, which mounting evidence suggests leads to better business outcomes. In fact, a strong business case for gender diversity for women in leadership comes from Is Gender Diversity Profitable?, a recently released study of EY and The Peterson Institute for International Economics, that draws from analysis of 21,980 publicly-traded companies from 91 countries via Reuter’s publicly available stock profiles. The study’s findings show that a company with 30% female leaders could add up to 6 percentage points, or 15%, to its net margin.

Perhaps the biggest change I have seen in recent years is the sudden emergence of tax from the back office to the front page. Questions of tax policy and transparency are being debated in the public arena. Over 90% of the largest companies responding to EY’s 2014–2015 Tax Risk and Controversy Survey believed that global disclosure and transparency requirements will continue to grow in the coming years. It’s a debate we should welcome and this also requires new skills of the tax leader – the tax diplomat.

EY has advocated a point of view we call the “total tax picture” that incorporates much more than just the amount of taxes paid. The total picture includes the organization’s broader social and economic contributions, as well as the duties of responsible citizenship in the places it operates. Adopting this holistic perspective requires tax leaders to engage actively and constructively with a broader range of internal and external stakeholders, including governments, the media and civil society. Tax professionals will thus need to take up the mantle of leadership across a more extensive domain than in the past.

The talent challenges for tax are therefore real and profound, requiring new skills and new mindsets. Yet, I believe that tax departments and advisors are poised to play an ever more critical leadership role in seeking solutions to the issues confronting business and society. The tax professional entering the field today will experience a global, technology-enriched, and contrary to popular belief, dynamic job. For me, I’ve traveled to more than 70 countries, worked for clients and colleagues on every continent and have seen increased use of data analytics and other innovative technology. I see that only increasing in the future.

That is why I am so optimistic about the future for young people entering the profession. I’m looking forward to seeing what they will achieve.
By Dr. Paul Kielstra

Declaring that “people are our greatest assets” is one of the ironic clichés of corporate communications. Getting the most out of their people remains a challenge for many organizations.
The numbers are alarming: only 27% of senior corporate leaders believe their companies are prepared to meet the human capital challenges they face, according to a recent global survey by the Conference Board and Development Dimensions International (DDI) – a leadership consultancy. This even though the issue is the top concern of these same executives.

Rich Wellins, senior vice president at DDI in Pennsylvania, US, believes that such data accurately indict today’s corporate management of talent and leadership. So, too, do the widespread talent deficits at businesses – the inevitable outcome of poor sourcing and development of the workforce. Just 46% of critical positions at respondents’ companies could be filled with internal candidates immediately if the need suddenly arose, the survey found, and just 15% of those surveyed thought that their organizations had a strong bench of future leaders.

To some, the findings are no surprise. David Collings, Professor of Human Resource Management at Dublin City University explains that, “in a lot of organizations, there is a broad recognition that they are behind the curve of where they need to be in talent management. They are struggling with a lot of the issues.”

This is in some ways even more true for large, multinational companies – which are the focus of this issue of Tax Insights – than for smaller ones. Collings notes, for example, that after a certain point of growth, companies can struggle to keep track of key talent on a global basis.

Talent-related weakness, however, is something these businesses can ill afford. Facing ever intensifying global competition and shrinking business cycles, agility is essential not just for corporate success but, often, for survival.

This has substantial implications for what companies need from their human resources, says Sayed Sadjady, EY’s Americas PAS Talent Leader in New York.

“In a lot of organizations, there is broad recognition that they are behind the curve … in talent management.”

David Collings
Professor of Human Resource Management,
Dublin City University
Consider something as basic as a performance evaluation. “In an Asian culture, a typical employee does not want to stand out from the crowd,” Collings says. “Accordingly, he might receive a lower standing in a standardized evaluation than one from North America, even though he’s just as talented.” Finding and rewarding talent across borders requires dealing with hundreds of such issues.

While global companies face the worldwide challenges of cultural diversity and the talent shortages of major emerging markets, economically developed economies present a growing problem of their own – an aging population.

According to United Nations Population Division projections, the proportion of the population in the world’s more developed countries aged 65 or over will rise from 17.6% in 2015 to 23.0% in 2030. In some major markets the shift is already more advanced. In Germany, for example, the equivalent figures are 21.2% and 28.0%, respectively.

Meanwhile, the millennial generation poised to replace those reaching 65 brings challenges of its own. As Storey puts it, “A consumerist, self-serve generation has grown up with its members expecting to be treated as individuals, almost as a workforce of one.”

Substantial debate exists over just how distinct the attitudes and aspirations of these millennials are from earlier generations.

Collings notes that “the research is mixed,” but there are some real divergence from the past groups. In terms of engagement, for example, he reports that millennials place a higher emphasis on how well an organization is aligned with their own personal goals and expectations than did previous generations. They also focus less purely on remuneration.

“… these employees (millennials) are sufficiently distinct that we have to change how we lead.”

Lisa Wadlin
Chief Tax Officer, Wal-Mart Stores Inc.

“These employees are sufficiently distinct that we have to change how we lead,” says Lisa Wadlin, Chief Tax Officer of Wal-Mart Stores Inc. based in Bentonville, Arkansas.

The aspirations and expectations of the young also differ by country – sometimes substantially. A recent survey conducted by the French business school INSEAD, for example, found that millennials in North America, Western Europe and Africa want managers who are a source of empowerment for their employees. Millennials in Central and Eastern Europe placed more value on technical expertise in their managers, and in Latin America, a manager’s ability to act as a role model was the most prized.

The lack of women in leadership roles also remains an area of concern. A recent International Labor Organization (ILO) analysis of 49 countries found women make up more than 40% of senior or middle managers in just six – all small, usually developing economies. These figures were for the economy as a whole. Given the use of gender quotas by many governments, the ILO warns that the figures in private enterprise were probably lower.

Finally, the increasingly complex, multidimensional chessboard of talent appears to be bringing into existence a greater diversity of playing pieces than in the past. Part-time work is increasing. And in some countries, older workers are staying on full- or part-time after traditional retirement ages. Among members of the Organisation for Economic Co-operation and Development (OECD), for example, the proportion of workers aged 65–69 increased to 25% in 2014 from 16.1% in 2000. And those workers aged 60–64 who are currently employed are more likely to keep their jobs after age 65 than in the past.

The reliance on freelancers instead of full-time employees is also on the rise in developed countries. In the United States, these represent more than one in eight workers, nearly as many as those with traditional part-time jobs. This independent workforce presents new challenges to those in charge of talent. Although using freelance workers saves companies money, Dallas-based Mary Elizabeth Porray, EY’s Global PAS Performance Leader, notes that “these employees are sufficiently distinct that we have to change how we lead.”

only 27% believe their companies are prepared to meet talent challenges

Source: DDI

Source: DDI
Talent and tax

Making talent management a strategic actor

For Evonik’s Zimmermann, the most diverse challenges involve understanding national or regional conditions and addressing them accordingly. The bigger task for talent managers remains creating a strategy that aligns with and supports the business’s wider goals in the midst of current, and likely future, conditions.

This represents a substantial shift from the not very recent past. Sadjady notes, “HR has traditionally been more focused on transaction, compliance and reporting activities. Now there is a lot more requirement for them to become proactive, to work with the business, to understand its strategy and to develop a people strategy to support it.”

The change should be radical, says Zimmermann. Talent management, and human resources as a whole, has to move from being a provider of talent development as a service to a function that enables the entire organization to play a role as each worker takes ultimate responsibility for developing their own talent. Zimmermann estimates that, when the system works correctly, an individual achieves 70% of such development from working their day-to-day job, 20% from manager feedback and networking and only 10% from traditional talent programs.

Evonik’s twice-annual global talent succession conference is a good example of how HR can be a facilitator, rather than owner, of talent management. During these internal events, Zimmermann explains, HR executives from all global regions meet to discuss vacancies in key posts from various Evonik functions that will occur in the short to medium term. At the same time, they have to look at the existing talent pool in order to not only consider who might be appropriate to fill them but also to create further opportunities where business leaders meet with talent. Conference participants are held accountable to follow-up and impact gets measured. Zimmermann notes that this gives executives a better idea of the company’s current talent worldwide, as well as fosters succession and development.

This can be particularly important for more specialized roles, such as taxation positions, where the internal pool of talent is usually limited.

Whatever the organization-specific solutions employed, says Sadjady, “most HR functions are trying to adapt and adjust” to the need to be more strategic. He adds, however, it is a big leap: “That has not been a natural role for most of them.”

In DDI’s Global Leadership Survey, just 20% of non-HR executives believed that their HR departments had become what the study calls “Anticipators” or providers of future-oriented information of strategic value. Thirty-seven percent were at least able to partner on current issues of common interest to the function and the organization, but 43% were still “Reactors” who simply ensured compliance with existing policies and responded to business needs when asked.

In contrast, HR professionals were more likely to see themselves as further advanced along this road than their peers in the rest of the organization – a sign of an ongoing failure of some to truly understand the needs of the business.

The potential of big data

Technological innovation offers one tool that might be key in speeding up HR’s transition into a more strategic competency. Increasingly sophisticated data analytics tools open up the opportunity for human resources departments to draw valuable new insights from data.

