

# Corporate Tax: What Do Stakeholders Expect?

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**Abstract** Motivated by the ongoing controversy surrounding corporate tax, this article presents a study that explores stakeholder expectations of corporate tax in the context of UK business. We conduct a qualitative analysis of in-depth interviews with representatives of community groups (NGOs/think tanks and special interest groups), as well as interviews with those representing business groups (business leaders and industry representatives). We then identify eight themes that together describe “what” companies need to do, “how” they need to do it, and “why” they need to do it, if they wish to appeal to a wide group of interested parties. We discuss our findings based on the corporate social responsibility literature and propose novel ways for community groups and business groups to connect on the topic of corporate tax, suggesting opportunities and

themes for dialogue and potential steps to co-create solutions in a stakeholder society.

**Keywords** Business leaders · Consumers · Corporate social responsibility · Corporate tax · NGOs · Stakeholders

## Introduction

There has been much discussion in recent years in the UK regarding companies allegedly avoiding paying tax. A number of high-profile cases involving multi-nationals such as Amazon, Starbucks, and Google have triggered a debate on what constitutes an acceptable level of corporate tax payment. However, despite much recent rhetoric on corporate misbehavior, little is known to date about what different stakeholders really expect when it comes to corporate tax approaches other than what is reported in the popular press (Christensen et al. 2015; Kleinbard 2013).

Arguably, all sides are losing out in the war of words over corporate tax currently being led by the media. From the “big business” perspective, the burden of dealing with tax risk and controversy is growing and more than half of firms recently surveyed by the auditors Ernst and Young (EY 2014) have increased their tax function. However, one may question whether increased tax functions in firms aim to increase compliance or avoidance of adherence to existing rules (Zyglidopoulos 2016). Some firms argue that the more general anti-corporate sentiment engendered by the debate may damage the business case for locating in the UK. As such, the narrative iterated within business groups is often one of compliance and competition (Hasseldine and Morris 2013). From the “society” perspective, frustration is said to be mounting among British people that business seems to be getting away with paying small

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contributions, while citizens face increasing tax bills and the public sector appears subjected to years of ever harsher spending cuts following the recent recession (Watt 2016).

The main stakeholder networks in this milieu are discernable—business groups, the general public/society, and, of course, the government in charge of policies and laws. This resonates with suggestions in the literature that multi-stakeholder networks typically include actors from civil society, business, and governmental institutions (Dahan et al. 2015; Roloff 2008). Within the former group, key players representing societal interests on corporate tax issues are often said to be non-governmental organizations (NGOs)/think tanks as well as special interest groups (Boerrild et al. 2015), which, as a group, are subsequently referred to as “community groups” in this paper. In order to explore views on corporate tax that represent voices from outside as well as within the corporate context, we also include the view of the “business community” (business leaders and industry representatives). In focusing on these groups’ expectations of corporate tax, we aim to understand stakeholders’ views rather than a media interpretation thereof. We do not explore the role and views of governmental institutions in this study. The government is in a unique position to make its views heard through the setting and enforcing of legal frameworks, while the views of community groups and business groups are less easy to discern directly and are arguably less well understood to date, and are thus the focus of this paper.

## Background and Context of Study

Stakeholder expectations on how companies should behave above and beyond legal frameworks are particularly interesting at a time when companies are seen to have the scope to determine how much tax to pay within a certain tax system (Hasseldine and Morris 2013; Klassen and Laplante 2012). While businesses may have been able to operate strictly according to the letter of the law some years ago, these days firms are widely expected to act within the spirit of the relevant legislation to meet societal expectations (Hasseldine and Morris 2013). Former US president Obama, for example, has been quoted as saying of firms that are relocating their headquarters overseas, “These firms are corporate deserters, guilty of gaming the system at the expense of ordinary citizens. I don’t care if it is legal. It’s wrong” (Daily Telegraph 2014). Interestingly, the blurred boundaries of corporate tax rules and behavior have started to move corporate tax payments, or the lack thereof, into corporate social responsibility (CSR) territory and discourse (Dowling 2014; Graham et al. 2013; Lanis and Richardson 2015; Sikka 2010). The CSR literature itself is often said to be highly fragmented with no one

widely accepted definition (for recent reviews see, for example, Aguinis and Glavas 2012; Baden and Harwood 2013; Brammer et al. 2012; Christensen et al. 2014; Ghobadian et al. 2015; Schultz et al. 2013). A significant body of work builds on Carroll’s (1979) early seminal work defining CSR as encompassing the economic, legal, ethical, and discretionary expectations that society has of organizations. For the purpose of this study and the context of tax, however, we find the definition provided by Matten and Moon (2008) particularly aspirational, who suggest that CSR consists of “clearly articulated and communicated policies and practices of corporations that reflect business responsibility for some of the wider societal good. Yet the precise manifestation and direction of the responsibility lie at the discretion of the corporation.” (p. 405).

