

Navigating the Changing World of Tax Leadership

by Tony Santiago

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In this installment of Tax Pulse, Santiago delves into the changing faces of tax leadership, unraveling the challenges and opportunities that lie ahead in this era of profound change.

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For the last several years, the nature of U.S. corporate tax leadership has been undergoing significant fluctuations, influenced by rapidly changing regulatory and statutory landscapes, which are underpinned by shifting political climates. For decades, baby boomers have held the reins of corporate tax departments, providing steady guidance. However, as we enter 2024, when the youngest boomers will turn 60, a natural succession is underway.

Statistics acquired from TaxTalent Inc. — a tax career development community and curator of the world’s most extensive database of corporate in-house tax professionals — show that while Gen Xers are increasingly taking charge, baby boomers are stepping back. At the same time, millennials are moving into critical roles and injecting fresh perspectives.

Simultaneously, the tax landscape is transforming with complex rule changes and global efforts to maximize revenues. This adds a layer of challenge and complexity to the responsibilities of tax leaders. In this article, we’ll delve into the changing faces of tax leadership, unraveling the challenges and opportunities that lie ahead in this era of profound change.

Generation X Takes Center Stage in Tax Leadership

In a noteworthy development, for the first time in corporate history, Generation X leaders

(those born between 1965 and 1980) now make up most in-house heads of tax.

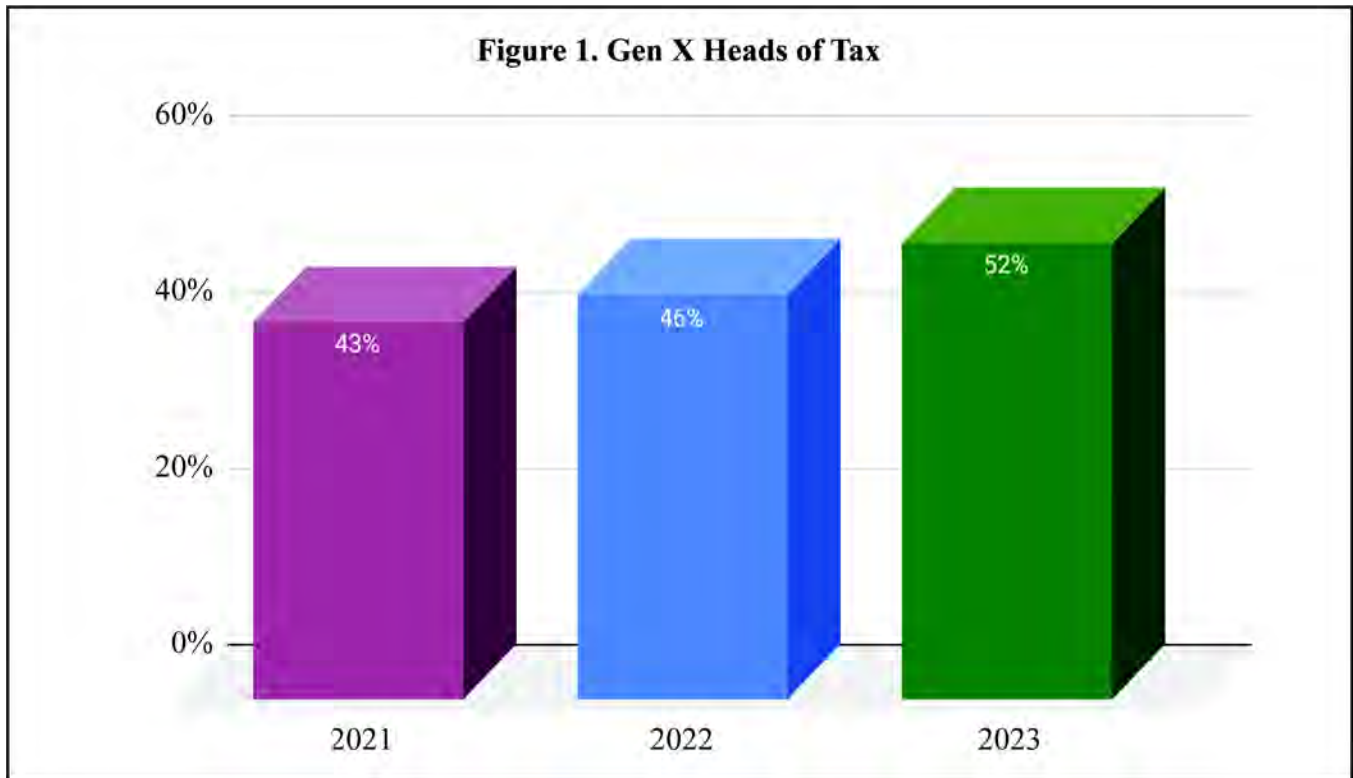
From 2021 to 2023, the percentage of Gen X tax leaders has risen impressively, from 43 percent to 52 percent, marking a substantial growth in their influence on the corporate in-house landscape. This shift not only recognizes the expertise and capabilities of Gen X professionals but also signals a transformative period in tax leadership dynamics.