“From a talent management perspective, it would be good to operate in a global playground.”

Philipp Zimmermann
Head of Talent and Leadership, Evonik Industries

Taking responsibility for your own talent development could mean:

- 70% will be achieved from working in your day-to-day job
- 10% will be achieved from traditional talent programs
- 20% will be achieved from manager feedback and networking

Source: DDI
already collected, or potentially collectable, on personnel and the organisation’s activities.

Storey recalls a natural resources client which, when matching up safety records with basic individual data, found that miners over a certain height were more likely to be involved in accidents. Special training for such individuals might therefore be valuable.

Tax consulting firms can undertake an analysis of employees’ time reports to determine if an appropriate level of learning and development is being undertaken. Organizations are adjusting traditional methods of training and development in response to time pressures and technology.

Such scattered insights are the tip of the iceberg. Says Storey, “We are probably going to see more change in talent management in the next 10 years than we have in the last 30 – fundamental shifts in the way people are sourced, hired, motivated, managed and paid – and it all has to do with analytics.”

Again, the exploitation of analytic technology will require significant cultural change. “The whole function of people management has not been as data intensive as others,” Sadjady explains, and as a result, the thinking underlying policy has frequently not been as robust.

Moreover, some countries place restrictions on what data about personnel can be retained by employers, which creates another important barrier to the use of analytics.

HR departments have also been slower to adopt big data than other functions. Storey says while those responsible for talent at many large companies are investing in data analytics, many are “still feeling their way rather than finding anything that will shake up what they do.”

Nevertheless, some potential uses for analytics are already clear. Twelve-month retention rates, for example, have the potential to reveal important lessons when compared with data points relating to recruitment, onboarding, and management practices.

Zimmermann believes that analytics, especially at large organizations, will give a much better overview of talent and workforce needs and planning – all key information requirements for a more strategic function.

Global strategy for a function with local responsibilities
As technology-enabled talent management at an increasing number of companies takes on an increasingly strategic role, it will have to deal with an unavoidable split. Organization-wide talent requirements point toward a multinational or global focus of activity even while unavoidable compliance and tax issues drag it back toward the local.

Porray explains that companies have to perform on both levels simultaneously. “The world is becoming smaller and smaller. Strategies need to happen at the global level, but what happens at the local level will
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“If (change) is successful, HR’s old job should be redundant.”

Philipp Zimmermann
Head of Talent and Leadership,
Evonik Industries

not change. There is no substitute for an HR professional talking with an employee.”

In general, only certain aspects of talent management are part of organization-wide strategy in this field. Typically, these tend to relate to the availability, development, deployment and succession of managers, especially senior leaders. Even for less senior employees, says Storey, training and certain administrative tasks, such as payroll, can have a more global focus. Other elements of talent management, the traditional fundamentals of HR, such as compliance with tax and labor law requirements, have usually remained local.

While it makes conceptual sense to elevate what has organization-wide relevance to the level of global strategy and leave the rest to local considerations, in practice, things are not nearly so neat.

“From a talent management perspective, it would be good to operate in a global playground,” Zimmermann explains. “You don’t want to look at legal entities when it comes to joint multinational projects or teams. The tax people, though, ask about where value is created. From their perspective it is not a global effort. This is where the complexity lies.”

Similarly, even something as basic to management of corporate leadership talent as expatriate postings or just extensive business travel has local implications. Wadlin of Wal-Mart Stores Inc. explains that “any time you have somebody moving around, there are tax and compliance issues.”

Some tension between the global and local is inherent in talent management at any organization. Finding ways to address it will therefore be essential if HR is to make a more effective strategic contribution.

One possible solution is to separate, as much as possible, the purely transactional from the strategic. A large multinational technology company took this step to its logical end. Since 2012, its Global Business Services – a shared services provider – executes benefits, learning and staffing policies set by HR. This allows the latter to focus more on personnel and talent strategy.

Experts also suggest those in charge of talent strategy work together more closely with relevant business partners in a way that is parallel to HR’s increasing role in overall strategy. For example, notes Collings, mobility services tend to have a very limited role in shaping talent strategy, even though they are an essential part of talent development in global companies.

Such a wider lens would help talent managers create stronger strategies in support of the business. As Wadlin puts it, “Tax can provide great insights and help the strategy for talent management” from the content of training itself to how to structure processes and policies in the most tax-effective way possible.

Talent management needs to transform in the face of growing demands from the business and challenges of its own. In particular, it needs to align its own strategy better with that of the organization as a whole. This will involve not only engaging with business partners to understand the organization’s needs, it will also mean cooperating with relevant functions to strengthen its own contribution to the business.

The change will be dramatic as it is necessary. “If it is successful, HR’s old job should be redundant,” says Zimmermann as it becomes an enabler of the best use of talent.
From here to there: the changing composition of the tax function

The tax function faces a host of transformational trends, meaning the strategies that worked yesterday no longer work today.

By Bill Millar

Today’s tax functions are experiencing an era of nearly unprecedented change. Focus on the dashboard heading under global taxation for the typical global entity, and, as Bernd-Peter Bier, Senior Vice President Taxes at Bayer, explains, the change indicator is likely glowing “bright red.”

Navigating this change requires an understanding of the key stressors and opportunities and insight into solutions most likely to bear competitive advantage. It also requires putting the right people with the right skills in place. Only then can businesses determine and address the employment needs of their tax function.

A shrinking world

The phrase “perfect storm” tends to be overused. But according to EY London-based EMEIA Leader for People Advisory Services (PAS) Dina Pyron, it is a highly appropriate term to describe the array of transformative forces overwhelming the tax function.

Consider globalization and the ways it is changing organizations. At the same time, the world is getting smaller, says EY’s South Africa-based Global Talent Leader for PAS David Storey. Thanks to global competition along with vast advances in communicative and therefore collaborative technologies, companies are similarly “getting smaller,” with all of their various working parts “becoming more interconnected and interdependent.”

The pressures and opportunities of global competition are leading companies to do more in terms of genuine global optimization. As Pyron explains, “you’re seeing (the tax function) getting involved much earlier to help (their organizations) make more tax-efficient decisions.”

…”we cannot be shy of conflict when we feel we are right.”

Bernd-Peter Bier
Senior Vice President Taxes at Bayer
**Global footprint**

A good example is the shift toward managing human resources (HR) on a globally optimized basis. Relative tax rates, including incentives for hiring, training and development, can play a key role in determining the optimum placement for a global workforce. Add the complexities associated with global expatriate programs, and it is no wonder that the tax department needs closer ties to HR.

These issues flare whenever a business decides where to locate. Prior to the globalization of business, there might be only two or three in-country candidates, with each canton, province, state or city offering its own raft of tax incentives. But if the goal is true optimization of investment, workforce productivity and growth, organizations need to evaluate the all-in, after-tax costs of a wide variety of international destinations.

According to Dr. Christian Kaeser, Siemens’ Munich-based VP and Global Head of Tax, business opportunities and conditions in today’s global economy are “fast moving.” Consequently, companies need to continuously review their portfolio of businesses “to see where there are missing links in the value chain or other opportunities.”

Indeed, global businesses, seeking ever-greater efficiency, are already hard at work centralizing their finance functions. The tax function, more often than not within finance ultimately reporting to the CFO, is experiencing similar pressures to build a more efficient, globally focused footprint.

For the tax department at Bayer, greater efficiency is the means toward a more strategic focus. The firm is trying to distinguish between job descriptions that require intensive local tax knowledge and those that are more broadly applicable to the business at large, such as transfer pricing and tax accounting. By doing so, they hope to derive the most value from their resources.

Tax also plays a key role in M&A, joint ventures, partnerships and related corporate development actions. It begins with evaluating the after-tax cost of doing business in one location or another, including analysis of a wide range of tax incentives. Then, once a deal is signed, “the work really starts,” says Siemens’ Kaeser, as the tax team must get to work integrating the new entities to achieve deal value as well as establishing all of the processes needed to achieve compliance.

But if the process for buying, selling or restructuring businesses wasn’t already complicated enough, the opportunity list expands in a global economy, and with it, the number of regimes whose rules require strict compliance. For Siemens, a company very active in M&A, says Kaeser, “the associated tax workload is very demanding and constantly increasing.”

**Agent of change**

That workload is set to increase further in the future as countries begin to implement the OECD’s new Base Erosion and Profit Shifting (BEPS) rules. As globalization drives more companies to operate in more nations, businesses do what they can to manage their global tax burdens. The countries in which they operate, meanwhile, want to maximize their tax revenues. Combine these ideas and the result is BEPS.

Bier from Bayer describes BEPS as perhaps the greatest agent of change to impact tax departments. The BEPS program promises more reporting and compliance — to say nothing of the likelihood of it generating more frequent, higher-profile and potentially costlier controversies.

For example one of the elements of BEPS receiving a lot of attention and being widely adopted is country-by-country (CbC) reporting. The report contains high-level information about a multinational enterprise’s (MNE) jurisdictional allocation of revenue, profit, taxes, assets and employees to be shared with all requesting tax authorities where the MNE has operations. Once multiple host nations are able to access such reporting, they will be able to use this information to see whether they think more tax is due in their location.