Tax indeed presents a particularly interesting CSR topic with some noteworthy differences from other CSR issues: often, proactive participation in CSR activities is understood to increase firm (CSR) public standing (Matten and Crane 2005; Waddock and Smith 2000), while the tax debate centers around avoidance of contributions that may be seen as illegitimate by stakeholders even if not set out explicitly by law (Dowling 2014). As such, firms are often less keen to communicate their tax policies than they are with many other CSR activities. Publication of corporate tax affairs can easily trigger stakeholder anger and frustration rather than stakeholder endorsements. Indeed, businesses that are trying to avoid paying tax may run the risk of triggering public outcry and crises (Hoi et al. 2013; Wallace 2003). A well-established stream of literature within the field of CSR examines social issues related to crises, recalls, and disasters (for recent reviews see Orlitzky et al. 2003, 2015). It can be argued that the subject of corporate tax may link to the social issues literature in that firms employing corporate tax functions with the aim to minimize tax payments may need to balance such activities with the risk of giving rise to social issues and reputational disasters (Aguinis and Glavas 2012; Brower and Mahajan 2013; Hardeck and Hertl 2014). Orlitzky et al. (2015), for example, combine various levels of influence (including national business systems, industry, company, and time) and several analytical techniques to understand corporate stakeholder responsibility toward groups such as local communities, customers, shareholders, and others. Corporate tax may well influence corporate behavior through national, industry, company, and time perspectives. Tax also presents an interesting CSR theme as it is one of the most debated yet often poorly understood concepts in society—particularly when it comes to corporation tax. This is not surprising, given that even financial authorities, governments, and tax advisory firms fail to agree on facts and figures in the tax debate. For example, the “tax gap” in the UK, i.e., “the difference between the amount of tax that

should, in theory, be collected by Her Majesty's Revenue & Customs (HMRC), against what is actually collected" (HMRC 2015, p. 3) is very unclear, with estimated figures between £20bn and £70bn per year (HMRC 2015; TUC 2010). Given a range of diverse estimates and proposed figures, it is not surprising that there is a considerable degree of confusion and myth surrounding corporate tax, leading to cynicism and mistrust among stakeholders (Ford 2016).

While there appears to be a lacuna of empirical work on actual stakeholder views of corporate tax, researchers and practitioners alike have noted a distinct absence of dialogue and discourse between business groups and community groups and a general lack of understanding of each other's expectations (David-Barrett 2015). This gap in dialogue between different stakeholder groups has led scholars, practitioners, and regulators to call for more transparency and insight (HMRC 2012; OECD 2013). When stakeholders—defined as “those groups who can affect or are affected by the achievement of an organization's purpose” (Freeman 1984)—view a firm's behavior as failing to reflect their expectations of reasonable corporate tax approaches, that may put a firm's long-term sustainability and profitability at risk (Jones 1995; Lanis and Richardson 2015; Wood 1991). To safeguard business and society from damaging perceptions of irresponsible corporate tax approaches, it could be useful, in the future, to employ a framework of corporate tax approaches that reflects the perceptions and expectations of stakeholders (Waddock et al. 2002).

It is the aim of this article to work toward better dialogue and to foster current understanding on why the tax debate is failing to bring different players in society together and instead seems to re-iterate narratives that reinforce long-held opinions within separate networks (David-Barrett 2015). To achieve this, the present article adopts a stakeholder approach (for a review of the stakeholder literature see Agle et al. 2008; Clarkson 1995; Crane et al. 2015; Doh and Guay 2006; Donaldson and Preston 1995; Freeman 1984, 2011; Jones and Felps 2013; Mitchell et al. 2015; Peloza and Shang 2011), and explores the views of stakeholders in an inductive manner inspired by a grounded theory view (Glaser 1998; Strauss and Corbin 1998). In the empirical part of this study, stakeholders voice their opinions on corporate tax in an open format, leading via data analysis to the emergence of new conceptual categories of stakeholder expectations of corporate tax. Researchers, businesses, and advisory firms have recently started posing questions as to what would constitute corporate tax solutions that are societally acceptable while still business smart (Deloitte 2014). There seems to be an emerging sense that a new balance needs to be established, i.e., a corporate tax framework that better understands and

incorporates stakeholder expectations and is supported by diverse societal players. Before such an approach can be realized, however, it is critical to elicit expectations directly from various stakeholders as the foundation for a mutually agreeable solution going forward.

A key contribution of this article is therefore that it identifies eight themes—summarized from a community perspective and a business perspective—outlining similarities and differences of expectations of corporate tax. Together, these eight themes describe “what” companies need to do, “how” they need to do it, and “why” they need to do it, if they wish to impact a wide group of stakeholders positively (Griffin and Prakash 2014). The discussion explores in-depth a wide range of implications for policy makers and managers—stemming from the eight themes as well as the interaction between the “what?”, “how?” and “why?” of corporate tax. Furthermore, this study makes three explicit contributions to theory in CSR and ethics, that are outlined fully in the discussion. These relate to a call for integrative management theory; a need to include corporate tax in theoretical frameworks relating to CSR, social issue management and ethics; and the requirement to conceptualize stakeholder perception as relating to business action and perceived intent, as well as their interplay.

