

The Role of the Tax COO

A Survey of Tax Leaders | August 2016

THE TAX COO IS A BLOSSOMING TREND THAT IS EXPECTED TO PRODUCE SUBSTANTIAL BENEFITS

Chief Tax Officers (CTOs) have become increasingly important strategic advisors to Chief Financial Officers and other executives grappling with cross-border mergers, complex regulations, or new organizational structures. This has left many CTOs in somewhat of a bind. As they are called away with greater frequency to participate in high-profile strategic initiatives, it becomes difficult for them to fulfill all of their operational leadership responsibilities.

We began to observe that a number of innovative tax organizations designed a solution to the problem — the creation of a new role, the Tax Chief Operating Officer (Tax COO), to take charge of the vital operational aspects of the global tax function. The specifics of the function vary from company to company, but they generally include oversight of budgeting, cross-functional collaboration, and talent management.

While the number of companies adopting the Tax COO role is relatively small, it got us thinking: Is this a blossoming trend? We dug deeper and talked to Tax COOs to get a better understanding of how they viewed their role and the advantages it brought.

Ankura¹ and Bloomberg BNA held a joint webcast during which we discussed the trends we were seeing and solicited audience responses. More than a quarter of attending organizations had a Tax COO, were considering one, or were likely to consider one. Clearly, we were on to something.

We launched an online survey to a broader group of tax practitioners and asked not only about the prevalence of the role, but also about its benefits and implementation challenges. In the following pages, we present the survey findings, as well as highlights from some of our conversations with Tax COOs.

It is our belief that we will be seeing more professionals stepping into this role in the near future. Read on and see if you agree.

Rob Wentland

Senior Managing Director, Ankura

SURVEY TAKERS

The Tax COO survey captures the insights of nearly 100 tax and finance executives following a webcast conducted in April 2016 about the proliferation, skills and potential benefits of adding a Tax COO. The response was overwhelming and represents a wonderful cross-section of global tax leaders.

96 Total respondents

74% identified themselves as Senior Director/Director of Tax/Vice President/Senior Tax Counsel

78%/22% Multinational Organization/Largely US only

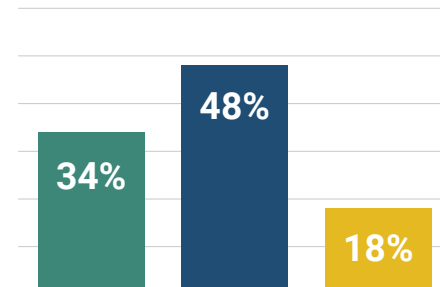
ORGANIZATION'S 2015 ANNUAL REVENUE (USD)

90% \$1 billion+

10% Less than \$1 billion

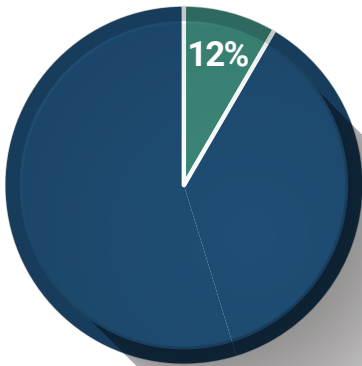
SIZE OF TAX DEPARTMENT HEADCOUNT

 < 10  10-49  50+

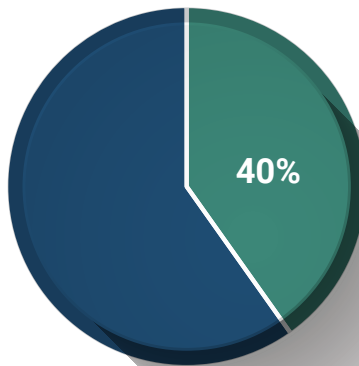


¹ Ankura acquired Navigant's disputes, forensics, & legal technology practice in August 2018.

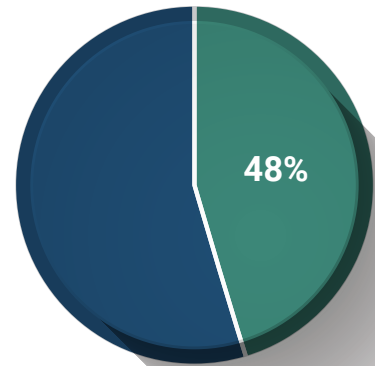
KEY FINDINGS



work with companies that have a Tax COO or are considering a Tax COO



believe the Tax COO function will be mainstream in 10 years



believe that there is room for improvement in tax department operations

"Not having someone dedicated to operations leadership goals is a limitation. If someone is not designated to do these jobs, it's not a priority. It's often a second job for someone and things get lost. These goals should be centralized under one person."