This means more work for tax teams, for instance proactively ensuring transfer pricing practices are able to withstand closer scrutiny. Bayer has...
Audit of the future
Digital transformation is also driving the demand for tax talent. It is increasingly difficult to distinguish between a digital and a traditional business. Businesses today, whether categorized as tech-oriented or not, feature a wide range of digital processes. Meanwhile, tax jurisdictions are fast-evolving toward an era where collection of everything from personal taxes to VAT and GST will be fully digitized by governments. In Russia, for example, electronic VAT filing is already compulsory.

BEPS itself will drive further digitization as companies comply with requirements to submit global and local master files on transfer pricing activity as well as CbC reports. These reports will generate vastly more data available for analysis.

On the one hand, additional data gives tax departments more insight and tools for tax planning and optimization. But it also creates opportunities for governments to use data matching to conduct analysis and comparisons leading to highly sophisticated and targeted audits. In the near future, governments may actually bypass corporate tax returns and unilaterally tell companies how much they owe.

Digitization creates new challenges and opportunities for tax departments. Bayer, for example, is already focusing not only on developing and improving IT tools for the tax department but also on the proactive, forward-looking analysis of tax data, says Bier.

More with less
All of this requires a rethinking, not only of the structure and function of the tax department, but ultimately its talent needs.

Tax functions of the past, says EY’s Pyron, relied heavily on individual teams from multiple jurisdictions working independently to focus on their own in-country operations. The work featured “manual processes, little standardization and even less technology.”

In response to key megatrends, the tax function of today is evolving rapidly. Tax now partners with other groups like HR, finance and IT. The view is multi-jurisdictional, targeting the optimization of global performance. More processes involve more technology, such as standardized tax reporting within a global ERP system so that overall, says Pyron, the function is becoming “far more efficient” and more focused on “fulfilling the role of a strategic partner.”

Facing a heavier workload – much of it strategic – tax departments are recognizing they do not have what EY’s Houston-based Paul Palmer refers to as the “arms and legs” to get everything done. So in the quest to do more with less, many tax departments are completing or are in the midst of fundamental restructuring.

Often this starts with the standardization of more and more processes leading to less need for significant, compliance-focused in-country resources. From there, many tax departments are adopting a centralized hub and decentralized spoke approach, “with strategically focused talent concentrated at the center,” says Palmer, leaving only task- or compliance-focused tax workers distributed locally.

Such business models also tend to feature higher degrees of outsourcing. Rather than maintaining high-cost tax talent in each country of operation, these organizations hire senior level in-country expertise as needed. As Jay Sternberg of EY’s People Advisory Services in New York explains, many are also outsourcing key pieces of their technology, therefore achieving scalability and avoiding the need “to invest in technology updates every six months.”

Beyond the comfort zone
In the past, tax professionals’ skill sets were nearly purely functional, says Bill Leisy of EY’s People Advisory Services in Atlanta. Tax executives and staff understood their piece of compliance and faced little need to expand beyond their comfort zone. But today, “tax professionals need a wide range of additional skills.”

In particular, today’s tax executives must possess a business focus – something that in the past Leisy believes “was often lacking.”

Today’s tax professionals also need to take a collaborative, forward-looking approach and have the ability to communicate complex tax issues in a manner that is easily understood by a non-tax practitioner. In addition, given the decidedly greater degree of IT and data impacting today’s tax practices,
candidates for the tax team will also need to be more tech-savvy with a heavy focus on data-driven analysis and decision-making.

It will also be important to identify and develop talent capable of dealing with higher levels of tax controversy. As Bayer’s Bernd-Peter Bier explains, tax controversies, which require diplomacy, are expected to become more common. Consequently, “we need people with a very profound knowledge of the local tax law, but they also need to be able to argue, respectfully, with authority.”

Businesses facing tax controversies also want to avoid public relations backlash and, in general, avoid tax court. But at the same time, “we cannot be shy of conflict when we feel we are right,” says Bier. So the ability to discuss tax “in a clear (and compelling) but not inappropriate manner” becomes an “essential skill.”

Spotlight on talent
Palmer says that in spite of the need for dramatic change in the talent makeup of tax departments, “most companies have not changed the look and feel of their tax talent or the department itself in 30 years.”

“… we need people with a very profound knowledge of the local tax law, but they also need to be able to argue, respectfully, with authority.”

Bernd-Peter Bier
Senior Vice President Taxes at Bayer

Pyron agrees, adding, “it is in fact highly unusual for a tax director to have a well-developed talent strategy or program.” Few, says Pyron, “have thought about it rigorously; most are ad hoc.” But awareness is on the rise, says Palmer, evidenced by a handful of global businesses that have approached him in just the last six months indicating their desire to address tax talent.

Balancing act
Even those who are taking a more strategic approach to their tax talent needs say the way forward isn’t always that easy. Siemens, says Kaeser, “has a very strong overall approach to talent.” However, translating these programs in a way that can provide learning and growth opportunities for tax people is a constant balancing act.

Tax at Siemens, he explains, is a highly specialized function. Tax executives, by definition, must have deep country-specific tax skills, making them most valuable primarily to the tax function and in most cases only in those countries where they have significant experience. As such, the career path tends to be “tax specific,” says Kaeser. Meanwhile, skills such as the ability to present or to manage complex change projects are often less developed than in other professions.

Still, out of a total tax workforce of some 600, Kaeser endeavors to have at least 20-30 candidates on the fast track, being developed for more senior tax roles. This group is constantly being shown “the larger picture,” says Kaeser. Moreover, they are encouraged to develop more holistic skills or, in many cases, to pursue an advanced but general business degree such as a Master of Business Administration (MBA).

The challenge, says Kaeser, is to make sure there are not so many being fast-tracked that their hopes become dashed. “There are only so many openings; so many challenging growth assignments,” says Kaeser. “We don’t want to lose people because we overpromise (but then cannot deliver the opportunities).” Kaeser also never blocks the way for his people, but rather gets enthusiastic when he discovers a chance for them, regardless of whether that means a promotion inside or outside of Siemens. Says Kaeser, “If my people are successful – and they are – that’s the best showcase for the Siemens tax function.”

Another talent strategy of great value to Siemens; hire from consulting firms and the Big Four accounting firms. Such consultants, Kaeser explains, “get a wide range of training and experience” that is quite relevant for the work at hand.

With so many forces at play – from globalization to digitization to the arrival of BEPS – it’s clear that tax must evolve to become a value-adding, collaborative partner with business units and the organization. “Overall,” says Pyron, “tax departments need to accept that the future is one of global awareness, flexibility and agility.”

No doubt, this implies profound change for talent. But the shift toward a globally focused, higher-value, high-tech and strategic-planning-oriented entity is inevitable – meaning change must begin today.

Key action points
- Profound changes taking place in global taxation require a substantially evolved mission for the tax department – business as usual is unacceptable.
- Accelerate the shift in focus from “compliance-driven with strategy as an afterthought” to “optimized compliance and strategy-driven.”
- Revise the structure of the tax function to improve its ability to collaborate with key global processes like HR, financial planning and M&A.
- Prepare for BEPS, digitization and finance transformation.
- Review the current skill set of staff, and develop an action plan for acquiring or developing the needed talent.
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The better the question. The better the answer. The better the world works.

Bessie Coleman
First African-American female pilot
They are the entitled generation, who grew up addicted to technology and the praise of their parents and teachers. They are flighty and find it hard to commit to a career or job. Depending on whom you ask, these are among the characteristics – or stereotypes – that define the millennial generation. Separating the individual from the group, however, provides valuable insight into the perspectives and ambitions of this younger generation of workers. In the following pages, EY provides a platform for students and professionals of the millennial generation to discuss what they personally seek from their employers.
“For me, flexibility in the workplace can be essential to one’s overall performance. As the story of Archimedes goes: he noticed that the total volume of an amount of water was displaced when an object was placed into it. He didn’t make this discovery at his desk, but as he was entering the bathtub. I do some of my best thinking when I allow myself out of the office and clear my head.”

Macdonald Norman (23), who has a BBA in accounting and who is a full-time student at Texas A&M School of Law and also a research assistant in oil and gas taxation
“I would like my future employer to provide training programs on data analysis so that I can gather more knowledge and make use of new technological developments. Technology also provides us with new ways of thinking.”

Amanda Zhu (21), who is currently completing her BA in accounting at Beijing’s Central University of Finance and Economics
“One big step for employers is to provide a platform for me to discuss with my coworkers how they could imagine providing assistance on a daily basis, whether it’s helping me with my jacket or getting a file. Barriers still exist in people’s minds. Employers are unsure how to deal with people with disabilities.”

*Severin Bischof (28), who holds a PhD in law from the University of St.Gallen, Switzerland, and is working as an intern at a court*
“I believe, in some cases, the glass ceiling still exists. In order to succeed, you have to identify the desired leadership attributes of your organization, seek out opportunities to showcase these attributes and your abilities, and actively manage your career.”