## Methodology

The empirical part of this research was conducted in the UK between December 2014 and February 2015.

## Research Approach and Research Protocol

The main purpose of this study is to explore stakeholder expectations of corporate tax and to synthesize such views into suggestions of novel ways for stakeholders and business to interact. We adopt a qualitative perspective to our research question, inspired by a grounded theory approach (Easterby-Smith et al. 2002; Strauss and Corbin 1998), in the format of one-to-one interviews so that each individual stakeholder can voice their opinion uninterrupted. The debate around corporate tax is considered a multi-stakeholder issue in society, and we thus incorporate two broad stakeholder groups in the empirical research: community groups (NGO/think tanks and special interest groups) and representatives from business groups (business leaders and industry representatives). Stakeholders took part in individual telephone interviews that lasted between 40 and 60 min each and were discursive in nature, allowing stakeholders to voice their opinions freely, supplemented with a number of suggested follow-up questions to elicit expectations on a number of tax-related areas. The participant briefing for the research, as well as example questions

that were explored during the interview, are displayed in Table 1.

The topic guide helped the interviewer to prompt similar questions in each interview. However, the lengths of the interviews allowed the conversation to flow naturally and let stakeholders voice any opinion they held on corporate tax approaches in addition to the semi-structured questions, to allow for responsive, flexible, and interactive data collection (Ritchie et al. 2003). The topic guide was piloted to review whether it allowed participants to give a coherent account of the issues they thought were important in relation to corporation tax and did not constrain what participants were able to say (Ritchie et al. 2003). As a result, small changes were made to the wording of the questions.

### Sampling

The sampling was guided by literature suggesting to include representatives from both civil society and business when researching topics at the interface of business and society (Dahan et al. 2015; Roloff 2008; Waddock et al. 2015). With the help of a professional market research

company specializing in recruiting high-profile participants (such as CEOs), a total of 61 stakeholders were recruited according to sampling criteria outlined in Table 2.

We aimed for 25 interviewees from NGOs and think tanks. This number was chosen to represent the variety of such organizations in UK society, to include organizations focused on a wide spread of subjects ranging from economics to equality and poverty, and to allow for an even spread of potential political motivations behind the work of these organizations. We ended up with  $N = 27$  NGO and think tank representatives due to the high interest in the subject. We successfully sampled  $N = 5$  UK special interest groups that are also not-for-profit organizations but are qualitatively different from the other sampled NGOs/-think tanks in that they focus specifically on, and champion exclusively, consumer rights. Indeed, our sample of special interest groups includes representatives from two of the largest consumer bodies in the UK with several hundred thousand members, who aim to represent consumer views and defend consumer rights across a wide variety of issues. Sampling among the biggest players in this field allowed us to gain insights into the prevailing views from this

**Table 1** Participant briefing and example interview questions

Participant briefing
<p>“We are currently engaged in a high-level study on the subject of the UK tax system—and in particular with reference to corporation taxes. We are speaking to a number of key influencers and stakeholders in the UK across major companies, business-representative organizations, NGOs, consumer groups, and other influential bodies with involvement in economic and financial affairs. We are very keen to include your opinions in the study”</p> <p>If a participant agreed to take part, informed consent as well as further information regarding timing, confidentiality, etc., were given</p> <p><b>In the research process, stakeholders were initially invited to voice their unsolicited views on corporate tax. Following this, their views of key questions such as the following were also explored</b></p> <p><b>General opinions about corporate tax approaches</b></p> <p>“Based on your opinion and/or experience, to what extent do you agree or disagree that large businesses (FTSE 100 and 250) currently pay an appropriate amount of tax?”; “In your opinion and/or experience, what are the key drivers for large businesses (such as FTSE 100 and 250) to explore beneficial tax strategies, if any?”; “What would you like large businesses to START doing with regard to paying tax?”; “What (if anything) should large businesses STOP doing with regard to paying tax?”</p> <p><b>Differentiation between different businesses/industries</b></p> <p>“What, if any, industries or types of businesses do you consider may be eligible for special treatment around paying tax?”; “In your opinion, how (if at all) should the rules of paying tax be different for large companies registered outside the UK from the rules for large companies registered within the UK?”; “And what rules of tax payment should be similar/the same for these two different types of large companies?”</p> <p><b>General views of large businesses</b></p> <p>“Aside from corporate tax, what would you say are key general concerns of the UK public around large businesses (FTSE 100 and 250)?”; “In your opinion and/or experience, how trusting do you feel the general public in the UK is of what happens around corporate income tax with large businesses (FTSE 100 and 250)?”; “What would you say are key concerns of the UK public around corporate tax and large businesses (FTSE 100 and 250), if any?”</p> <p><b>Expectations with regard to corporate tax approaches in a stakeholder society</b></p> <p>“When considering how to engage in developing a tax strategy and policy, which stakeholders should organizations operating in the UK consider?”; “How can companies ensure that their policies and practices, with regards to paying tax, reflect the objectives and/or the vision and values of their own organization?”; “How can companies ensure that their policies and practices, with regards to paying tax, reflect the expectations of stakeholders?”; “How could companies balance any competing or conflicting demands between their own objectives and values and those of stakeholders?”; “What actions could companies take to ensure that they meet the expectations of multiple stakeholders?”; “Which individuals, groups or departments within the firm should be responsible for determining the appropriate amount of corporation tax to pay?”</p>

