

## Is a Fully Remote Tax Department Sustainable? And Is It Even a Good Idea?

Let's Look Before We Leap

Almost overnight, the coronavirus pandemic significantly changed many elements of how we live and work. For the tax industry, one of the more noteworthy adjustments was the sudden shift to remote work; resulting in a substantial transformation in the ways we conduct business.

Thankfully, the accessibility of robust, cost-effective, cloud-based technologies and tech-based virtual communication platforms made this unprecedented and sudden transition possible. We were able to get work out the door, and the viability of remote work is now undeniable.

As we transition into a post-pandemic world, many companies are returning to their offices or shifting to hybrid models. However, some have announced or even implemented plans to remain fully remote, a strategy we feel should be utilized with care. In many cases, we believe a shift to fully remote work could be detrimental to many corporate tax careers – if not the industry as a whole – if certain probable hurdles are not examined and addressed upfront.

We recently surveyed our database's corporate heads of tax to gain an understanding of current trends in the industry. Of the 79% whose companies have established a formal work structure:

- 72% are offering a hybrid model
- 16% are in-office only
- 12% are fully remote

While we are by no means against remote work, we feel it's critical that tax departments are strategic about how and when they utilize it.

As we see it, the most likely stumbling block involves the effective development of future leaders in a fully remote scenario, as well as the potential impacts to those individuals down the road.

Our biggest concerns boil down to the following:

- As a developing tax professional, are you potentially hindering or even damaging your career by taking one of these remote roles?
- As a seasoned tax leader, are you stunting or even extinguishing your pipeline of future leaders by managing them remotely?

While we are committed to keeping an open mind, our skepticism about full decentralization starts with the simple fact that this is an unproven model in the tax industry. What began as a necessity due to the worldwide pandemic has now seemingly become a strategy, but is it really a one-size-fits-all solution?

### Are We Ready?

Significant advances in tech-based virtual conferencing programs such as Zoom and Microsoft Teams coupled with access to cloud-based networks seamlessly facilitate decentralization, and there's no denying that doing so offers many benefits to both companies and their employees. But is it an effective long-term strategy?

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Traditionally, potential tax leaders have largely been developed through face-to-face interaction and naturally occurring teaching, coaching, and mentoring opportunities. Can your future tax leaders establish robust relationships with peers without the chance to grab breakfast, lunch, or even simply chat over the water cooler? Will they be able to understand the roles and importance of different cross-functional groups that tax must support without the ability to interface with them directly, hash things out on a whiteboard and collaborate to determine “How can we get this done?”

Even within a tax department, there can be many subgroups, and it’s imperative that they work together and consistently communicate. While we’ve been able to do some of this remotely to perform mandatory work, have we really been developing our future leadership pipeline these last 20 months?

Not only are tax leaders beginning to recognize this fact, but it’s logical to conclude that some of these remote workers are starting to feel stunted in their professional growth as well. What’s more, most people desire to have some sort of social element at work, opportunities to meet people and interact with them. As such, we believe most fully remote employees in pivotal tax roles would be happier in a hybrid structure, making it far more sustainable from both party’s perspectives.

While this trend toward fully remote work may make sense from a financial perspective, will we find ourselves in a future where we realize – and possibly too late – it’s simply not sustainable? A doctor can medicate someone to alleviate their immediate pain, but that doesn’t address the underlying disease, and this complete surrender to decentralization strikes us as equally shortsighted.

### **Is It Even a Good Idea?**

In our research into this topic, we’ve been unable to identify a proven, existing model or historical precedent from which to build effective remote leadership training models. In fact, our closest experience with remote work as an industry has been largely unsuccessful. Many corporate tax departments have had global teams all over the world, and – for the most part – we failed at moving those individuals up the ranks into senior leadership tax positions. The argument could be made that this was because their technical skills were outside the required boundaries, yet we are the ones who failed to rotate and broaden them out.

Along with the challenges related to interdepartmental communication and relationship building, we believe these shifts to fully remote workplaces could negatively impact the development of our future leaders.

While their ability to hone and improve their technical skills will no doubt be hindered, we are even more concerned about the potentially devastating effect on their non-technical growth.