Amanda Wirth (32), who is a financial manager in a global enterprise in automotive and mobility
“From faith to race, I believe discrimination is still an issue in the workplace. Although companies and their investors are learning about diversity’s benefits, it’s still a struggle. For me, it’s important that companies are transparent about their beliefs and are seen to encourage diversity – because anyone can say: ‘we don’t have discrimination in our company!’”

*Thane Campbell (24), who is an OPTIMA Center for Doctoral Training (CDT) PhD student at the University of Edinburgh and a member of the Innovation Forum, Edinburgh branch*
“In my opinion, working in a foreign country could create some personal discomfort … some uncertainty. But when I step outside of my comfort zone, I can truly test who it is I am as a person while fostering my personal and professional growth.”

Robert Serenbetz (23), who is based in New York City and is an investment strategist with a global bank.
“Empowering employees allows them to experiment, take risks and seize opportunities.”

Arundhati Bhattacharya
Chairman, State Bank of India

Source: EY Exceptional magazine (February–June 2016)

“HR can be a facilitator, rather than owner, of talent management.”

Philipp Zimmermann
Head of Talent and Leadership, Evonik Industries

Source: Tax Insights, this issue (p. 16)

“A company is a group of people. It is made by people, and it must be run for people.”

Mohed Altrad
President, Altrad Group

Source: EY Exceptional magazine (July–December 2015)

“Diversity is the key to success.”

Chris Nassetta
CEO, Hilton Worldwide

Source: EY Exceptional magazine (July–December 2014)

“While my father and I both have had the privilege of leading successful businesses, the foundation of that success lies in recruiting and empowering the right people.”

Ross Perot, Jr.
Chairman, Perot Companies

Source: EY Exceptional magazine (July–December 2014)

“Demographics do not have to be destiny.”

Jacob Funk Kirkegaard
Senior fellow, Peterson Institute for Institutional Economics (piie), Washington, DC

Source: Tax Insights, this issue (p. 45)
Cultivating
tax talent

The demands being placed on tax departments highlight the need for a more structured, proactive and strategic approach to talent management.

By Gerri Chanel

Organizations need every advantage they can get in this complex, fast-changing world. Yet many businesses underestimate the importance of strategic talent management in securing that vital competitive edge.

Consider this: a survey of over 4,000 companies by the Boston Consulting Group and the World Federation of People Management Associations showed a strong correlation between superior people management practices and substantially higher revenue growth and profit margins.

While most businesses inherently understand the need for people with strong capabilities, many struggle to fill critical positions with people having the advanced skills essential to move the business forward. This is particularly true in tax, which is experiencing a shortage of top talent in many areas that is expected to last indefinitely.

“… (loyalty) now has a shorter horizon. People want more variation over their careers, and you have to take this into account.”

Ronald Hein
Global Head of Tax for Rabobank

Strategic talent management, a set of integrated processes that focus on the alignment between strategic planning and current and future talent needs, may be the most significant event in human capital in recent years. Firms using talent management recruit, retain, develop and reward employees in ways that support key objectives. The process also identifies skill gaps and then creates specific programs to fill those gaps so that the business can develop managers with critical skills and prepare the next generation of leaders.

A structured approach
Successful tax talent management aligns a business’s talent management processes with its culture, values and strategic goals.

“Tax needs to be intrinsic within an organization’s strategy so that the tax function can understand its current talent capabilities and the future kind of leadership and skill sets that will be required,” says Kam Malik, EY’s UK Global

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Learning and Digital Engagement Leader. “Compared to the skills that will need to be in place to meet future needs, where are your capabilities today? In any areas of weakness, what is the action plan for development? An organization also needs to identify the future leaders of the tax function and determine how to effectively develop them.”

The first step in the process is for tax leaders to work with business units and other members of senior management to identify the company’s business strategies and then decide how to address compliance and tax risk for those strategies. Identifying the skills needed to manage that compliance and risk now and in the future allows the business to do talent mapping, a formalized process of linking the tax talent that will be needed with the talent on hand.

The mapping leads to the identification of skills gaps, the points of disparity between the organization’s projected tax talent needs and the skills and potential of its current people. Once an organization has mapped its talent and identified gaps, it can address how to best fill those needs with a targeted blend of recruitment, retention, development and outsourcing.

Why now?
Businesses today face a massive amount of tax-related information that must be analyzed, processed and reported to more tax authorities and regulators around the world than ever before. Changes in the structure of the finance function have led to new and different demands on tax. And technology has transformed everything, from the way tax information flows through an organization to the way tax authorities obtain and use that information.

To meet these demands, the tax function needs people with broader skill sets and those with technical skills in different areas. “There aren’t enough people in areas currently required or that will be needed going forward,” says UK-based Anna Anthony, EY’s EMEIA Financial Services Office (FSO) Tax Leader. For example, she says, indirect taxes, transfer pricing and other areas are increasingly important areas of focus. But the vast majority of people are still being trained in corporate income tax, creating an imbalance between the skills that have been developed and those that will be needed for the tax function of the future.

The magnitude and breadth of tax risks that businesses face has also risen exponentially, requiring more expertise in this area.

The skills needed today supersede technical tax expertise. Technology expertise is essential and globalization requires tax people to have communication, cultural awareness and team-building skills that enable them to work effectively across both organization and jurisdictional borders.

“We want the people that we recruit to be technically strong as ever,” says Ronald Hein, Global Head of Tax for Rabobank in the Netherlands. “But in addition, we try to recruit people with good communications skills and a talent for analyzing organizational structures.”

Also, as quickly as technology and data analytics are inviting change, “businesses need to be nimble and ready for the ever-changing landscape that lies ahead,” says New York-based Jennifer Wishnie, EY’s Global Tax Talent Leader. “Today more than ever, businesses need to create an environment that fosters innovation – and a mindset that supports an innovative culture. They need to attract professionals who embrace change and new and innovative ways.”

All these factors have led to an unprecedented challenge in getting people with the right blend of skills. Businesses are not adequately developing their internal tax people – a long-term
Talent and tax

will constitute 75% of the global workforce. However, while a great deal has been written about attracting them, much of what they seek and value is not unique to them.

“If you asked baby boomers or Gen Xers what they want,” says Kantor, “you might find that there is less generational difference than people may think. I think a fair number of them would say, ‘More autonomy? Better work-life balance? That sounds pretty good to me, too.’”

Moving people forward

Businesses may spend a great deal of time and energy trying to find the right person, then do little to assist or manage that person going forward, which undermines retention. Typical retention metrics do little to explain whether an organization’s talent management approach is effective, since, for example, mediocre employees may stay for many years.

A more structured and effective approach uses other metrics and methods to identify high-performing and high-potential employees and then formulates a plan to retain them while developing the specific skills needed to fill gaps.

The tax function has a unique retention challenge in terms of providing a long-term motivating path forward for talented employees. “How do you keep the right kind of people, who want to progress, be motivated and see continued development in a model where you’ve only got one head of tax? That can be an incredibly long journey,” says Anthony.

Organizations thus have to find ways to give people meaningful progression while retaining them. Job rotation is one way to keep high-potential tax employees engaged while also building the global understanding and broader business understanding that will help them become future tax leaders within the organization.

“The businesses that I’ve seen manage progression successfully are very good at moving tax people in and out of tax,” says Anthony, “such as moving them into finance functions or letting them progress elsewhere in the organization and then coming back to the tax function.”

This is likely to become one way to retain millennial employees, who do not look for jobs for life, says Anthony. “Job rotation can help provide a career path that...
allows someone to keep changing what they’re doing while remaining relevant to the organization.”

Ronald Hein at Rabobank agrees, noting that loyalty “now has a shorter horizon. People want more variation over their careers, and you have to take this into account.”

**Training for the future**

A proactive approach to managing tax talent also means training people effectively. “There is often a mismatch between the training currently provided and what is needed for the tax function of the future,” says Anthony. She says it’s important for businesses to start with an assessment of their training program for tax against what they think their major areas of tax risk or tax exposure are and might be. In many cases, she says businesses discover the two are misaligned.

Long-term planning is required, she says, “it takes a long time to train tax people and if a business has not anticipated its needs and trained people accordingly, it will be in a very competitive market to find it.”

“Effective tax talent development means more than just training people about tax,” says Anthony. “For example, it also means developing their presentation and communication skills. Many of the issues that tax people talk about are quite complicated. The ability to translate tax into something that’s understandable outside of tax is a skill that takes practice, and tax training programs don’t always focus on that.”

Providing that training is another challenge. Many businesses seek to increase learning opportunities but do not have the capacity to lead such programs from within. Solutions may include leveraging technology to deliver external content on demand in innovative and engaging ways and other new forms of training programs.

**Outsourcing vs. ownership**

Even tax functions with a robust internal tax talent function often choose to outsource some of their processes rather than develop internal expertise. Strategic decisions about if, how and what to outsource will derive from the organization’s vision of what it wants the tax function to be.

Some businesses may choose to outsource advisory-type functions, while others may outsource some or all compliance, or a blend of the two. Rabobank’s tax department, for example, finds it useful to have a wide range of capabilities available on a temporary basis. But it will usually bring a person in-house if it is using them 40 hours a week as it becomes more cost-effective and better in terms of the complexity of the business.