**Table 2** Summary demographics

Groupings in this article	Stakeholder groups	Focus of organization	Number of employees in UK	Role of interviewee
Representatives from <b>community groups</b> ( $N = 32$ )	NGOs and think tanks ( $N = 27$ )	Economics $N = 13$ ; Equality $N = 5$ ; Poverty $N = 8$ ; Other $N = 1$	1–9 employees $N = 12$ ; 10–49 employees $N = 8$ ; 50–99 employees $N = 1$ ; 100–499 employees $N = 3$ ; 500 or more employees $N = 3$ ;	Director $N = 15$ ; Head of Campaigning $N = 4$ ; Other $N = 8$ ;
	Special interest groups ( $N = 5$ )	Consumer rights $N = 5$ ;	1–49 employees $N = 2$ ; 50–499 employees $N = 1$ ; 500 or more employees $N = 2$	Director $N = 1$ ; Head of Campaigning $N = 2$ ; Other $N = 2$
Representatives from <b>business groups</b> ( $N = 29$ )	Business leaders ( $N = 14$ )	Primary (manufacturing, heavy industries, etc.) $N = 4$ ; Secondary (transportation, retail, wholesale distribution) $N = 4$ ; Tertiary (business and financial services) $N = 6$	Up to 249 employees $N = 1$ ; 250–499 employees $N = 1$ ; 500–999 employees $N = 2$ ; 1000–4999 $N = 2$ ; 5000 or more $N = 6$ ; Prefer not to say $N = 2$	Chief Financial Officer $N = 2$ ; Chief Executive Officer $N = 1$ ; Head of Tax $N = 9$ ; Head of Global Compliance $N = 1$ ; Company Secretary $N = 1$
	Industry representatives ( $N = 15$ )	This category includes chambers, conduct authorities and chartered institutions Background in taxation $N = 7$ ; No background in taxation $N = 8$	10–49 employees $N = 6$ ; 50–99 employees $N = 4$ ; 100–499 employees $N = 3$ ; 500 or more employees $N = 2$	Director of Industry Groups $N = 10$ ; Other (such as Senior Executive of Industry Group) $N = 5$

$N$  is the sample size for each group, which in turn is broken down along various dimensions into sub-categories

important stakeholder group. For business decision-makers, we aimed for about 30 participants in total and successfully recruited  $N = 14$  business leaders from within FTSE 100 and FTSE 250 companies, and  $N = 15$  industry representatives. Industry representatives include interviewees from major UK business chambers, chartered institutions and conduct authorities. Of the 14 business leaders,

13 belong to organizations that are headquartered in the UK. Only one of the business organizations has a global turnover below £1bn, two have a global turnover between £1bn and £10bn, further seven have a global turnover between £10bn and £25bn, three have a global turnover over £25bn, with the remaining interviewee not revealing

this information. All persons gave their informed consent prior to inclusion in the study.

## Data Analysis

Data were analyzed using an inductive approach, in which themes were developed from raw data and then grouped into higher-order clusters (Miles and Huberman 1994). Interviews from all stakeholder groups were analyzed separately, as well as combined into one body of data to identify themes that were important to all stakeholders participating in the research, in line with previous studies that have researched multiple stakeholder groups for the development of a theory applicable across groups (e.g., Chun and Davies 2006; Gardberg and Fombrun 2002; Hillenbrand et al. 2012). The data analysis revealed that business leaders and industry representatives expressed many similar views, as did NGOs/think tanks and special interest groups, and it was therefore seen as appropriate to summarize these two groups as the business group view and the community group view, respectively (as they have been referred to in this study throughout). The issue of unity of sample was further examined after careful consideration of potential alternative interpretations. It emerged that respondents across groups talk about corporate tax approaches in terms of similar themes (such as contributions to society, transparency, power), but differ in some of the specific opinions and expressions of them, as detailed later. As such, it was possible to identify a number of themes that speak across groups, but which required separate interpretations of their nuances and expressions with business groups and the societal stakeholder view.

