GOING FOR A SPIN-OFF
10 THINGS YOU WON’T SEE IN SECTION 355
Dealing With the Rapid Growth of a Taxpayer

This is the fifth installment of our Tax Technology Corner. As a corporate tax professional, you know how important technology is and how it’s evolving at warp speed. With new regulatory and compliance initiatives in the federal, state, and international areas, landmark tax reform legislation, and globalization of tax monitoring and enforcement, keeping up with tax technology is not a luxury—it’s a necessity. Each installment of this column will pair a taxpayer with a service provider. Together, in Q&A format, they’ll tell a story about how they have worked together to solve a specific tax problem, implement a better solution, cut costs, or improve productivity. In this installment, Justin Gilmartin, JD, director of tax services at The Colony Group, and Mike Sabbatis, CEO of XCM Solutions, discuss how they dealt with the rapid growth of The Colony Group. Michael Levin-Epstein, senior editor of Tax Executive, moderated the discussion.

Michael Levin-Epstein: Please describe your companies.

Justin Gilmartin: The Colony Group is a nationally recognized fee-only wealth management firm. We manage approximately $10 billion in assets for our clients. We have fifteen offices in eight states serving executives, entrepreneurs, professionals, athletes, entertainers, family office clients, institutions, and nonprofit organizations. We have a deep expertise that goes beyond just investment management; it can encompass tax, estate, retirement and philanthropic planning, asset allocation, and cash and risk management, as well as life-enrichment solutions.

Mike Sabbatis: XCM is a business process, workflow, and resource management platform that improves process efficiency, increases capacity, and drives productivity in businesses and professional service firms. We focus on four key areas—visibility, flexibility, controls, and accountability—that enable increased productivity in your people and processes in any business. XCM also provides real-time actionable data and insights of key performance indicators to measure against the prior year [and] forecast future resource needs and actions and tracks these indicators to optimally manage a tax function.

Levin-Epstein: Mike, how did your company go about handling this issue?

Sabbatis: Typically, when we engage with an organization, the first step in the process is to understand what the key pain points and business objectives at the heart of the matter [are]. Does it have to do with issues around knowing where all the tasks are at one time? Is it a challenge in meeting deliverable dates or nonnegotiable due dates such as a tax filing deadline? We like to understand all the activities and processes that lead up to an action or decision. It is critical to understand the supply chain related to the upstream work that has to be done such as gathering data from multiple sources, working with third parties where appropriate, understanding availability of your staff against the workload in front of you. We get very detailed to understand, essentially, what the business pains professionals are working through and the business processes they follow [are]. Typically, what we hear—and Justin mentioned this—is that in looking at multiple offices or multiple locations, it’s very
difficult to understand exactly what everybody’s working on and getting the right work to the right people, and matching the right skill set and availability of your staff to the work that needs to be done. If you look at the business process in general, business process is not a static scenario; you build a business process, and then if you really think of it from, say, a Lean Six Sigma level, we always think of continuous improvement. So, it’s always measure, improve, and control, which are all fundamentals of Lean Six. When we think in terms of how The Colony Group might look at this, we’re always trying to understand how they can improve, and that’s where the flexibility of our technology comes in, because you can change business processes on demand within the XCM platform. And you can also change resources working on those business processes on demand within the platform. Our whole objective is to really understand the end goal and the pains or bottlenecks that impair the ability to achieve that end goal. Oftentimes, it’s time crunch chaos, visibility, lack of controls, or really no accountability or limited accountability in an organization that we resolve.

Looking at the Big Picture

Levin-Epstein: Could you focus on a specific pain point that XCM addressed?

Sabbatis: I’d defer to Justin to really get to the nuts and bolts, and I’ll work around his core pain point.

Gilmartin: During tax season, it’s easy, as Mike said, to get stuck in the weeds. As we grew, we really wanted to make sure that we were able to look at the big picture. One of the things that I like about XCM is the robust reporting features that allow us to get a snapshot of the progress of everyone’s returns, who has them, what open questions there are, and everyone has access to that information. So, anyone can pitch in at any moment to help if a client calls with an urgent need. It helps us to be very responsive. As we’ve expanded on that, we’ve used some of XCM’s analytics tools to really focus in on where the bottlenecks are, where we’re having issues, if someone’s getting overwhelmed during tax season, to make sure that we’re able to, again, spread out the work and make sure it gets done as efficiently as possible.

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—Justin Gilmartin

Levin-Epstein: Mike, do you have anything to add to that?

Sabbatis: Sure. So often, what we see in businesses all the time is that the level of reporting that’s normally done is done at a financial level. They’re looking at financial statement numbers or tax returns, financial metrics of that nature. Those come out of core systems. What we don’t see happening when we look at the people, processes, and technologies that wrap around the work is information reporting or analytics that focus on the actual work people are required to do—not just the work they did, but the work that’s coming downstream to them for future work. And there’s no way to analyze how that work actually manifests in somebody’s day-to-day schedule, how it impacts other people in the process, and how to go back and improve it. So, what XCM does is bring visibility to the people and business process side of analysis that truly drive productivity. We define the business process on the platform, and that enables us to have real-time information on every action of every contributor along the supply chain, if you will, of getting the work completed on time. In addition, because we’ve got all that information in real time, now we can do—I go back to my Lean Six approach—the analysis and say, “How was it working today, and are there issues or bottlenecks that occur that you can immediately address because you see
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them now?” In most other systems, you don’t see anything, because it’s not real time, or it’s not shared information, or it’s embedded in a number of different applications where you really can’t get to data. To give you another deeper example, it’s a little different than what Justin has done, but I think of a large Fortune 100 corporation where they have about seventy staff, of which some are shared services from a national accounting firm in addition to their core staff. Every day they look at what has to be done with all of their entities, both federal, state, local, on a daily basis. They are constantly reallocating resources based on the ebb and flow of how the work is progressing. Take an example: you’ve got 250 entities. If one or more of those entities is off track, you’ll risk missing a hard filing deadline or create a penalty situation or increase your cost to ensure compliance. So, we bring absolute visibility on a day-to-day basis, and this organization, and Justin’s as well, can redeploy resources to the problem areas immediately, mitigate the risk, and then meet their expected deadlines on time.

Levin-Epstein: Anything else to add?

Gilmartin: I would just say that one of the core parts of our business and something we take seriously is collaboration. XCM is a tool that really helps that to happen across offices. We have an office in Maryland that essentially had their own separate tax department. Now that we’re all on the same system, we can pitch in with their work and help answer tax questions at any time. It’s really just a matter of making the technology, like XCM, fit our goals. That’s really what we’ve gotten out of it.

Sabbatis: I would look at it from a couple of different standpoints. One, the customers we service, [in] organizations of all sizes, tend to have complexities in business and processes. When I think in terms of, say, the Fortune 2000, we look at complexities around direct tax, indirect tax, accounting, finance, and operations. Our total focus is in those five areas. Our team members are steeped in knowledge and experience directly related to business process in tax and accounting. We marry a lot of work between businesses and their professional service firms. When you look at our customers, we attract companies like Bayer Corp., Compass USA, Fresenius, Greystar, and Vertex Pharmaceuticals that all have complexities that XCM addresses effectively much like The Colony Group. In the professional service areas, we have a strong connection to the top 100 accounting firms, where we have more than forty-two of the top 100 accounting firms who interact closely with these companies. So, we have two really close adjacencies when we look at our markets we service, each focused on tax and accounting at the core.