Regardless of which route a business takes, businesses must keep ownership of the tax department in-house, says Jeff Soar, EY’s UK FSO Tax Leader. “Businesses can outsource certain activities, but the management, the direction, the future and the governance of tax has to stay in-house.”

While it is harder than ever to source, manage, motivate and retain the right tax talent while controlling costs, doing so as part of a proactive talent management plan integrated with business strategy is more important than ever. High-performing businesses focus on closing skills gaps, have more customized training and development programs, identify future leaders earlier in their careers and have clear succession plans. They also focus more on “soft” leadership skills.

More than ever before, with the tax environment changing quickly and with no end in sight, a proactive approach to tax talent management is a solid investment in the future.

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**Key action points**

- Identify the business’s strategies, then decide how to address tax risk and compliance for those strategies.
- Map the tax talent needed to address tax risk and compliance against existing talent.
- Use analytics to identify talent gaps.
- Develop blend of recruiting, retention, development and outsourcing to fill the gaps.
- Develop a long-term approach to identifying and developing the business’s future tax leaders.
Talent and tax

Judgment and leadership: recruitment today

Businesses are looking for a different set of skills for the tax function today. Tax professionals must embrace this change and evolve.

By Catherine McLean

At the beginning of this year, London-based tax recruitment specialist TP International was contacted by a multinational organization that had been searching unsuccessfully for three months for a European transfer-pricing manager.

It was unusual that a search would take so long, says Aaron Leslie, Managing Director of TP International. The position was interesting and the compensation package attractive. In a competitive hiring market with a small pool of tax talent, however, finding the right tax professional proved to be a major challenge for the multinational.

Hiring tax talent has always been a challenge for businesses, and recruitment isn’t set to get any easier going forward. Globalization, technology, new regulations and finance transformation are all forcing change upon the tax function. In turn, the tax profession is rapidly evolving, moving from a purely technical focus to encompass other skills, such as the ability to communicate effectively with members of the board of directors or to analyze and extract data from accounting systems. There is a great need for tax professionals to embrace this transformation in order to prevent the tax talent pool from shrinking further.

“We’re seeing quite a big shift in the spectrum as to what skills are important for a tax professional,” says Barrie Sanderson, Managing Director at Pure Search, a global recruitment firm based in London. “It’s a material change, and it will require a fundamental shift in how tax professionals manage their tax careers and how companies develop tax talent. This will need to evolve over the next three to five years.”

Shifting priorities

Recruiters agree that the 2008 global financial crisis was a critical turning point for the tax profession, as the global tax system and multinationals’ tax bills came under increased scrutiny by politicians and the public. While tax function headcounts have not increased significantly since the crisis, the skills required to work effectively have noticeably evolved.

Tax is now viewed as a much greater risk for organizations’ boards. New regulations — most notably the OECD’s Base Erosion and Profit Shifting (BEPS) Plan — are increasing the compliance and reporting burden on the tax function.

A Pure Search survey conducted last year of 40 FTSE 100 tax leaders found that reputational risk and stakeholder management, followed by business decisions and governance are the most important issues for tax departments today. The effective tax rate, in contrast, was the fourth-most important issue in the survey.

As the tax function’s focus is shifting to managing governance, risk and compliance rather than reducing the effective tax rate, as was the case in the past, organizations today are searching for people with the corresponding experience and skills.

Commercial mindset

In response, tax professionals are being asked to take on a broader role. Tax is moving from a purely back-office function to a more integrated and strategic position within organizations. In the past, the most in-demand tax professionals tended to be those that were highly specialized and technical. Compare that with the Pure Search survey in 2015 that found the three most important skills for tax leaders today were judgment, leadership and...
communication. Strong technical expertise, viewed as a given, ranked at the bottom of the list.

“The great skills of the tax professional going forward will be to carry their technical skill with them, but not let that dominate every conversation they have with a finance person or a business person,” says Chris Price, Leader of EY’s Global People Advisory Services. “They need an ability to communicate effectively, an inquisitive mind beyond pure technical tax legislation and a commercial brain that will understand the people they are going to need to interact with.”

Such a transition may not come naturally for many tax professionals, according to Sanderson of Pure Search. While niche technical areas for tax professionals will continue to exist, for example in transfer pricing or transactions, he believes there will be a need for more tax “generalists” in the future.

“Historically the market has placed the most value on tax professionals having very defined and deep technical skill sets,” Sanderson says. “Whilst those at the head of tax/director level tend to develop the broader commercial and business partnering skills as they become more senior, it is a big shift for tax professionals at all levels to have to develop these skills.”

**Data extractors**

This transformation will also require new IT skills. As data and compliance requirements increase with the new BEPS regulations, for example, organizations are examining the most effective way to meet these new obligations, according to Leslie, who is also the co-founder of TP International, which focuses on recruitment in the area of transfer pricing. “Companies are looking at whether they need additional technology solutions to extract the data or if they need people who know the systems and the business and can extract the data they need,” says Leslie.

Educators are also cognizant of the increased need for IT skills among tax professionals. Villanova University in the United States, which offers an interdisciplinary graduate tax program aimed at experienced tax professionals, is currently developing an IT-related component for its tax program. Key skills in this area include the ability to gather, manipulate and analyze data.

“It’s clearly one of the most important and sought-after skills that we’re hearing from our recruiters as well as from firms,” says Ed Liva, Director of the Villanova Graduate Tax Program, based in suburban Philadelphia.

**International talent**

In terms of possible skill shortages, global tax talent appears to be the top concern. International tax skills were cited as the key skill that FTSE 100 companies are looking for that could suffer from a gap in supply, according to the Pure Search survey. The globalization of organizations is, of course, fueling demand for international tax professionals, but so are the implementation of BEPS, the introduction of indirect sales tax in new markets and the increasing number of double tax treaties, according to recruiters.

A shortage of international tax talent could impact businesses in different ways. For example, a US-based company looking to enter a new region may not find enough local tax talent to hire. Or a Chinese company opening a division in another country may struggle to find tax professionals with the cultural and language skills required to communicate efficiently with headquarters. Even non-specialists need to expand their knowledge of international taxation as it permeates virtually every aspect of business today, according to Ed Liva of Villanova University.

“Years ago there were only a few isolated tax practitioners that dealt with international tax,” says Liva. “With the shrinking of the world, it’s important for our tax professionals to understand the basic elements and boundaries of international taxation.”

**Buying time**

As businesses assess their future employment needs within the evolving tax function, many are choosing to take a conservative approach when it comes to hiring. They are attempting to first retrain and transition their existing team of tax professionals rather than going out and hiring new staff. Sanderson of Pure Search says demand has increased for tax professionals who sign contracts for up to 18 months, as well as for new graduate hires who don’t require a large financial investment.

“Decision makers want to buy a little bit of flexibility when it comes to getting the resources they need for their tax function,” says Sanderson. “It comes back to that trend of asking people to evolve and change their skill sets rather than turning the tap off in one area and hiring a lot of people in a new area.”

Recruiters are also seeing more aggressive counter offers when tax professionals look for new positions outside their employers. With the tight talent pool, businesses can’t afford to lose key talent.

Indeed, Leslie of TP International believes the outlook for some tax professionals has never been brighter. With the right skill set and experience, they will have their pick of jobs.

“There’s no better time to be a transfer pricing professional,” says Leslie. “The opportunities over the next two to five years are incredibly positive.”

EY is a customer of Pure Search and TP International.

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**Key action points**

- Carefully consider the future objectives and needs of the tax function within the overall organization.
- Examine how current employees can be retrained and equipped with the right skills to fulfill the evolving needs of the tax function, which will require strong technical expertise, effective communication and data skills and a commercial mindset.
- Allow adequate time for the hiring process: the small tax talent pool means it may take more time than expected to find the right candidate.
- Embrace a degree of flexibility when hiring tax professionals. The final candidate may turn out to have different experience and skills than the initial mandate.
Work world of the future

Forecast shifts in relative talent costs

Top 20 economies in the world; wages, hourly, US$

<table>
<thead>
<tr>
<th>Country</th>
<th>Value</th>
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<tbody>
<tr>
<td>Switzerland</td>
<td>76.0</td>
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<tr>
<td>Australia</td>
<td>58.7</td>
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<tr>
<td>United States</td>
<td>54.3</td>
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<td>France</td>
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<td>Netherlands</td>
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<td>Germany</td>
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<td>United Kingdom</td>
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<td>South Korea</td>
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<td>India</td>
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<td>Russia</td>
<td>6.6</td>
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</tbody>
</table>

Source: Oxford Economics

Social media

Facebook could run on artificial intelligence, sorting out what information users are interested in rather than having to read through everything themselves. People in remote parts of the world could join Facebook thanks to drones that circle the earth and give them access.

Source: USA Today

Technology

Cloud computing

Versatile office space, adaptable to companies’ workers’ needs.

Source: Intel

Internet of Things

Computers will act on our behalf and take action. For example, a device will know you’re late for a meeting and request a later appointment.

Source: Wired

Robotics

Smart machines take over some functions/jobs.