We followed the guidelines for inductive data analysis by Easterby-Smith et al. (2002) and Miles and Huberman (1994), and we analyzed transcribed text through an iterative process of first applying codes and then identifying trends and themes in the data via a qualitative clustering approach. No prior theory was used as a basis for the coding process, and therefore, all coding and emerging themes are the result of the applied cluster analysis procedure. The data analysis process was conducted separately by two of the authors who produced unique coding and clustering protocols. This provided the basis for comparison, interpretation, and labeling of emerging themes. During the data analysis process, any commentary that diverted from the focus of this study, i.e., corporate tax approaches, was carefully excluded from the data analysis. Mutual agreement on the labeling of themes was achieved in line with the procedure described by Ravasi and Schultz (2006) in discussion between all authors. This process led to a reduction in the total number of themes from ten to eight, to more succinctly represent the data.

Finally, our eight identified themes were compared to prior theory, and in this process clustered into a “why?” “what?”, and “how?” of stakeholder expectations of corporate tax approaches as a useful way of summarizing the themes into broader subjects. This higher order clustering is in line with Griffin and Prakash (2014) as well as a seminal piece by Godfrey (2005), who introduced the difference between the “what?” (activities) and the “why?” (motivation, character) of business behavior.

## Results

Based on the stepwise analysis described above, eight themes relating to stakeholder expectations of corporate tax approaches were identified and categorized under three headings, summarizing the “what?” “how?” and “why?” of stakeholder views:

- (1) What activities in relation to corporate tax approaches are being assessed by stakeholders.

Theme 1: Contribution in relation to salient factors (e.g., size and location of the firm).

Theme 2: Impact on society and balance of needs of multiple stakeholders.

Theme 3: Equality on power issues (e.g., behavior toward vulnerable groups).

- (2) How business and stakeholders interact

Theme 4: Listening behavior (to views outside the company).

Theme 5: Inclusion and engagement (i.e., in the tax debate, in setting the rules and expectations).

Theme 6: Transparency (of behavior).

- (3) Why stakeholders see firms behaving as they do

Theme 7: Beliefs about the (lack of a) non-financial purpose of firms.

Theme 8: Beliefs about the integrity/character of firms.

The themes as displayed above are not arranged in a particular order within each heading (such as sorted by importance or frequency of comments). Rather, they represent the variety of themes that research participants associate with corporate tax approaches.

Tables 3 and 4 summarize expectations by community groups and business groups, respectively—with a focus on how individual themes have been expressed. However, to signpost any interrelations between them, the themes are displayed in both tables under the additional cluster headings of “what?” “how?”, and “why?” as an organizing principle.

**Table 3** Community groups: findings in relation to expectations of corporate tax

Common themes	How business and stakeholders interact in the view of community groups			Why community groups see firms behaving as they do		
	What activities in relation to corporate tax are being assessed by community groups?	Listening behavior	Inclusion and engagement (i.e., in the tax debate, in setting the rules and expectations)		Transparency	
Contribution in relation to salient factors (e.g., size and location of firm)	Impact on society and balance of the needs of multiple stakeholders	Equality on power issues (i.e., behavior toward vulnerable groups)			Beliefs about integrity/character of firms	
How themes are expressed by community groups	<p>At the moment, tax payments are seen to bear little relation to size/capacity or location of business. Companies should contribute in relation to size and capacity, and to where they operate</p> <p>Business pushes its needs (and shareholder needs) above those of other stakeholders, community groups see their needs neglected and societal concerns ignored, and see companies choosing which laws to obey</p> <p>Everyone's needs should be considered and balanced as of similar importance, because business only flourishes within society and benefits from society</p>	<p>Comparisons are being made between vulnerable and powerful groups, with a focus on who is unfairly disadvantaged (i.e., vulnerable groups)</p> <p>Special treatment seems unfairly given to large and powerful players. Businesses should meet the standards of the most vulnerable groups and not use their power to gain unfair advantage</p> <p>Vulnerable individuals, charities, and organizations with a social purpose should get special treatment</p>	<p>Business generally doesn't seem to listen to stakeholder opinions; business informs stakeholders, but on issues that are business centric and of importance to business rather than stakeholders</p> <p>Companies should increase listening (with the aim of increasing understanding)</p> <p>Listening to appropriate issues would be the basis for better informing.</p>	<p>Public bodies feel excluded from the tax debate and experience that as being unfair</p> <p>Debate should start externally (include all stakeholders). Conflicts should be acknowledged and embraced</p>	<p>Community groups perceive business to be operating behind closed doors. Business should openly disclose and share information with society stakeholders; transparency needs to increase and more information needs to be disclosed, with verification by third parties.</p>	<p>Beliefs about the (lack of a) non-financial purpose of firms</p> <p>Community groups perceive lack of a non-financial purpose in many businesses, no altruistic or pro-social motivation, and no business activity without business benefit</p> <p>Desire for a non-financial purpose that acknowledges that business operates within society (i.e., a social purpose of business).</p> <p>Business character seen as elitist, sometimes patronizing, and possibly motivated by a dubious agenda</p> <p>Business should operate with more integrity, and do it for the right reasons (beyond self-interest).</p>