- Tax COO, Large Global Professional Services Firm

A TAX COO SHOULD HAVE THE FOLLOWING SKILLS:

95% be an effective communicator



89% have the ability to increase the lines of communication between departments



PERCENTAGE OF RESPONDENTS THAT BELIEVE A TAX COO CAN PRODUCE THE FOLLOWING BENEFITS:

71% improve the tax department's relationships with internal stakeholders



74% raise awareness of tax department needs to organization executives



72% increase tax department effectiveness by having a central point of contact for budget, HR, and cross-department communication needs



74% identify best practices



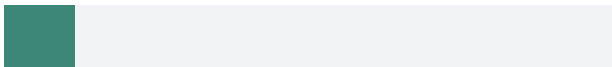
PREVALENCE OF TAX COOs

Is the proliferation of Tax COOs a management "flavor of the month" or a reaction to important pressures facing global tax departments? Our research suggests that it is the latter. Global tax departments are reacting to enhanced corporate responsibilities of CTOs, increased competition for top tax talent, and continued pressure to "do more with less."

In our opinion, it is not a matter of "if" but rather "when" global tax departments will implement the Tax COO leadership function.

PREVALENCE TODAY:

12% of respondents work for companies that have a Tax COO or are considering a Tax COO

**PROFILE OF TAX DEPARTMENT WITH TAX COO:**

63% have 50 or more employees in their tax department

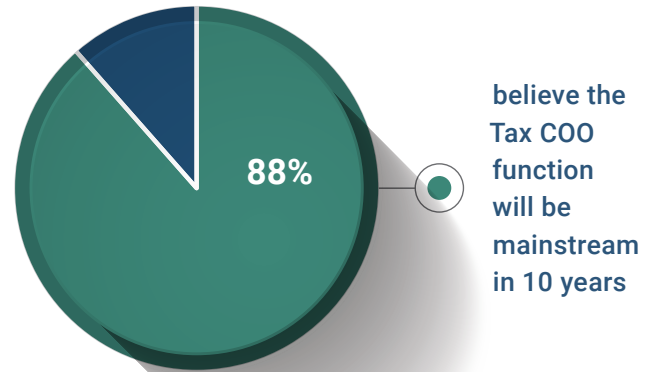


100% are multinational

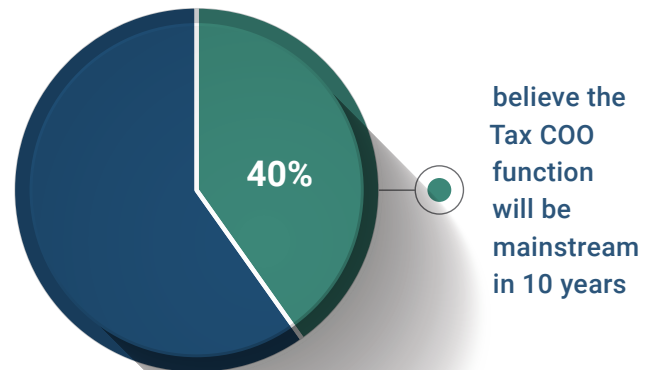


Q: Will the role of Tax COO become mainstream within the next 10 years?

FOR THOSE THAT HAVE A TAX COO:



OVERALL SURVEY RESPONSE:



"Bringing in a Tax COO to shoulder operational leadership responsibilities has benefits beyond freeing up the CTO to focus on strategic demands. It also signals to the market that the company is committed to the tax function and serves as a competitive differentiator to attract top tax talent."

"Today we are being asked to look for CTOs who can work with members of the C-suite on mission-critical initiatives such as M&A transactions or market expansions. A lot of companies also want individuals with global experience and those who can manage other functions such as accounting and treasury."

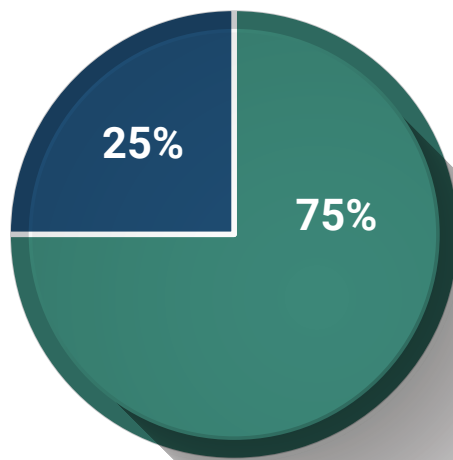
- Phil Murphy, Tax Executive Search Leader, Spencer Stuart

BENEFITS OF A TAX COO

It was fascinating to see that those survey respondents with a Tax COO feel much more strongly that the Tax COO benefits outweigh any incremental cost and that the Tax COO is important to the long-term success of the tax group.