Source: Intel

Diversity

How we work in 2025

On-demand positions (the “Hollywood model”); offices are “anchor points” rather than a daily destination; collaboration with smart machines; knowledge jobs; flexible work hours; geographic dispersion across teams/projects; open offices

Sources: Intel, Fast Company

Jobs that will still exist in 2025

- Physicians and surgeons
- Choreographers
- Elementary school teachers
- Psychologists
- Dentists
- Human resources managers
- Athletic trainers
- Speech-language pathologists
- Archeologists
- Nurses
- Clergy
- Foresters
- Engineers


Women and education

2025: 1.4 female students for every male in higher education within the OECD area.

Source: OECD

1.4 females for every male

+100 million women in the workforce

The G-20 aims to bring an additional 100 million women into the workforce globally by 2025.

Source: G20

US workforce composition in 2015/2025

Source: The Wall Street Journal

- Millennials
- Generation X
- Baby Boomers
- Generation Z

Talent and tax

EY – Tax Insights for business leaders №15
Smart machines will replace one in three jobs by 2025.

Source: Gartner

Wearable computing
Information literally at your fingertips or on your glasses.
Source: NASA

3-D scanning/printing
People can quickly create physical models rather than just visual concepts, for instance engineers.
Source: NASA

Jobs that may not exist in 2025
- Telemarketers
- Insurance underwriters
- Watch repairers
- Tax preparers
- Data entry keyers
- Loan officers
- Referees and other sports officials
- Real estate brokers
- Farm labor contractors
- Cashiers


Popular jobs in 2025
- Professional triber*
- Freelance professors
- Urban farmers
- Senior carer
- Smart-home handyperson
- 3-D printer design specialist
- Virtual reality experience designer

* A freelance manager who assembles teams of on-demand workers for different projects
Source: Fast Company

Average global life expectancy at birth

Source: United Nations

64.5 years
73.7 years

Most populous countries 2030

Source: United Nations

United States
356 million
(2015: 322 million)

China
1.42 billion
(2015: 1.38 billion)

India
1.53 billion
(2015: 1.31 billion)

World population 2030

Source: United Nations

2025–2030
1990–1995

English speakers in 2020

Source: British Council

4.9 billion
The middle class
The global middle class will grow to 4.9 billion by 2030. Asia will account for 66% of the global middle class.
Source: OECD
View from the top: tax talent today

Interview with Lisa Wadlin, Chief Tax Officer at Wal-Mart Stores Inc.

By Catherine McLean

**Tax Insights:** In your role as a tax leader at a major international retailer, how would you describe the challenges that businesses face today in attracting and retaining employees for the tax function?

Lisa Wadlin: There are two pretty large macro issues. One is having enough tax people. We’re finding that the sheer volume isn’t there. We need to make sure that people understand the attractiveness of tax as a career opportunity.

The second macro issue is ensuring that employees’ skill sets are in the areas that match up with the needs of the company or organization. In high-risk or high-needs areas, such as international tax or transfer pricing, it’s incredibly hard to find good talent. Advocating for those resources, getting that headcount, and being able to find the right person who’s going to fit with the team and deliver value is a very large challenge for our company and probably every tax organization.

Is there any change in strategy or tactics that would help in this regard?

With some of our more junior professionals, we’ve started giving them more of a diversified experience to try to build that future pipeline in these critical areas. I do think that providing people with a broad base always helps build a better professional. We’ve also got an increased focus on external organizations as we cast our net a little wider. Whether through trade associations or other informal tax networking, we’re definitely trying to find good people – like everybody else.

It’s a very competitive environment out there. In certain parts of our tax organization, we will hire folks without a formal tax background. For that right person, we’ll make that investment and do the training.

Are other factors such as the increasingly mobile workforce or contingent workers making the search for talent easier or more difficult?

At Wal-Mart Stores Inc., we support flexible work arrangements. We have people who work remotely or on a flexible schedule, and we have employees who even live outside the country who still report into the US. This obviously helps provide a more inclusive environment in terms of being able to attract talent that may not have historically chosen tax as a career. It’s a gift and a burden in that these types of flexible arrangements do open up your talent pool, but the burden would be on people, as well as their team, to keep the lines of communications open and understand expectations. We’ve found that with the right parameters, and with technology and travel, we have made this work.

Millennials are obviously an important source of talent today. How should tax leaders manage this generation and prepare them for future leadership roles?

I’m of the belief that millennials are different than previous generations, and that’s not a bad thing. Millennials are not motivated by the same incentives,
such as promotions, more pay or different business opportunities, and so it’s harder for us to figure out how to incentivize them. A big piece for millennials is finding meaning in their work. They’re hungry to learn. As a leader, ensuring they understand their part in a bigger project and the organization as a whole keeps them motivated.

What also motivates them is a work-life balance. Because they think differently, taking the time to bridge that gap as a leader is important. They will be leading other millennials. A cookie-cutter approach to how we train our leaders won’t work in the future. We’ve got to be more flexible in terms of how they are incentivized.

In your view, are there any serious talent gaps that tax leaders need to address today?

One area that is growing in importance and has a dearth of talent is the technology area. To be specific, people who have tax knowledge as well as acumen in technology. Everyone is trying to do things better, faster, quicker, and technology is obviously a big part of that. In addition, international tax. With the global economy, having people that are well-versed on all aspects of international planning, provision and compliance is important. I think these two skill sets will be in high demand for the foreseeable future for any company.

Can you describe how the skills required for tax leaders are currently evolving?

Tax historically was not as connected to the business: there were companies where tax was fairly isolated. Now that the value of tax is appreciated more from a savings as well as a compliance perspective, there’s a much larger connection to the business.

From a leadership perspective, soft skills have become more important. Having a global mindset is absolutely critical as well. You’ll make different decisions for your organization knowing that it’s something that could potentially get replicated across the globe.

How would you assess the state of diversity in terms of women in tax leadership roles today?

In the finance world, there is a perception that women have been able to find a home in tax more easily than in some other areas of finance. I’m not sure if that’s factually correct or not. I have had a lot of great, strong, female mentors and leaders. Tax provides a lot of flexibility in terms of schedule and work-life balance. It’s a nice mix of technical skills and leadership skills. It also provides – now that it’s becoming much more integrated in the business – a broader reach. Even though it’s in a specialized area, tax can be quite broad and provide opportunities for leadership. If women didn’t want to stay in tax, tax can also be a good springboard for other areas in the company.

“From a leadership perspective, soft skills have become more important. Having a global mindset is absolutely critical as well.”
Meeting the global talent challenge

As the workforce shrinks in developed countries, businesses must find new sources of talent at home and abroad. A clear strategy will help prevent demographics from becoming their destiny.

2020
Share of 25- to 34-year-olds with a post-school degree across OECD and G20
Source: OECD

35%
From low- and middle-income countries to high-income countries
A looming problem for businesses today comes down to one number: 2.1. When families don’t average at least that many children, populations begin to shrink, and workers eventually will be in short supply.

By 2020, the only place to find surplus workers — people between the ages of 15 and 59 — will be in India, most African countries and a few other developing economies, including Brazil and the Philippines, according to Tassu Shervani, a professor at Southern Methodist University in Dallas and a consultant on global business strategy.

For global organizations, this demographic trend will make it much more difficult to find high-level talent to manage the increasingly complex world of international commerce in the years to come. A global imbalance is clearly building. The business world must take measures to adapt to this new reality, for instance by recruiting professionals from abroad and reaching out to a more diverse group of people in their home markets.

A clear strategy will help business leaders deal with this changing workforce. “If you think it’s a struggle at home to train and develop people, imagine how much harder it is on the other side of the world,” says Gwen Ryan, who is based in Bangalore and runs the tax division of EY’s Global Talent Hub.

### Pooling global resources
As of 2020, most developed countries will see a decline in working-age people as a share of their overall populations, according to UN projections. Major population centers of the global south will have just enough workers to maintain their ratios, including Mexico, Brazil, Indonesia, Egypt and the Philippines. Professor Shervani believes that a pooling of resources is inevitable.
“By and large, the rich world has technology and capital but not enough people,” Shervani says. “The developing world has people but not enough technology and capital.”

India, of course, is already a proven source of capable talent across a range of occupations, including accounting. Skilled workers and middle managers from the country are common worldwide. Indeed, major financial- and business-services providers arrived decades ago, developed large teams with global reach, and are working to differentiate their offerings.

But even the labor surpluses in India, home to 1.25 billion people, will be tapped out within 10 to 15 years, Shervani believes. “The long-term future is in Africa and technology: automation, robotics and artificial intelligence,” he says.

There is little in the way of data to understand Africa’s potential in terms of the region’s future role in supplying global labor markets. An International Monetary Fund study on sub-Saharan labor markets in 2013 was the first on a regional level in 50 years, according to the Fund. But, based on United Nations fertility scenarios, sub-Saharan Africa by 2035 will have more people between 15 and 64 than the rest of the world combined.

“By and large, the rich world has technology and capital but not enough people. The developing world has people but not enough technology and capital.”

Tassu Shervani
Professor at Southern Methodist University in Dallas

“Africa is a future source of talent but it’s not as developed as India right now,” says Ryan. “India will be first, and Africa will need more time.”

