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by Tony Santiago

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In this installment of Tax Pulse, Santiago outlines the importance of conducting strategic annual talent assessments to minimize disruptions, nurture excellence, and strengthen a tax department.

Historically, tax departments have been adept at developing strategic tax key performance indicators aligned with the company's overarching objectives. However, a crucial aspect that many tend to overlook is the alignment of retention, development, and staffing objectives.

While effective fiscal policies and compliance strategies are important, human capital management — a crucial but often neglected element — plays a pivotal role in shaping the performance of a tax department in meeting its objectives. Fundamentally, it's always about the people, as you have to complete the work that you are committed to.

Navigating the current talent landscape poses considerable challenges, especially in terms of the availability and caliber of tax professionals. However, implementing a strategic annual assessment model presents immense value by adeptly conveying to senior leadership the current state of the department and charting a course for its future direction, encompassing both human resources and capital considerations.

In response to this widespread need, TaxSearch Inc. and TaxForce have begun providing our clients with invaluable strategic annual meetings focused on talent retention, development, staffing, and advocacy.

Read on to learn about the importance of conducting strategic annual talent assessments to minimize disruptions, nurture excellence, and strengthen your overall tax department.

Maximizing Tax Team Performance

Conducting a comprehensive annual talent assessment is paramount for corporate tax leaders to efficiently manage human resources and prepare for potential transitions and shifts.

This process revolves around three crucial facets: retention, development, and staffing. In terms of retention, the assessment aims to identify top performers who may be at risk of leaving, examining factors such as limited growth opportunities or compensation concerns. It also seeks to pinpoint individuals in critical roles and targeted for succession planning, as well as those requiring further development.

Retention, especially among the top performers, is essential for sustained success. Along with creating tailored developmental plans, staffing considerations encompass addressing new office work policies, regulatory changes, and factors like retirement or underperformance.

Strategic annual talent assessments provide corporate tax departments with a crucial edge that significantly increases the likelihood of retaining key individuals over the long term and highlights the interconnectedness of development and retention strategies.

Strategic Annual Talent Assessments

Essential for corporate tax leaders, this process encompasses three critical components: retention, development, and staffing.

Retention

Retention is a key challenge in the competitive corporate tax environment. Pareto's principle, commonly referred to as the 80/20 rule, posits that a significant portion of outcomes is typically derived from a small fraction of inputs or efforts.

Applied to corporate tax functions, this principle suggests that roughly 20 percent of your team members contribute to approximately 80 percent of the department's results or productivity. Typically, these standout individuals — often recruited with future leadership roles in mind — are regarded as the department's top performers.

Concerning retention, the talent assessment aims to pinpoint the top performers at the highest risk of leaving. As such, the audit should explore reasons for potential turnover, such as (lack of) development and advancement opportunities, compensation concerns, or workplace policies (that is, hybrid, in-office).

The assessment should both explore the reasons for potential turnover and identify those in critical roles that require focus. Be sure to include any key players who will soon be retiring, employees defined as candidates for succession planning, and those who have been identified as underperformers.

Development

As noted, succession planning is crucial for any department's sustained success.

Identifying your potential successors, especially within the top 20 percent of performers, is a key strategic move. From there, we suggest that you focus specifically on the development needs of each person, evaluating who needs further coaching or exposure to different subjects.

After pinpointing the specific areas of development needed by each of your critical team members, you'll develop a strategic plan to achieve the desired result in these areas. Along with creating a plan and implementing it, it's key to foster ongoing communication to ensure that the plan is working and employee needs are being met.

Staffing

Within corporate tax departments, staffing addresses two needs:

1. New work coming in because of growth or statutory and regulatory changes.
2. Additional, unrelated influences like retirement, underperformance, or enrichment needs identified during the retention and development assessments.

In each of these areas, staffing can be achieved by bringing in talent from the outside either to fill the target role or, when promoting from within, to fill the former role of the person being promoted. Also, there is a tremendous opportunity to use interim staffing to lay the groundwork for your retention and development strategies, which we will explore further below.

Develop a Plan

Having assessed the state of retention risks, succession planning needs, and staffing demands, tax leaders can move on to developing a comprehensive plan encompassing all elements of their human capital requirements.

Retention

To address retention concerns, your plan must identify concrete actions to mitigate risks. This involves detailed strategies for retaining the top 20 percent of performers, probing for their specific concerns and creating solutions related to development opportunities, compensation, and workplace policies.

To begin, we highly recommend sitting down with your top 20 percent and succession candidates to have a career evaluation discussion at least annually or ideally twice a year. Note that this is different from a performance evaluation. Rather, encourage your most valuable team members to be honest about their expectations to ensure they're aligned with the company's. Once their aspirations are on the table, the relevant hiring authority needs to provide them with development advice on how to get there.

While those in alignment for retirement will not require a retention plan, their upcoming departures present a good time to prepare for knowledge transfer to future leaders. Similarly, your retention planning should consider whether identified underperformers can continue in the department with coaching or if you should look for a replacement.

Development

When undertaking an annual talent assessment, development planning should focus on:

- those who are top 20 percent performers but have not yet been defined as succession candidates;
- succession candidates; and
- designated underperformers.

Each of these three areas will require unique and specific development, so it becomes a matter of finding paths to provide this training.

If the development needs are in nontechnical areas, what training can human resources offer? And are there people on the team or elsewhere in the company who have these emotional intelligence strengths, and can you align them with those in need of development?

For those who need to broaden a team member's technical skill set, look to your internal tax department. Who has that knowledge, and can they offer training assistance? Are there opportunities that might help an individual in need of further strengthening get up to speed in an area?