Q: Do the benefits of implementing a Tax COO function outweigh the associated costs?

FOR THOSE THAT HAVE A TAX COO:

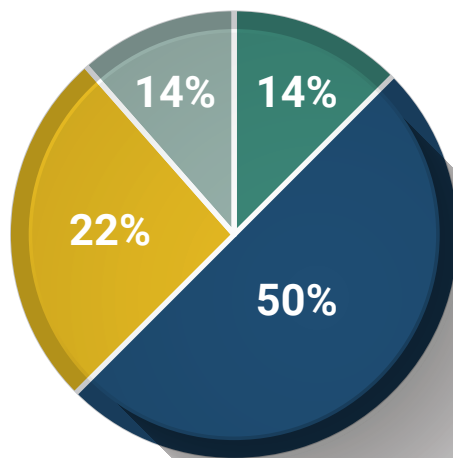


Absolutely - the benefits of a Tax COO far outweigh the cost of implementing this function



Potentially - we have not done enough analysis to determine the cost/benefit yet

FOR THOSE WITHOUT A TAX COO:



Absolutely – the benefits of a Tax COO far outweigh the cost of implementing this function



Potentially - we have not done enough analysis to determine the cost/benefit yet



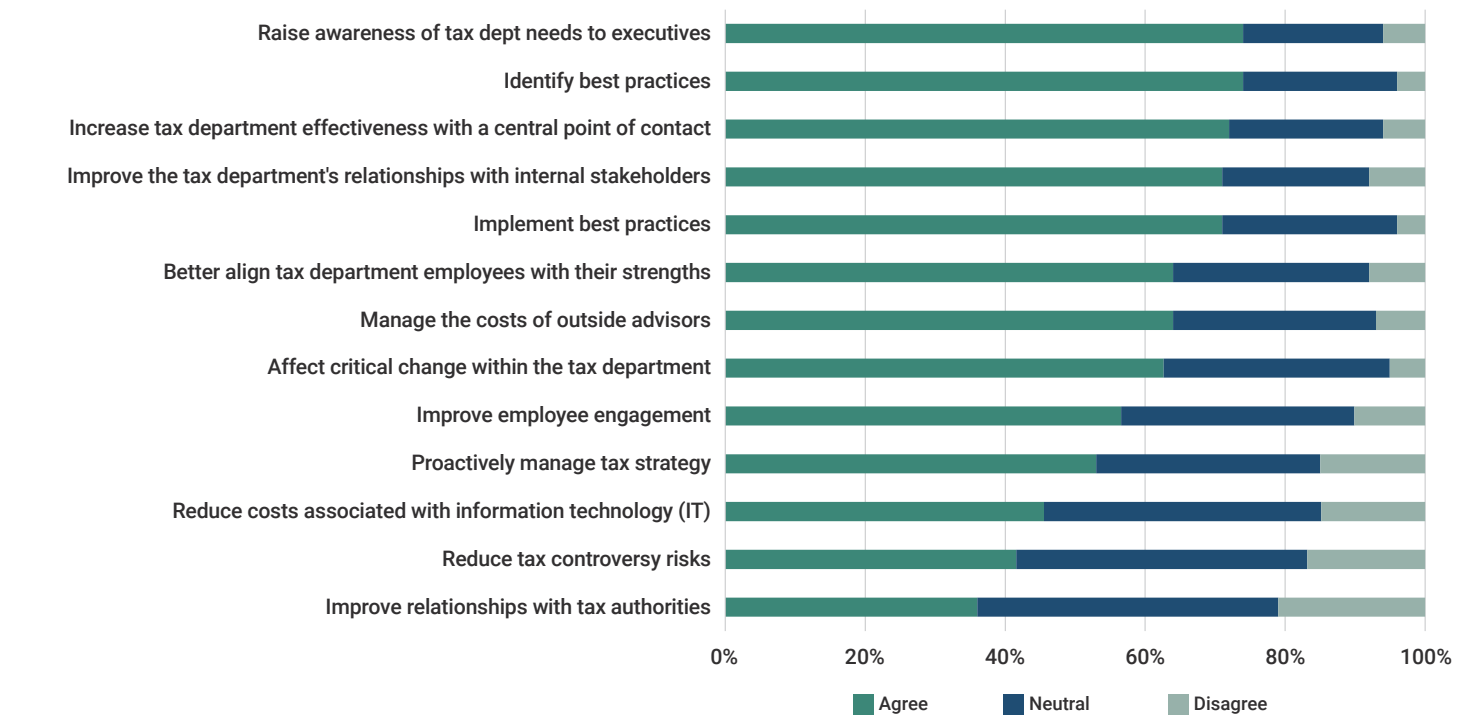
Unsure



Not at all – implementing a Tax COO function is too expensive to justify the benefits

Respondents most often agreed that a Tax COO can raise awareness of tax department needs to executives, as well as identify and implement best practices.