International exchange

Business processes are already a global affair for many organizations, and they see real benefits from recruiting workers across the world. “Less than 15% of India’s workforce right now is highly skilled,” says Ekkehard Ernst, chief economist for the Macroeconomic Policy Unit of the International Labour Organization.

The figure includes anyone with a post-secondary degree, and is at 42% in the US and 5% in sub-Saharan Africa. “We look at it much more broadly as a global talent strategy,” Ryan says. “We have seen that with a great global team based here we can serve clients better.”

Some countries, including the United States, United Kingdom and Australia, have a proven ability to import labor and integrate those workers, says Jacob Funk Kirkegaard, a senior fellow at the Peterson Institute for Institutional Economics in Washington, DC.

Unemployment rates for immigrants in those three countries differ from the overall unemployment rate by less than 1%, according to the Organisation for Economic Co-Operation and Development’s migration statistics database.

Other countries still have progress to make in this area. The European Union as a whole offers a contrast, with an unemployment rate 5.1% higher for immigrants than for natives. Kirkegaard expects the most extreme manifestations of the problem will be in China, South Korea and Japan, where there is little to no history of imported labor.

Navigating differences

As businesses increasingly turn to international markets for highly skilled labor, including tax professionals, they will also of course encounter challenges. Some, such as the cultural challenges of working with younger generations, are more likely to be different in places like Africa and India.

For Ryan, these challenges often emerge because young employees are
swayed by the advice of their parents. “Many are probably the first people in their families to work for a multinational organization rather than a local one,” she says. “Parents are reading the news and hearing about diversification. They are advising kids to change jobs without fully understanding if the other organization is going to give them the same level of responsibility or opportunity.”

Generational friction in Africa comes from management styles, says Doug Lacey, a partner in Mauritius-based LeapFrog Investments, a private-equity firm that invests in insurance ventures across the continent. “Africa is often hierarchical, with senior executives used to doing things in a particular way and not always open to change. People entering the workforce are different.”

Language is also a key consideration for multinationals looking to tap into talent in new markets. Across Africa’s 54 countries, for example, the former British colonies where English is the language of choice are often regarded as the most attractive labor markets for multinationals.

Improving education
Beyond language, organizations value education and policy. But that analysis is more complicated than simply checking education spending as a percentage of GDP. In South Africa, the government spends roughly 6% of GDP on education, equivalent to the average of OECD countries, but few are satisfied with the readiness of graduates.

“South Africa has had 21 years under democracy to deal with the issue, and in many people’s minds we don’t have it right yet,” Lacey says. “It’s a stretch to expect the problem to be addressed within 10 years.” One of the biggest challenges is finding qualified academics, with PhDs, to teach at schools, says Guy Pfeffermann, who works to improve education in developing countries through the Global Business School Network, a capacity-building and thought-leadership organization based in Washington, DC.

“If you look at traditional academic schools, particularly in Africa and India, you find they are very academic, and integration with employers is often tenuous,” he says. “The good schools have brought the private sector on their governing boards.”

Lacey singled out Ghana as a country where state universities are able to produce more graduates than there are opportunities for them, and LeapFrog has had success developing them as insurance agents and later promoting the best ones into executive positions. Kenya also stands out, Lacey and Pfeffermann agree, for its steady supply of qualified lawyers and accountants.

Another notable market is Nigeria, but for very different reasons. It is the largest economy on the continent, has almost double the population of any other African country, is renowned for entrepreneurial talent and home to the Lagos Business School, which Pfeffermann considers one of the best in Africa.

Despite its promise, Nigeria’s operating environment is often too complex for foreign investors. Beyond the energy sector, the South African packaged-foods provider Tiger Brands in late 2015 agreed to sell its loss-making units in the country to local interests.

“In a lot of African countries, you can understand the business environment quickly and equip yourself to do business, but Nigeria stands out,” Lacey says. “It takes so much longer.”

Solutions back home
Some countries are trying to wring more productivity out of existing labor forces at home. Delaying retirement and boosting participation rates for women or immigrant populations are ideas aging countries generally pursue first.

“Countries must get better at exploiting what they’ve got,” Kirkegaard says. In developed countries, this also means coming to terms with the different expectations and perspectives of the youngest members of the workforce. Millennials, generally considered people born after 1980, are regarded by some as unprepared and uncommitted. A survey from Bentley University called the PreparedU Project found that 64% of business leaders in the US believe recent college graduates are hurting their employers because they aren’t prepared for the jobs they are hired for.

Whether these stereotypes are grounded in experience or not, Shervani points out that such concerns are not new. “Every generation has looked at its children and come to the conclusion that things will be worse,” he says. “They’ve been proven wrong every single time.”

Rather than focusing on differences, organizations should determine what kind of skill sets they will require from their increasingly diverse workforce. Technology and automation are changing many jobs, including the tax profession, and with it the required skills. In tax, for instance, software will handle more tasks and make processes in general less labor-intensive.

“Business leaders are placing increasing importance on critical-thinking abilities versus job-specific ones,” says EY’s Mary Elizabeth Porray, Global Performance Leader for PAS.

Developed countries still have time to react. Once fertility rates fall below 2.1, they need to remain there consistently and it takes a generation of rollover – about 35 years – before populations actually start to decline, Shervani says. Italy, for example, was the first country to experience a decline, in 2006, after fertility rates dropped in the 1970s. “Demographics do not have to be destiny,” says Kirkegaard.

Key action points

- Companies should carefully consider how to adapt their recruiting strategies to future demographic trends.
- African countries and India will have labor surpluses, but companies will be required to navigate educational and cultural differences.
- Businesses must also look for untapped sources of labor at home, including boosting participation for women and immigrants, and encouraging older workers to stay on longer.
- Even in specialized roles, such as tax, people will require a variety of skills including critical thinking, communications and IT competence. Training will need to address these requirements.
Transforming tax education

The skills businesses are looking for in entry-level tax professionals are increasingly at odds with the skills that graduating students possess.

To produce practice-ready staff equipped to deal with today’s complex tax challenges, universities and hiring organizations need to work together.

At an EY event held last year in Zurich on the future of tax, one executive remarked that just 15 years ago the tax function was “a group of technical experts who knew the law.” But the tax profession has evolved in the ensuing years, and universities that educate the pipeline of talent now face the challenge of transforming their tax curriculum and training to ensure students are equipped with the required skills for the job market of today and tomorrow.

The central function of the tax office has evolved from strategy and planning into risk management, says William Byrnes, professor of law and associate dean at Texas A&M University. This evolution has been accelerated by trends — primarily globalization, transparency and regulatory reform — and by the OECD (through the project on Base Erosion and Profit Shifting or BEPS), the United States (through the Foreign Account Tax Compliance Act) and the European Union.

The demand for new competencies has created a so-called talent expectations gap, the disconnect between what businesses expect from their workforce and the skills and capabilities that are available in the marketplace. Tax professionals today need a much broader skill set than was necessary in the past. This new reality has profound implications for tax education around the world.

The demand of universities, says Byrnes, is, “How are you going to give us that staff member of the future?”

Although he says most universities are considering how to adapt their programs to the future needs of students and employers, it is easier to talk about change than actually bring it about.

Shaking up the ivory tower

Universities can’t afford to ignore the evolution of the tax profession. According to a 2015 report by the Institute of Management Accountants (IMA), which launched a Competency Crisis website to deal with the talent gap in 2013, 90% of North American organizations cannot find the entry-level management accounting and finance talent they need.

The educational curriculum isn’t keeping up with the needs of business, and employers expect more advanced skills at entry level, according to the report. And not just technical skills. Managers surveyed in the report say that “entry-level professionals need leadership capabilities from day one in the workforce.”

Texas A&M University is among the pioneers of change in tax education. In 2013, the State of Texas not only established a new law school at the university but also gave it carte blanche to create a new education model.

A risk management approach to tax means that the new model will by definition be multidisciplinary. Financial and managerial accounting, and law will still be important, of course. But students will also need new “hard” skills involving big data and communications technologies and “soft” skills geared to working in multicultural settings both at home and abroad.

Employers expect entry-level employees to arrive with these skills already developed. Says Byrnes, “You don’t want to have people who are living in the ‘Stone Age’ (pre-2015) trying to work in a 2016-onward world.”

“You don’t want to have people who are living in the ‘Stone Age’ (pre-2015) trying to work in a 2016-onward world.”

William Byrnes
Professor of Law and Associate Dean, Texas A&M University, USA

By Giselle Weiss
Educating tax leaders in Europe

In Europe, the lack of any academic infrastructure at all for tax education and research spurred the creation of the EY-sponsored Eucotax Wintercourse program in 1992. The course boasts 13 partner countries (12 from Europe, along with the US) and 15 universities. It promotes teamwork by emphasizing intense, small group interaction with a focus on a particularly relevant theme.

In 2015, for instance, the theme was the digital economy, which “allowed students to address a wide variety of tax issues in their papers, whether that was VAT, permanent establishment, transfer pricing, and so forth, because the digital economy is having such a broad impact on tax,” says Eric Kemmeren, professor of international taxation and international tax law at Tilburg University in the Netherlands. Kemmeren is one of the coordinating professors of the Eucotax course. Students examine these issues across tax systems, identifying similarities, differences, problems and solutions from the perspective of, say, European law, international tax law and economics.