Cross-Generational Leadership Challenges

While this changeover to majority Gen X leadership represents a positive and necessary evolution in the tax profession’s dynamics, it creates a unique set of challenges. While Gen Xers now hold most spots at the leadership level, most of their direct reports (those occupying No. 2 positions) are primarily either Gen Xers or millennials.

Managing in an environment in which the leadership structure is composed predominantly of members of Gen X, but the support structure consists of both Gen Xers and millennials, requires a nuanced approach. The intricate balance of leading a team in which direct reports span multiple generations creates complexities in communication, leadership styles, and expectations.

Complicating matters, as Gen X assumes the mantle of tax leadership, there is a notable transition occurring in the talent pipeline. The challenge arises as top-performing millennials, having gained valuable experience, progressively ascend to senior leadership roles. This transition leaves a void in the talent pool, emphasizing the need for strategic workforce planning. The challenge for Gen X leaders lies in effectively bridging this talent gap, fostering mentorship programs, and ensuring a seamless transition of leadership from one generation to the next.



The coexistence of Gen X leaders and a diverse workforce spanning multiple generations underscores the importance of strategic leadership. Effective communication, mentorship initiatives, and an inclusive leadership approach become pivotal in maintaining cohesion and maximizing the potential of a cross-generational team.

Financial Challenges

The Gen Xers who will be the most challenged will be those going into their first tax leader role, because their learning curve will likely coincide with an economic correction, or even a recession. Along with managing their generationally diverse teams, these Gen Xers are likely to face widespread budget crunches under which they are required to do more with less. In addition, the advisory professional service firms, historically nimble, are now running into their own financial pressures. Whether or not these major firms will be able to hold their pricing positions will play out in the next year.

Gen X leaders, as the torchbearers, must navigate this difficult landscape with foresight, adaptability, and a commitment to fostering a collaborative and dynamic tax department environment.

Millennials in Tax Leadership

The tax leadership landscape is witnessing an equally positive and much-needed transformation as millennials, born between 1981 and 1996, step up to fill crucial roles vacated by recently promoted Gen Xers and retiring baby boomers. This transition is marked by a significant surge, with *the proportion of millennials in head-of-tax positions growing a remarkable 75 percent since 2022*.

The proportion of millennial tax leaders doubled from 2 percent in 2021 to 4 percent in 2022. Most recently, it reached an impressive 7 percent in 2023. This generational ascent signals the official departure from traditional baby-boomer-led leadership structures. This infusion of fresh talent not only fosters diversity but also brings in innovative perspectives, ensuring a dynamic evolution in tax leadership.

Figure 2. Tax No. 2s by Generation (2023)