Q: Please indicate how strongly you agree or disagree with each of the following statements. A Tax COO can...



Q: How necessary is a Tax COO to the long-term success of your organization's tax department?



SKILLS OF A TAX COO

While acknowledging the need for a Tax COO is important, choosing a Tax COO with the optimal skillset is critical. We admittedly had no bias toward any particular skillset prior to conducting the webcast or the survey, but the results were overwhelmingly consistent: **Good communication skills are mandatory.**

Why is communication important? It appears that tax departments are looking to the Tax COO to fill two important gaps.

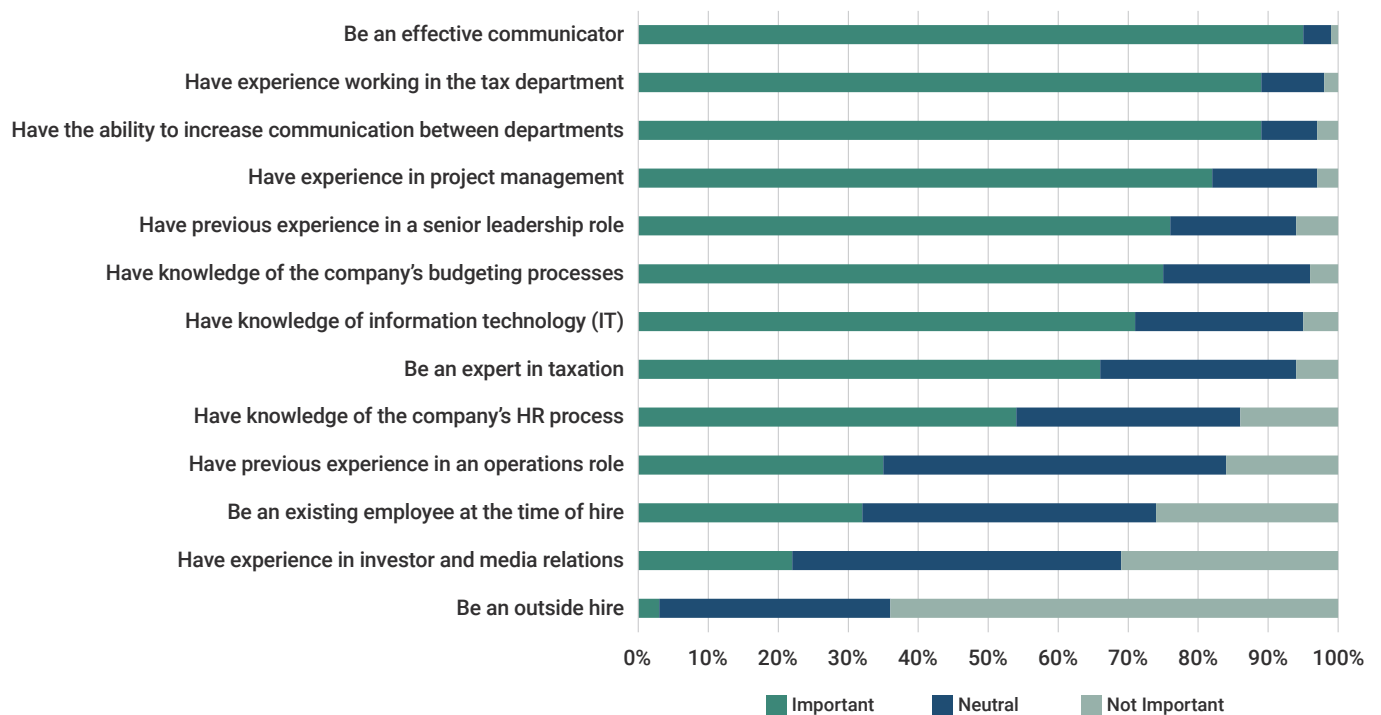
IMPROVE TAX DEPARTMENT ENGAGEMENT:

Tax department employees want to practice tax. Unfortunately, tax department staff are increasingly spending time identifying the appropriate resources that have, or can provide, data. The Tax COO can serve as the central point of contact to identify proper resources and/or relevant data repositories.