“We believe we are educating the leaders of the future,” says Kemmeren. A key part of that education is appreciation of different backgrounds and approaches, not only between academia and business but also among people from different geographic parts of the world. Eventually, the program hopes to expand to Latin America, Asia and Africa.

Leading the way in Africa

Initial efforts to revamp tax training in Africa are already under way through the Global Business School Network (GBSN). Established in 2003, the program addresses talent shortages in the developing world.

Africa is interesting for a number of reasons, says Stephan Kuhn, an advisor to the GBSN. It’s big. It’s complex. And some African countries are among the fastest growing economies globally. But it lacks quality management training. “There is a clear correlation between the prosperity of an economy and the quality of management,” says Kuhn.

Which is where the GBSN comes in. The GBSN is a network of 75 leading business schools committed to building skilled management talent in the developing world. Kuhn’s own mission was to bring the same multidisciplinary, practical approach being advocated in the US and Europe to Africa. The next step is to tailor the offerings to Africa.

“While Africa has a tax-technical landscape that is different from Western Europe or America, and it’s important to understand this,” says Kuhn, “equally as important are nontechnical skills: communication, connecting with and understanding business strategy, project and change management, negotiation and so forth.” Case studies are an important tool in this regard – but case studies based on the challenges and experiences of businesses in Africa, not on those from other parts of the world.

Practice-ready graduates

A lack of comprehensive, multidisciplinary tax programs is not just an issue in Africa. Very few universities anywhere offer such programs, says Kuhn. That’s why at home, in Switzerland, he has set up tax courses at the University of St. Gallen to provide students with real, hands-on experience in tackling issues like mergers and acquisitions, transfer pricing, tax evasion, and accounting and compliance.

Indeed, says Eucotax’s Eric Kemmeren, the entire emphasis is away from students who just sit and listen. “We want students to actively participate in the lectures and case studies and to debate the issues.” Organizations also have a role to play, according to Byrnes of Texas A&M. Employers need to sit down with the academic deans of their feeder schools and make clear the competencies they want to see in the staff they are looking to hire.

A curriculum designed to match actual practice – based on real-world problem solving, group discussion and teamwork – is much harder for professors to develop and execute, acknowledges Byrnes. Nonetheless, he says, “This is the method that we have presented to big firms who require practice-ready staff able to address the future tax practice, and it resonated.”

Key action points

- Determine the skill sets – e.g., understand the supply chain, big data, intellectual property – that you require for the future.
- Communicate those requirements to the deans of the schools your company draws from and ask them how they will meet those needs.
- Contribute to universities by helping to develop courses and providing good, practical case studies for students to learn from.
- Focus on providing appropriate, multidisciplinary training to your employees that will equip them with the skills they need to excel in current and future positions.

Giving young tax professionals a chance

When Elaine Yi Long, a third-year undergraduate at Central University of Finance and Economics in Beijing, was preparing for EY’s Young Tax Professional of the Year 2015 competition, her coach offered to help polish Elaine’s English speaking skills. How? Elaine (pictured on p. 4) would give a one-hour presentation on Chinese-controlled foreign companies rules to EY’s International Tax Services group. Elaine was nervous about having to speak in front of so many people. “But I did!” she says. The exercise paid off: EY named Elaine Young Tax Professional of the Year 2015 in December in Amsterdam. There are fewer opportunities for Chinese young talent in taxation than in accounting, Elaine says, which is why YTPY is so important. After she graduates, Elaine hopes either to do a master’s degree in international taxation or to go into tax practice.
"The critical mass is finally being produced"

Interview with Diane Dossin, Chief Tax Officer, Ford Motor Company

Tax Insights: How has the presence and perception of women changed over the course of your career?

Diane Dossin: My career is pretty long now – over 35 years. It has taken much longer to produce women in leadership positions than I would have expected. Women who study diversity issues say that you really need some critical mass to get it going. I think the critical mass is finally being produced, but women in leadership is still a pretty special thing. I look forward to the day when it’s not so extraordinary.

Nevertheless, tax is one area where women can be found in leadership roles. Aside from your own position, have you found that to be the case?

Fairly recently, yes. The heads of tax at Ford and General Motors – of all places! – are now women. And some other rather traditional manufacturing companies, like Caterpillar and GE, have women tax leaders.

What are the main reasons for this development, in your view?

I’ve actually tried to explore that by talking to one of our retired CFOs (chief financial officers), who said that women are especially good communicators. Today you have to really give the proper content to decision makers, but present it in a way that they can understand.

In terms of leadership of a group, women tend to be collaborative. And in tax, because of the complexity, you really need some kind of moral compass guiding you. And maybe women project that in a particular way.

Is there something particular about tax itself?

Well, it’s not mainstream! Certainly not at Ford. It’s a very specialized area. Ford is all about engineering, and tax is something very different. It’s very offbeat. And there’s more room for differences in fringe areas. I didn’t have to meet anybody’s perception of what a tax person is. They didn’t have any perception.

What specifically do women bring to the table as tax directors?

I already mentioned collaboration and communication. But there is a third characteristic, and that’s responsibility. I have to be able to say to senior management, "I’ve got a risk item here and it’s because of planning that I did in 2011. Let me tell you about it." I think women do tend to take responsibility and be accountable. Not necessarily as distinct from men, but it’s still a quality that they have.
“The heads of tax at Ford and General Motors – of all places! – are now women.”

Diane Dossin
Chief Tax Officer, Ford Motor Company
Why did you decide on a career in tax?

My father was a math teacher, and math came very easy to me. As an undergrad, majoring in accounting, I began to apply my math skills to something. And then I decided to go to law school. I wasn't following anybody’s path; I just decided to go. And that exposed me to thought processes and articulating points of view. When I graduated, I had an interesting package of skills: ease with numbers, an accounting background and good thinking and writing skills. It just created a perfect path toward tax.

How relevant are existing approaches to the current and future needs of tax and leadership education?

It’s been a long time since I was in school, but I don’t think education today needs to be that different. Things that I might find useful today are more international topics, especially if you are going to work for a large multinational like Ford. And different tax systems. Even if you’re going to be a US domestic tax professional, it’s important to know that the US way is not the only way.

How easy is it for you to hire the talent you need?

We don’t have trouble hiring. Maybe that is partly because we are not hiring right out of school. We would prefer that the accounting and law firms hire graduates right out of school and train them. The ease of hiring the talent we want is closely related to the economic conditions of the automotive industry and Detroit. Ten years ago, for example, it was not easy to attract people to jobs here. But over the last couple of years we have attracted people from law firms and accounting firms who travel to work here and are happy to do so. So the issue is probably more economics than quality. I do think the quality is out there.

What are some of the most interesting problems in tax today in your opinion?

All of the issues that are raised as the US considers tax reform – both corporate and individual – interest me a great deal. I enjoy representing a manufacturer in that kind of setting. To me, the challenge of the moment is helping this country understand what the next generation will be. My career began in the Ronald Reagan era. I learned most of my technical tax during the last big tax overhaul in the United States, which was the Tax Reform Act of 1986. It’s now 30 years later, and we’re out of step.

How is the role of the tax director evolving?

It’s one thing to work inside a company and be a teacher, nurturer and bringer of value. But I also have to be able to tell our tax story externally, and to teach others to do so too. That could mean to the IRS (Internal Revenue Service), it could mean to members of Congress and their staff, it could mean to securities analysts or it could mean to the press.

For example?

If we are put in a position where we have to explain – for whatever reason – then explain. Make it as clear to the press as I make it to the board and to the CFO. Just speak plainly, and it’s not so mysterious.

Another important change is that the tax department is becoming more integrated with other business functions. How do you view this evolution?

Ideally, you want tax planning that is organic to the business, that touches the business and that makes the business better. But you have to have cooperation from your business people for the whole thing to sing. Because of the nature of the automotive business, that hasn’t always been an easy sell. Today, however, when my team and I bring ideas to the business that come out of our understanding of who we are as a business and our tax profile, the business people are much more apt than in the past to listen and accept and help us execute those plans, even if they add a bit of complexity.

What would you call your greatest success?

Bridging the gap between the tax function and senior management and board. Feedback tells me we’ve succeeded in explaining Ford’s tax profile, the tax drivers of the business, and risks and opportunities. I like it when I’ve had a meeting with the CFO, I’ve brought a topic that has some complexity and requires some decision making, and at the end he says, “I always learn so much from you.”

Diane Dossin

Diane Dossin is Chief Tax Officer of Ford Motor Company

Diane Dossin is Chief Tax Officer of Ford Motor Company and has global responsibility for tax compliance, tax audits, appeals, litigation and tax planning for direct and indirect taxes. She is also responsible for financial reporting of taxes, transfer pricing and employee benefits. She joined Ford in 1979 following her graduation from The University of Michigan Law School. Prior to that, she graduated from Valparaiso University with a Bachelor of Science in Business Administration (Accounting). She serves on the Board of Directors of the Accounting Aid Society through which Ford’s tax office has provided volunteer income tax preparation assistance to low-income Detroit residents for 20 years.
Talent and tax

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