### **Potential EQ Shortfalls**

How will our up-and-coming tax talent develop softer skills under remote work circumstances? Advanced technologies such as automation or AI have already challenged tax professionals to enhance their creativity, interpersonal relatability, and emotional intelligence (EQ).

As defined, emotional intelligence consists of self-awareness, self-regulation, internal motivation, empathy, and social skills. Notably, the academic belief is that these emotional competencies are not innate talents but learned capabilities that must be both recognized and consciously developed.

Ideally, career development and training would include in-person, one-on-one coaching to help young tax professionals gain these critical soft skills, but remote work will undoubtedly add new challenges. In addition, most members of Generations Y and Z already live on their screens, and they don't interact in person nearly as much as the cohorts before them. While there may have been an opportunity to organically broaden these individuals' EQ skills in the traditional workplace, that is likely lost with decentralization.

What's more, fundamental EQ and interpersonal skills are not taught in most academic tax programs. While education provides young tax professionals with a foundation of mechanical and accounting-based knowledge, it's the strategic-decision making abilities that will be critical in the future.

### **Probable Impacts to Career Development**

Furthermore, such calculation-based skills -- the "numbers" side of the business -- are being eclipsed by technology, with more and more mechanical tasks being performed by Robotic Process Automation (RPAs) and AI machine learning every day.

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In fact, we have redesigned our own robust internal database to identify and search for individuals in standalone remote roles for our regionally relevant clients offering hybrid structures to target and recruit them easily. What might look like an advantage in terms of broadening the range and size of your recruitment pool will also put some of your remote workers firmly on your competitors' radar and increase your chance of turnover.

Furthermore, as has occurred in the past, will we regress to our prior norms when the next economic correction happens? Will these fully remote workers be left essentially stranded in both their physical location and career path?

### **Likely Salary Headaches**

In August of this year, [Google provided its employees with a salary calculator showing the effects of a move](#). However, those pay cuts -- in some cases as much as 25% -- also applied to current employees who opt to work remotely rather than resume their commute into the office. Facebook and Twitter also announced pay cuts for remote employees who move to less expensive areas, while Reddit and Zillow shifted to location-agnostic salary models, citing advantages with both retention and diversity.

In the U.K., employment law requires that employers cannot alter employment contracts -- including the rate of pay -- without employee consent. There, one must terminate and renegotiate terms on an individual basis. Arguably, employees at salary-cutting companies in the U.S. may find it demoralizing to be paid less to do the same job and therefore be motivated to seek new employment.

Even companies utilizing a predominantly in-office model but allowing exceptions for remote work will likely open a veritable Pandora's Box. Not only will they face the aforementioned development challenges, but there will no doubt be salary inequities and tax issues with workers in states where you do not normally conduct business or where legally required benefits (i.e. Social Security, Medicare, state and federal unemployment insurance, and workers' compensation) are more costly.

### **Look Before You Leap**

In the future, tax leaders will need to be able to think strategically in order to make impactful financial decisions. They will also need to be able to communicate effectively to influence state and national politicians or travel to legislative offices to lobby for favorable tax positions and policies for their company.

For these reasons, we strongly suggest that critical roles held by developing leaders should not be fully remote positions. Similarly, those with extensive legacy knowledge that others do not know about should not be isolated in a remote location. We also caution against fully remote roles for individuals with a higher risk of turnover due to recruitment by local companies offering hybrid positions.

While there are undoubtedly many benefits to remote work, it's important to strategize about these long-distance opportunities at the forefront and carefully select the less-critical positions best suited to decentralization.

We have come to believe that the most successful corporate tax departments will take a hybrid approach and offer a mix of offsite and in-person opportunities. These tax professionals will be able to have their cake and eat it too, as they can work from home and have the flexibility to go into an office.

At the same time, perhaps there are ways to address these challenges in a remote environment, and we would love to take part in a dialogue that explores how this might be achieved. If any readers have experience or other thoughts on the matter, we hope you will share them.

When considering a move to a fully remote tax function, we feel the potential unintended consequences to both our industry and our young professionals could be significant. Yet, the idea of virtual work has many upsides. While we believe a hybrid model is ultimately in the best interest of both our future tax talent and the companies they will serve, we are excited to explore all the options together.