**Table 4** Business groups: findings in relation to expectations of corporate tax

	What activities in relation to corporate tax are being assessed by business groups?		How business and stakeholders interact in the view of business groups		Why business groups see companies behaving as they do				
Common themes	Contribution in relation to salient factors (e.g., size and location of firm)	Impact on society and balance of needs of multiple stakeholders	Equality on power issues (i.e., behavior toward vulnerable groups)	Listening behavior	Inclusion and engagement (i.e., in the tax debate, in setting the rules and expectations)	Transparency	Beliefs about the (lack of a) non-financial purpose of firms	Beliefs about integrity/ character of firms	
How themes are expressed by <b>business groups</b>	<p>Overall, the tax system seems fair and progressive in comparison to international norms</p> <p>General view is that companies pay according to the law. However, in situations of complexity and lack of clarity, players will try to maximize own benefit.</p> <p>Tax payments should be viewed relative to other comparable companies (not relative to outside of norm group).</p> <p>There should be more legal clarity—companies find it difficult to be held to account if rules are complex or allow for ambiguity</p>	<p>Bias toward internal stakeholders, and authorities, and exclusion of other people's views being seen as fair (business acting on behalf of owners, i.e., people with most legitimate claims)</p> <p>Shareholder focus and agency should remain as dominant, but there is an acknowledgement that business success is increasingly driven through stakeholder support</p>	<p>Comparisons are being made within business groups, and in an international context, with a focus on who is unfairly advantaged (i.e., countries with low tax rates), then arguments are made toward minimum standard</p> <p>Equality should be defined in an international context and tax rates should be set so that British business stays competitive</p> <p>Powerless players are perceived to be SMEs and businesses competing internationally, hence they deserve more support and/or special treatment</p>	<p>Business communicates on a number of issues but could improve the way it informs stakeholders; there is a gap between understanding and available information</p> <p>Companies should increase communication on what companies are doing, on the law (to increase wider understanding), and on finding better ways of providing information to stakeholders on issues that will increase their understanding</p>	<p>Business groups justifies the exclusion of community groups from the debate on the grounds that they don't understand tax rules and need to be educated</p> <p>Exclusion is seen as fair</p> <p>Debate should start internally (include internal stakeholders), then shareholders and government; business should not have to engage in conflict</p>	<p>Business tries to disclose, but believe that many issues are too complex for community groups to understand. However, there is acknowledgement that existing communication could be improved</p> <p>Not necessarily more transparency required, just better access and better communication of current information desired (i.e., better explanation of tax payments and why companies engage in the strategies they do)</p>	<p>Business groups acknowledges self-interest of business but focuses on the role of business as agents to benefit others (i.e., sometimes indirectly)</p> <p>Business is seen as a character that is first and foremost expected to operate within a legal framework.</p> <p>However, business respondents tend to acknowledge that a strict differentiation of "legal" requirements from expected norms and societal standards is artificial and will not lead to stakeholder support</p>	<p>Beliefs about the (lack of a) non-financial purpose of firms</p>	<p>Beliefs about integrity/ character of firms</p>

In the following discussion of our eight themes, quotations have been chosen because they exemplify the general themes identified. Quotations are labeled according to the stakeholder group of the interviewee, i.e., [N/TT] for NGO/think tank, [SIG] for special interest group, [BL] for business leader, and [IR] for industry representative. When the term “stakeholder” is used in the text, it describes sentiments expressed across groups: when we refer to the community view as a group, [COMG] is used, and when referring to business groups we use [BUSG].

### **Theme 1: Contribution in Relation to Salient Factors (e.g., Size and Location of the Firm)**

This theme summarizes respondents’ comments in terms of contributions relative to the size and location of businesses. The COMG generally feels that businesses pay too little, relative to their size, and not toward the local/national market, while the BUSG suggests the tax laws and legislations are fairly evenly applied among businesses of various descriptions. In the eyes of the BUSG, society perceives unequal contributions because they do not have knowledge of how contributions work.

#### *The COMG View*

Experiences by the COMG indicate that in their view, corporate tax payments bear little relation to the size/capacity or location of business, for example:

Purely looking at what the law demands, I would say it’s [the tax system is] probably more unfair to small- and medium-sized businesses than it is for multinationals. [N/TT]

Expectations of the COMG indicate that companies should contribute in relation to their size/capacity and where they operate.

If they had a sense of responsibility then they wouldn’t be employing these accountants to find the best ways to avoid paying tax. They should take more social responsibility around contributing appropriately in the countries where they make their money through the tax system. [SIG]

Where should you pay tax? Where you make the money and have a lot of your business or a lot of branches—where the profit is coming from, even if your head office is registered somewhere else, you should be making contributions in the country the profit is coming from. [SIG]

Interestingly, a majority of respondents in the COMG acknowledge international pressure on business, but still would desire more national/local contribution.

