

BUILDING A TAX CENTER OF EXCELLENCE

BY JON C. SWEET, PRESIDENT, EUROPE AND ASIA-PACIFIC, RYAN

For too long, too many tax functions have been trapped in a low-value compliance loop at the expense of more strategic tax-planning activities.

As tax executives struggle with a lack of resources and disparate data systems, executives in the C-Suite are demanding higher strategic value from the tax department.

To ensure optimization of the tax function, CEOs need to ask themselves a few key questions. How do I measure the success of tax? What should I expect from tax? How aligned is tax with my strategic objectives? They will likely find that tax is buried in a sea of compliance issues, often disconnected from business operations and absent from early strategic discussions such as entering new markets or the implementation of new systems. They may often determine that their current tax operation is more able to respond, rather than proactively contribute.

But many tax leaders are willing and able to elevate the position of tax in their organizations. Despite the emerging trends and challenges facing tax executives, an opportunity exists to develop a compelling case for change. It is the responsibility of the CEO to create an environment that facilitates that business case and drives an operating plan for greater tax performance. Improvement opportunities can be tied to reduced risk, increased efficiency, higher earnings per share, and the delivery of greater overall strategic value. Tax executives essentially have two choices: persist in the status quo or become intentional about making necessary

adjustments to increase efficiency and effectiveness through the right alignment of people, the re-engineering of processes, and the deployment of new technologies.

Tax leaders desiring change frequently have one lingering question: What change, at what cost? Envisioning the right future, given the current circumstances, requires a detailed view of the “as is” environment and a robust idea of the various “to be” possibilities. Getting from today’s reality to tomorrow’s possibilities will rest on the ability to build and present a compelling business case for change.

Two key areas of focus that are fundamental to the future state are people and data. Often overlooked as a strategic benefit of building a best-practices environment is the impact on talent management. The best talent wants to be a part of a tax organization that operates strategically, has a vision for the future, and offers varied growth opportunities. Losing high-performing tax resources can be a tremendous drain on the value of the tax function and the entire organization. The loss of institutional knowledge, along with the costs of acquiring and training new resources, is not generally fully appreciated. Often, highly skilled tax professionals are charged with making the most of bad systems and processes, which paralyzes the department’s performance and ability to deliver real strategic value to the organization. With the tax department’s performance being heavily reliant on complete and accurate data, it’s imperative that the tax executive assesses and transforms the

processes and systems that collect, analyze, and manage this information. Tax executives that effectively build a business case for making the required technology changes with the key stakeholders of the organization will make monumental strides toward breaking the low-value loop that entraps many tax functions. Improved data management eliminates errors, mitigates the compliance burden, and allows tax professionals to focus on more strategic value initiatives, ensuring the continued acquisition and retention of top talent. Focusing on higher-value activities improves the tax department's ability to offer current and potential employees a more desirable career path that includes broader exposure to the overall business operations and involvement in strategic decision making and planning processes.

Building relationships with stakeholders and thinking like decision-makers are second nature for the top tax leaders and absolutely necessary to transform the function. The process must include a strong communication plan that regularly solicits feedback from stakeholders and identifies perceptions and measurements of the tax department's performance. It is critical that tax leaders understand the changing needs and objectives of stakeholders while communicating departmental goals and prioritizing transformation initiatives. During the transformation, various change initiatives should be prioritized based on their importance and potential impact on the overall effort.

Tax leaders should also build a framework for assessing the cost and benefit expectations for any possible changes, closing the gaps between the current state and the desired future state. It is critical to prioritize and implement these change efforts in alignment with key stakeholders' objectives, developing evaluation criteria for prioritizing improvement opportunities, current corporate initiatives, and potential impact. To be successful, change should be implemented with reasonable expectations at a reasonable pace.

Through successful transformation, the tax department will add genuine business value within an organization; and confidence in existing policies, practices, business systems, and processes will increase. Having identified and addressed material gaps with the people, processes, and technologies, the tax department will have a clearly defined approach for working in alignment with its internal partners—and greater influence as a result. Tax leaders will know that they are not only adding real business value but also doing it in a way that is highly visible within the organization. Most important, corporate leadership will have confidence that its tax department is truly performing and that its efforts are positively impacting the strategic objectives of the organization.

As a result, the chief executive officer will leverage the value of the corporate tax function and actively ensure its early participation in all relevant strategic initiatives. CEOs who have accepted tax as an important, value-added partner are discovering the benefits of cost reduction, risk

mitigation, and optimized business decisions delivered by the tax department. Rather than viewing it as a compliance-oriented, nonstrategic member of the corporate finance function, these leaders are seeing the tax function as a creative strategic partner that operates more like a profit center than a cost center. The results of this new approach are encouraging even more innovations and creating a virtuous cycle in which many tax departments are emerging as new heroes of their companies.



JON C. SWEET

President, European and Asia-Pacific Operations
Scottsdale, Arizona, and London, England

With 26 years of industry experience, Jon has served in a variety of executive roles that have focused on identifying changing client needs in the marketplace and driving expansion of Ryan's global presence. He currently divides his time as principal-in-charge of the Firm's Scottsdale office and Ryan's London location where he leads Ryan's European and Asia-Pacific operations, develops key strategic initiatives for client service, and directs the Firm's organic international growth.

Jon has lectured on various tax and business process topics for organizations such as CFO Summits, Council On State Taxation [COST], and the Tax Executives Institute [TEI]. For more information, please contact Jon Sweet at jon.sweet@ryan.com or 602.955.1792.



Ryan, an award-winning global tax services and software provider, is the largest Firm in the world dedicated exclusively to business taxes. With global headquarters in Dallas, Texas, the Firm provides an integrated suite of federal, state, local, and international tax services on a multijurisdictional basis, including tax recovery, consulting, advocacy, compliance, and technology services. Ryan's multidisciplinary team of more than 2,700 professionals and associates serves over 14,000 clients in more than 50 countries, including many of the world's most prominent Global 5000 companies. More information about Ryan can be found at ryan.com. "Ryan" and "Firm" refer to the global organizational network and may refer to one or more of the member firms of Ryan International, each of which is a separate legal entity.

For more information on CEO Brief: Chief Executive White Papers, visit ChiefExecutive.net