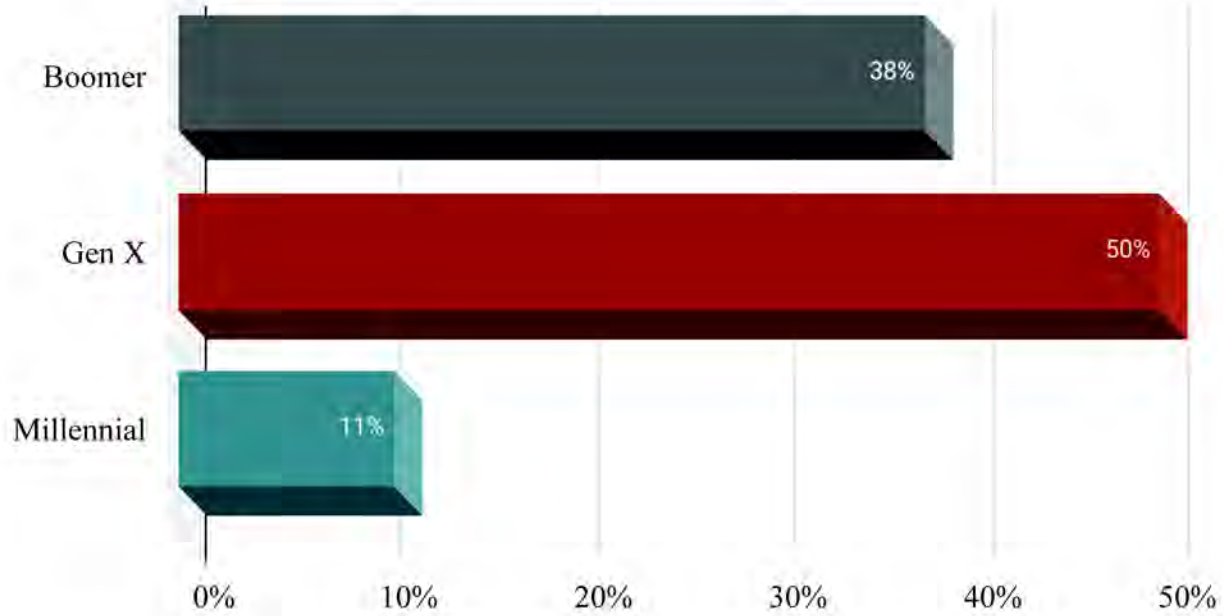
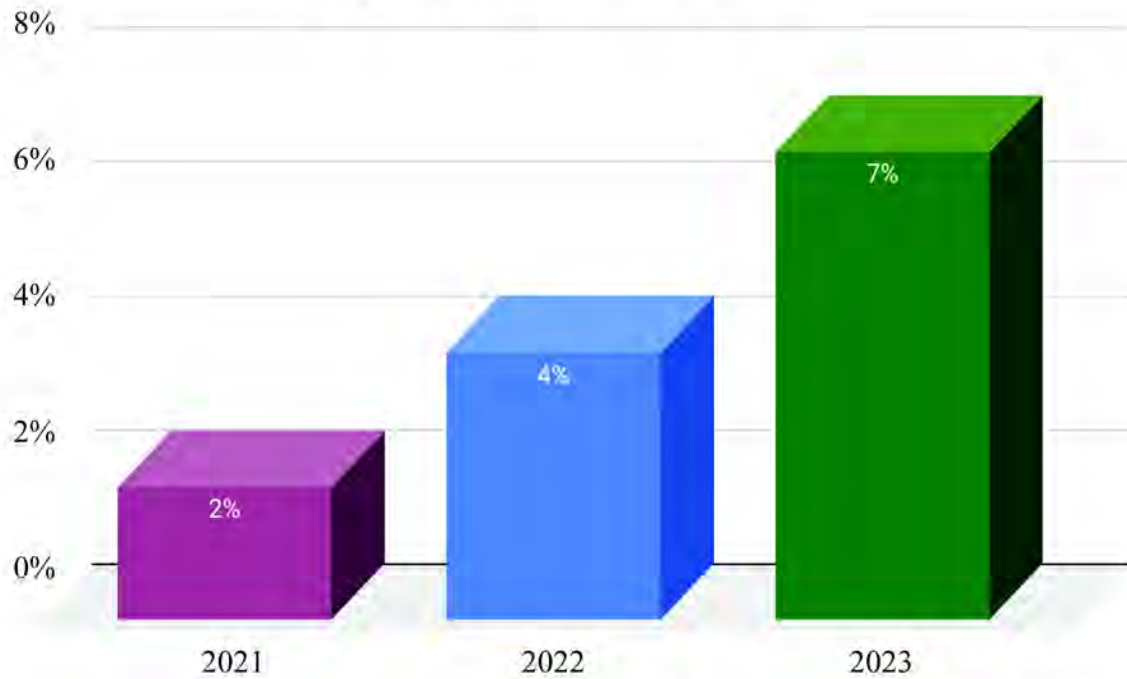


Figure 3. Millennial Heads of Tax



While the rise of millennials in tax leadership is a necessary part of our industry's evolution, it comes with its share of challenges. Unlike their baby boomer and Gen X counterparts, millennials are stepping into these leadership roles at an earlier stage in their careers.

If Gen Xers were as numerous as the baby boomers, and if they had had more opportunities to step up, millennials would have had more time to develop. However, as the baby boomers effectively held a large pool of would-be Gen X tax leaders back, many of them are now too narrowly scoped to step into the top position, leaving gaps that must be filled by talented millennials.

While this trend toward premature millennial promotions is an understandable outcome of our competitive tax talent market and comparative shortfall of available Gen X talent, it also raises questions about the readiness and preparedness of these individuals for the complexities of tax leadership.

'Double Whammy' Challenge for Millennial Leaders

While the increased representation of up-and-coming tax talent is undoubtedly a positive stride, it prompts a critical evaluation of the industry's mechanisms for identifying and developing tax leaders. Further, the ongoing wave of baby boomer retirements takes with it a wealth of knowledge and experience, leaving a notable gap that younger leaders must swiftly bridge. Thus, we must develop these millennials over the next five years to get them up to speed.