IMPROVE INTER-DEPARTMENTAL RELATIONSHIPS:

The Tax COO should serve as the primary liaison with non-tax department leadership to help set priorities, resolve outstanding issues and identify proper resources.

Q: How important is it that a Tax COO...



"Within the tax team, it's my job to understand everyone's role. I keep a pulse on department morale and find ways to keep our people engaged. Much of that engagement hinges on relieving tax department personnel of certain duties—such as identifying the sources of key data or identifying potentially relevant individuals in other departments—that may not play to their strengths. This allows them to focus on what they do best—using their tax technical knowledge to add value to the organization."

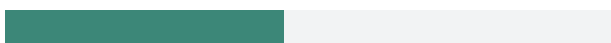
- Tax COO, Large Global High-Tech Firm

STRUCTURE OF A TAX COO POSITION

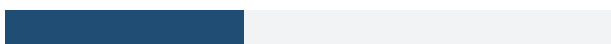
The global footprint of today's multinationals and the increasing trend for geographically distributed leadership caused us to inquire into several organizational issues that might face taxpayers when implementing the Tax COO position. More specifically, we asked the respondents whether the Tax COO position should be co-located with other tax department leaders, the desired supervisory reporting structure of a Tax COO, and whether significant organizational structural changes are necessary to implement a Tax COO position.

Q: To whom do you believe a Tax COO should directly report?

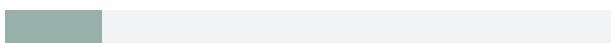
46% Director of Tax (or equivalent)



39% CFO

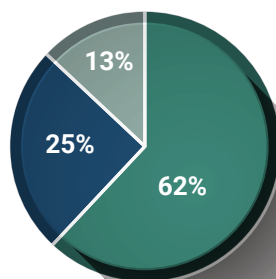
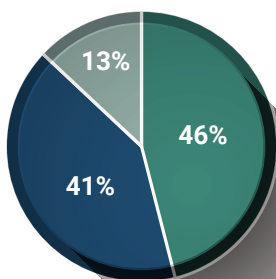


15% Other



Q: Ideally, where should a Tax COO be located?

ALL SURVEY RESPONDENTS: THOSE WITH A TAX COO:



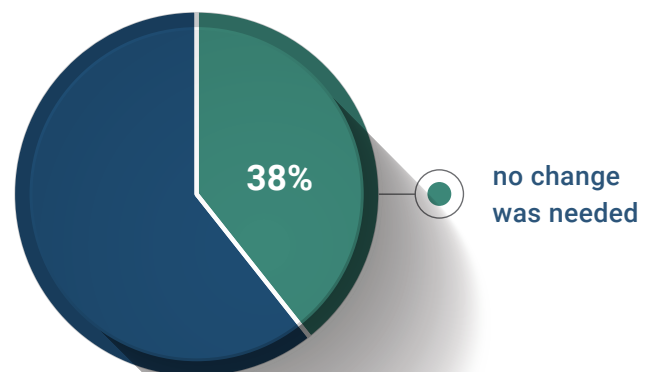
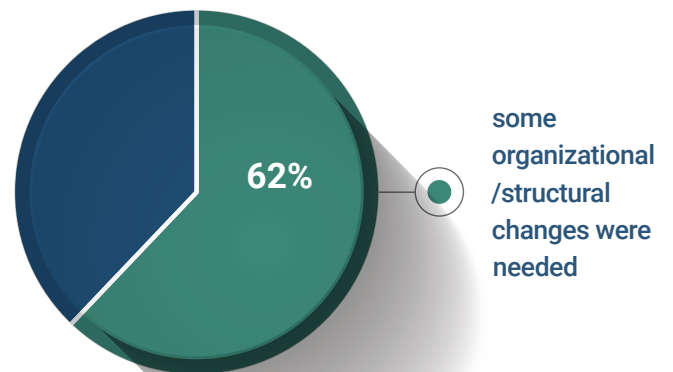
Wherever the CFO or Tax Director is located

Corporate Headquarters

Other

Q: How much organizational/structural change was necessary to implement the role of Tax COO in your organization?

FOR THOSE WITH A TAX COO:



For those that have implemented the Tax COO position, the largest hurdle they faced in making the change is not surprising:

CULTURES THAT RESIST CHANGE.



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ABOUT US

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