

# Professional repositioning during times of institutional change: The case of tax practitioners and changing moral boundaries

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Accounting, Organizations and Society, 2018

## Tax Experts Gain More Power in Corporate Boardrooms Despite Global Crackdown

A major crackdown on corporate tax avoidance has unexpectedly strengthened rather than weakened the influence of tax professionals, with many now wielding unprecedented power in corporate boardrooms, according to recent accounting research.

The study, by researchers, Vaughan S. Radcliffe, a professor of accounting and managerial control at the Ivey Business School at Western University, Crawford Spence, an accounting professor King's College London, Mitchell Stein, associate professor of accounting and control at Ivey and Brett Wilkinson, a professor and head of accounting at Kansas State, reveals how tax experts have turned heightened scrutiny and complex regulations into an opportunity to become essential strategic advisors to corporate boards, moving well beyond their traditional role as technical specialists.

## The Study

The research, published in *Accounting, Organizations and Society*, tracked how tax professionals responded to the most significant overhaul of international tax rules in recent history — the Organization for Co-operation and Development's (OECD) Base Erosion and Profit Shifting (BEPS) project. As one tax professional declared at a BEPS conference quoted in the study: "Anyone who does not believe that BEPS is going to have a far-reaching impact has clearly been living on another planet for the last five years!"

The authors notes that the BEPS project "represents one of the most far-reaching and dramatic developments in transnational governance in recent history." It involves, 100 different jurisdictions, accounting for 93 percent of the world's Gross Domestic Product, making it an ideal point of study for this research.

The researchers interviewed 32 senior tax professionals across Canada, the United States, the United Kingdom, and China during 2013-2015, a period when companies were scrambling to adapt to new tax transparency demands. The study captured perspectives from both in-house corporate tax executives and external advisors at major accounting firms.

One in-house tax executive quoted in the study highlighted the dramatic shift in corporate attitudes: "What we are talking about here with this transparency and these public discussions and even the CRA formal 'let's go and meet your directors', I don't get a sense other than angering tax executives it's not having any impact on how we operate or how we operate within our company."

## The Results

The research revealed a profound transformation in how tax professionals operate within corporate structures in key areas:

### **Boardroom Presence**

Tax executives are now regularly invited to board meetings to explain tax strategy and risks — a significant change from previous practices, where tax was treated as a purely technical function.

### **Strategic Influence**

Far from being marginalized by reforms, tax professionals have enhanced their strategic importance. "Our particular audit committee has no accountants and nobody of any kind of tax background," one executive noted in the study. "If you have no tax background, no accounting background of significance, it's very difficult to ask informed questions or make informed statements."

### **Risk Management**

Tax professionals have established new formal processes for managing tax risks, including approval thresholds and risk management frameworks that cement their organizational influence.

### **Professional Division**

The study found a clear split in how reforms affected different types of tax professionals. In-house experts gained more strategic influence but faced greater pressure, while external advisors adapted by focusing on helping clients navigate new compliance requirements.

## The Implications

The findings challenge assumptions about how regulatory reforms affect professional power structures. Rather than limiting tax professionals' influence, increased regulation has actually enhanced their organizational importance.

This shift carries significant implications for a number of areas.

### **Corporate Governance**

Boards must now rely more heavily on tax experts to navigate both technical rules and public expectations about corporate tax behavior. This dependency has elevated the tax function from a technical department to a strategic advisory role.

## **Regulatory Effectiveness**

The research raises questions about whether initiatives like BEPS are achieving their intended effects. Instead of simplifying corporate tax practices, new regulations may be creating additional complexity that further entrenches tax professionals' power.

## **Future Developments**

The study suggests that tax professionals will likely continue gaining influence as companies face increasing pressure to justify their tax practices to the public. This trend could fundamentally reshape how corporations approach tax strategy and governance.

The researchers recommend further investigation into how tax professionals shape tax policy development and implementation, suggesting that understanding their role is crucial for effective future reforms.

This evolution of tax professionals from technical specialists to strategic advisors represents a significant shift in corporate power structures, with implications for how companies navigate both regulatory compliance and public expectations in the future.