To complicate matters further, the statutory and regulatory climate, coupled with an increasing appetite for taxing jurisdictions to bolster revenue, adds another layer of complexity to their roles.

If that's not enough, the uniqueness of the U.S. tax code and the scarcity of tax experts in the U.S. domestic labor pool create a captive labor pool and pose notable challenges in meeting the demand for tax professionals. This is a persistent issue in the tax industry because importing tax specialists from other countries to address the shortage is not feasible. This constraint results in a supply-demand

bottleneck, particularly regarding developing future tax leaders, with no easy solution.

Another issue millennials will have to resolve is the sizable decrease in the number of accounting students. Growing concerns surround the future of entry-level tax jobs because of increasing process-driven roles and the push for more efficient tax systems by nongovernmental organizations. Also, the prospect of a unified global tax agreement raises apprehensions among young professionals about potential skill obsolescence, leading to a decline in student interest in the tax profession.

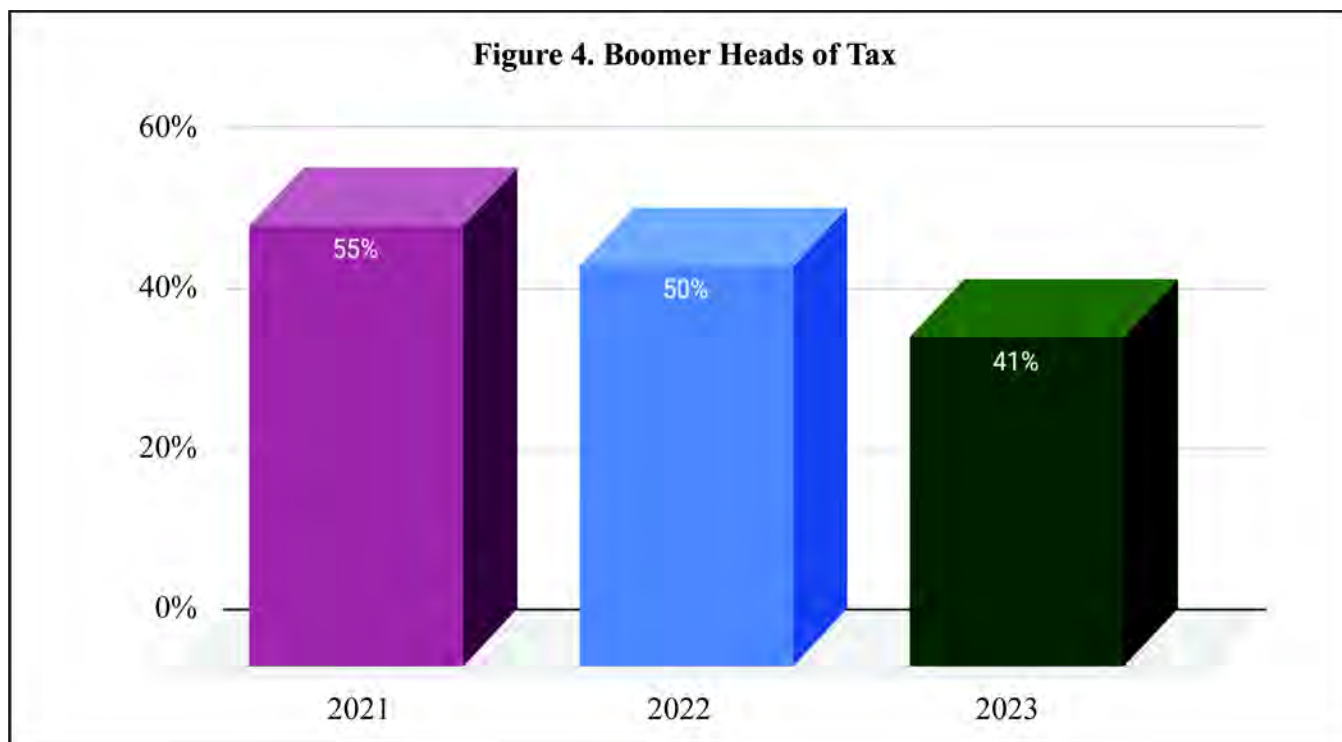
Further, as many of us have seen, increasing numbers of tax professionals are leaving the industry in the early stages of their careers. As noted in a December 28, 2022, article in *The Wall Street Journal*,¹ "More than 300,000 U.S. accountants and auditors have left their jobs in the past two years, a 17 percent decline." All of us in the profession will need to keep a close eye on this moving forward.