It’s difficult because one could argue that corporation tax is quite low and companies could afford to pay more—particularly big ones. The argument against that is that they would become international companies and move their business overseas. It’s where you strike that balance—I’m not sure if that balance has been properly struck at the moment. I suspect it’s not. [N/TT]

#### *The BUSG View*

Experiences by the BUSG, on the other hand, suggest that, overall, the contributions made by large businesses seem fair and progressive in comparison with international norms. For example:

I don’t think the UK system is bad and UK companies, as a whole, pay their fair share of the burden. [IR]

Business and industry leaders perceive that businesses are contributing as much as they should be doing, and indicate that in their view, the COMG tends to perceive businesses not contributing enough because they often do not understand how companies, through tax and otherwise, contribute to society.

I think people don’t understand about them [businesses] and what they contribute to society, in terms of jobs or the general economy as a whole. People don’t understand what happens to the company’s profit at the end of the year and where they go. [BL]

We have this particular zeitgeist at the moment where large businesses, or people, that make money are de facto bad and people don’t really understand the benefits that they, as individuals, and we, as an economy, get by having such successful large businesses. [BL]

The BG thinks that a general climate of negativity is based on a lack of understanding and bad press coverage, while the COMG view is that companies have yet to engage in the tax debate in a meaningful way, need to listen more closely to stakeholder views and adopt more transparent communication about tax, as explored in the following themes.

## Theme 2: Impact on Society and Balance of the Needs of Multiple Stakeholders

This theme centers on comments in relation to business contributions to society and reviews the general willingness, ability, and commitment of corporations to consider multiple views. While stakeholders across groups agree that large firms provide useful employment and are essential to the UK being internationally competitive, the COMG rates them much lower than the BUSG on issues related to societal impact and acknowledgement of a multi-stakeholder landscape.

### *The COMG View*

The COMG perceives that businesses push their needs and shareholder needs above societal interests and those of other stakeholders. Due to a general unwillingness to accept a rightful presentation of a wider group of stakeholders, concerns center around

employment practices, social impact, meeting consumer needs. I think concerns around these areas are well founded. [SIG]

Expectations of the COMG suggest that everyone's needs should be considered and balanced with similar importance, because business only flourishes within society and therefore benefits from society.

The public don't understand the rules around Corporate Tax, but what they do understand is when the business is doing its bit for the country and for its community. [N/TT]

There is a sense that large businesses, regardless of tax, have a strong economic power within a local community, but do not necessarily contribute to the community in other ways. I think this is very true, particularly in communities dominated by those on a low income. [N/TT]

### *The BUSG View*

BUSG respondents tend to express a focus on internal stakeholders, shareholders, and authorities in terms of whose views should be considered. Exclusions of other people's views, i.e., the COMG, is seen as fair. This is because businesses are perceived to be acting on behalf of owners, in other words those people with most legitimate claims.

If a sizeable organization has a large body of shareholders, whether private or public, you'd look at it from their perspective... because as they are one of

the owners of the business, one of the objectives is to maximize returns to the owners of that business. [BL]

Unlike the COMG, the BUSG does not perceive specific stakeholders to be disadvantaged. However, respondents did acknowledge that business success is increasingly driven through stakeholder support.

You are always looking to maximize shareholder value. Your first responsibility is to the company shareholders and stakeholders. You are going to look to manage your tax affairs in an efficient and effective way to minimize your tax burden... At the same time, if you are behaving like that, most companies don't want to have a reputation for being too aggressive in that area. When you look at the external side, it is bad for the company. [BL]

The BUSG does acknowledge a growing importance of COMG as stakeholders, as well as a current lack of engagement and communication with these external stakeholders. In the BUSG view, companies should demonstrate to others (outside the company) that they are paying a fair share of tax.

What they could do is, they could emphasize that their role in the system is to earn profits for the shareholders, which increases economic growth for society as a whole. [IR]

When asked how companies can ensure that their tax policies and practices reflect societal expectations, the BUSG suggested engagement and communication with shareholders, clear articulation and alignment of the tax strategy with organizational values, as well as freely available, well-articulated reports on the tax policy and approach for the wider stakeholder community.

## Theme 3: Equality on Power Issues (e.g., Behavior Toward Vulnerable Groups)

The theme of equality compares stakeholders' views on how firms relate to powerful and less powerful (i.e., vulnerable) groups. Inequality is judged by stakeholders in terms of who is unfairly disadvantaged. Interestingly, while the COMG relates beliefs around equality to comparisons made between vulnerable stakeholder groups and powerful companies, the BUSG, on the other hand, equates beliefs on inequality by comparing the same stakeholder groups (businesses) but across different countries internationally.