Also, interim staffing companies like TaxForce can provide short-term mentoring opportunities to suit the circumstances. We often recommend that our clients look at interim projects as an opportunity to bring in a strong technical person to work with the individual needing development. Throughout the project, the outside tax professional will provide your staff with a knowledge transfer on the subject.

Alternatively, if there's an opportunity for a succession candidate or top 20 percent performer to broaden their skills, TaxForce might bring in a midlevel tax contractor to free them up so they can take the lead on pillar 2 or another important project.

Under the team member's guidance, the outside contractor could take the day-to-day work off your tax function's plate. This gives your key tax talent the exposure and opportunity to prove that they're ready to step up into a succession planning role, while the department can continue to manage the day-to-day work.

To retain a top 20 percent performer for as long as possible, you need to give them opportunities to broaden their skills and develop their strengths. In this case, we often recommend that our clients use an interim staffing solution to provide the bandwidth for key tax talent to explore their interests.

Maybe your team member wants to move into planning, but you can't accommodate that training in house. You could bring in a seasoned TaxForce contractor to help with a knowledge transfer so that the next time, the employee could take the lead on a similar task. To manage workloads on a subsequent project, you could bring in a subordinate tax contractor to work under your key performer for the duration of the task.

With underperformers, it's important to have them work with someone more skilled — both to evaluate that tax professional's abilities and to determine if they could be mentored to a breakthrough. If, for example, someone is not particularly strong with technology or tax software, you could bring in an outside tax contractor to help get the work done and help develop your underperforming team member.

Staffing

On the staffing side, it's all about getting good data early on. This is key to ascertaining when there might be departmental turnover because of underperformance, retirement, or inadequate compensation.

Effective staffing starts with organizational clarity. Transparent job descriptions foster mutual understanding between employers and potential hires, enhancing the likelihood of selecting the best candidate for the position. Thorough job descriptions also enable employers and employees to measure actual performance against predefined expectations, highlighting exemplary work or accentuating areas requiring further training or corrective action.

When addressing underperformance issues, staffing is within your control. If efforts to get an individual up to speed have failed, planning for a replacement is straightforward. Moreover, maintaining awareness of predictable external factors such as planned retirements, mergers, and acquisitions is crucial — ensuring that the department is equipped to handle any changes on the horizon.

Note that the end of your fiscal year — when bonuses are paid out — is typically the highest exposure period for unexpected turnover. However, most of the time, this is also when many senior people will start to send signals about impending retirement plans. Are your stock prices increasing dramatically? Anticipate that retirement age might be affected.

In contrast, if a top 20 percent performer is severely underpaid and you have no options to address the disparity, that employee is at high risk for turnover. Or if the demands of a team member's personal life conflict with their work, you have another hazardous situation. If the company makes a dramatic change to the work policy — switching to a hybrid or in-office protocol, for example — that too is probably going to raise your retention risks.

While you may not always know when someone is going to quit or step down, there are ways to reduce the risks. Above all, when you have your biannual career evaluation discussions with your top 20 percent and succession candidates, you have to bring these things up.

To further ensure your plan's effectiveness, tax leaders must establish follow-up reviews at regular intervals. Whether quarterly or semiannually, these reviews allow for a dynamic adjustment of strategies based on evolving circumstances.

The Importance of Advocacy

After conducting the comprehensive annual talent assessment and developing a plan to address key challenges in retention, development, and staffing needs, the focus naturally shifts to advocacy.

A crucial step in talent management, advocacy bridges the gap between assessment findings and actionable strategies. It entails effectively communicating the department's current state and future trajectory to senior leadership, garnering their support, and driving necessary changes.

Our industry's talent landscape is fraught with challenges, particularly concerning the supply and quality of tax talent. This strategic annual assessment model offers significant value by effectively illustrating for senior leadership the department's current position and the trajectory it must pursue from a human capital standpoint.

To begin, tax leaders must identify key HR and finance stakeholders who would benefit from education on major tax talent issues. It then falls on the tax leader to articulate the current state of the tax department in terms of retention, development, and staffing, thus effectively presenting the comprehensive plan delineated earlier to gain their buy-in and support.

This strategic annual assessment model brings tremendous value in clearly communicating to senior leadership where the department is and where it needs to go. It's a proactive approach that ensures a collaborative understanding of your tax department's needs and challenges.

Strategizing for Tax Talent Success

As tax leaders progress in identifying key issues, drafting strategic plans, and advocating for necessary changes within their departments, these efforts combine to address challenges and cultivate an environment conducive to excellence.

Our strategic annual talent assessment process underscores the importance of proactive talent management and internal advocacy. Identifying top performers, succession candidates, and areas for development empowers tax leaders to tailor strategies to nurture key team members and mitigate turnover risks. Likewise, strategic staffing considerations ensure that the department remains agile in the face of evolving demands and external factors.

An essential component of these assessments is access to current tax market data. Understanding industry trends, compensation benchmarks, and talent availability enables tax leaders to make informed decisions and stay ahead of the curve. In today's challenging tax market, where talent shortages and changing regulations abound, leveraging reliable data is paramount to maintaining a competitive edge.

Realistically, achieving these objectives may require external support. Platforms like TaxTalent Executive Search, TaxTalent Job Connect, and

TaxForce, along with TaxTalent content, can be invaluable resources for tax leaders in their quest to navigate the complexities of talent management.

TaxSearch Inc. stands ready to assist in these annual assessments and address any questions or concerns regarding retention, development, staffing, and advocacy. In a profession in which success is measured not just in numbers but in expertise and foresight, strategic talent management becomes the cornerstone for sustained excellence. ■