Along with a fiscal environment that will likely require millennial tax leaders to do more with less, law and accounting professional firms are being strained as well. This combination of demographic shifts and heightened regulatory and statutory conditions creates a unique and formidable challenge — a "double whammy" scenario for millennial tax leaders. In the next five years, the pressures on tax leadership are poised to be greater than ever, demanding strategic foresight, resilience, and proactive measures to address the evolving demands of the industry. Balancing the scales between early empowerment and ensuring preparedness will be a focal point in shaping the trajectory of tax leadership.

Baby Boomers Look to the Future

As with the other generations, baby boomers (born between 1946 and 1964) have encountered a noteworthy shift of their own.

¹Lindsay Ellis, "Why So Many Accountants Are Quitting," *The Wall Street Journal*, Dec. 28, 2022.



Our data shows that from 2021 to 2023, this group of tax professionals has occupied a decreasing proportion — from 55 percent to 41 percent — of all head-of-tax roles. Amid this transition, a spectrum of opportunities and challenges now emerge for these seasoned leaders.

For those who aspire to continue their professional careers, the evolving landscape — including both flexible work arrangements and the burgeoning talent economy — presents a promising array of options. Whether they opt for full-time roles or explore consulting avenues, the demand for knowledgeable tax professionals will likely create fertile ground for boomers looking to extend their careers. This upside aligns with the trend of organizations valuing the wealth of experience and expertise that seasoned professionals bring to the table.

Succession Planning Struggles

It's not all a bed of roses for baby boomers, and the challenges accompanying this transition are palpable. Baby boomer tax leaders contemplating retirement face the challenge of ensuring that their teams are in optimal shape for the handover. The intricacies of succession

planning become more pronounced as the most talented Gen X and millennial candidates, identified for incumbent leadership roles, are increasingly likely to encounter external opportunities that could lure them away.

Forward-thinking boomers readying for retirement are going to have to audit their departments and establish deeper succession planning strategies than in the past. Depending on the size of their team, boomer tax leaders may have to look at those reporting to their No. 2s, or potentially even a level below that.

To add to the complexity, a number of the No. 2s will soon be leaving the workforce, as well. Currently, 38 percent of those in No. 2 roles are 59, if not older: Timing the retirement of members of this No. 2 talent pool and identifying millennials with the requisite technical abilities and soft skills (for example, emotional quotient) will be paramount.

Baby boomer leaders will be called on to develop and retain their best millennial talent — and potentially amid a recession. Holding on to these capable individuals will require creative strategies that may necessitate the expertise of professional recruiting firms, as we predict that

these talent issues will be the number one headache over the next five to six years.

Baby boomer tax leaders, particularly if desiring a relatively seamless transition, must navigate this dynamic landscape with strategic foresight and adaptability to ensure a legacy of excellence in their tax leadership domains.

Sailing Tax Leadership's Tides of Change

The shifting tides of tax leadership dynamics, marked by a significant increase in the number of retiring heads of tax and the ascendancy of Gen Xers into predominant roles, set the stage for a transformative era.

Concurrently, the rise of millennials taking on head-of-tax positions signals the start of a widespread changing of the guard. This demographic shift, while presenting a rich tapestry of opportunities, has not been without its challenges, ushering in a period of turbulence within the tax leadership landscape.

As baby boomers contemplate their professional legacies, the decrease from 50 percent to 41 percent poses a unique set of opportunities and challenges. While there is a wealth of possibilities for those keen on extending their prolific careers, the intricacies of succession planning — particularly in retaining top talent — may be complex. These challenges will only be exacerbated by our low-supply/high-demand talent marketplace, and declining interest in the tax profession amongst university students.

As we face this industrywide “changing of the guard,” tax leaders must not be mere witnesses but active participants in shaping the future of their domain. Our industry is poised at the crossroads of tradition and innovation, with each demographic shift contributing to the nuanced evolution of tax leadership.

As Gen Xers and millennials take the helm, and as baby boomers navigate the delicate balance between legacy and transition, the tax profession must come together with an attitude of adaptation, resilience, and strategic navigation in the face of a rapidly transforming fiscal environment.

In the coming years, baby boomer leaders will face the challenge of identifying and cultivating their top millennial talent. Effectively

retaining these skilled individuals will demand innovative approaches, a topic we will explore in depth in a future article.

As the torch passes, industry stakeholders must actively engage in mentorship, professional development, and knowledge-sharing initiatives. This will not only fortify the preparedness of these emerging leaders but also foster an environment in which the transition is not just a demographic shift but an evolution toward a more agile and adaptive tax leadership landscape. ■