### *The COMG View*

The COMG express concerns that the more powerful a stakeholder is (i.e., big business) the less compliant that

stakeholder is to common rules and that they have the power to disadvantage vulnerable groups.

[Businesses have the power to] artificially shift their profits in order to make their profits where the tax is lowest, lobbying for government policies and changes to reduce their tax bill relative to what low income individuals have to pay, and funding media organizations to not talk about this and to talk about things like benefit cheaters to divert the issue from what is really important. [N/TT]

[Businesses] exploit the rules to the maximum, use transactions or legal structures that are probably bordering grey areas, disadvantage others, and are within the law but not in the spirit of the law. [SIG]

Contrary to these experiences, the COMG expectations go in the opposite direction. To enable a more equal system, powerful stakeholders should comply with the same rules that the least powerful are expected to comply with. That is, businesses should meet the standards of the most vulnerable groups and not use their power to gain an unfair advantage. In fact, COMG perceptions of fairness indicate that the more powerful a stakeholder is, the more they should contribute.

#### *The BUSG View*

The BUSG describes inequality as the disadvantages businesses have in their country of domicile and how this is played out internationally. Arguments are made toward a minimum standard of tax payment in an international context. Interestingly, companies perceived as the “bad guys” for not paying their fair share are not the traditional brick-and-mortar companies, but rather

“The more virtual companies that are international and able to use brand fees across borders to get their profits into low tax jurisdictions.” [BL]

BUSG expectations on equality consider how fairness can be defined in an international context and how tax rates could be set so that British businesses stay competitive.

I don't think there's an understanding of how complex the UK tax system is... there's an unfairness in the way in which internationally mobile businesses are able to do some of the things they do compared to other businesses. [IR]

Generally, in the experience of the BUSG, the UK tax system is seen as quite fair because it appears transparent, fairly progressive, and fit for purpose. But in the international arena, players are perceived to try to maximize their

own benefit in situations of complexity and lacking in clarity, for example:

There needs to be more international work rather than, necessarily, work on domestic policies. [BL]

#### **Theme 4: Listening Behavior**

The theme of listening explores perceptions about corporate ability to listen to stakeholder opinions as well as to manage bilateral communication. Interestingly, the COMG wants to be listened to more as they feel they have not been heard in the past, while the BUSG feels businesses need to inform better, as previous information, i.e., outward communication, was not good enough.

#### *The COMG View*

Experiences by the COMG indicate that the information provided by firms is business centric and companies fail to communicate because of a lack of listening; several representatives from the COMG community advise that companies would do much better “by listening more to stakeholders and general society” [SIG].

[Companies] have to stay within the law, obviously, but I'd like them to do more than the minimum requirement. They should be listening to what the public feels and then responding. [N/TT]

By listening to stakeholders and consulting them before policies and practices are set, then making sure once they are set that this is what they meant. Then going back a year later to check that they're still doing the right job. [N/TT]

#### *The BUSG View*

Interestingly, the majority of BUSG respondents see more and better information as the best way forward, i.e., to find better ways of informing stakeholders on issues that will increase their understanding.

I think there's a lack of understanding of the role the companies play and therefore, when they see the headline profit and tax numbers it can lead to problems, particularly if the tax is quite low. But I think it's a complicated subject and very easy to get the wrong end of the stick. [BUSG]

However, some members of the BUSG acknowledge that listening to stakeholders in areas that are less clearly laid out by legislation could be useful:

So government set the rules and design the policy framework, so you engage with them so that the policy framework is fit for purpose, then you have a different set of issues that is, what is your attitude to tax risk operating within that policy framework. If there is any grey how do you choose where to be in the grey, and that piece is the engagement you would have with your other stakeholders. [BUSG]

The media is often blamed for misinforming the COMG:

I think that the public quite understandably believe what they read. There is a lot of misinformation from the media and so-called tax campaigners that leads them to think that there's more dodgy practices going on than there actually are. [IR]

While more and better listening is mainly desired by COMG respondents, stakeholders across all groups note that better communication would be a prerequisite for genuine engagement (which is discussed below).

### **Theme 5: Inclusion and Engagement (i.e., in the Tax Debate, in Setting the Rules and Expectations)**

Interestingly, both the COMG and the BUSG highlight the importance of communication between stakeholders to foster a beneficial culture of inclusion and engagement in debate and rule making (as to the previous theme). However, the COMG focus is on the interaction between the BUSG and the COMG, with experiences suggesting exclusion.

#### *The COMG View*

The COMG feels excluded from the tax debate, and this exclusion is perceived as unfair. According to the COMG, engagement is an important tool through which a business can demonstrate genuine concern and can understand other views. In fact, proactive engagement of business with the public is seen as a top priority by the COMG respondents when it comes to desirable future behavior by corporations. For example:

Engagement and transparency—they are the two biggest. [N/TT]

The approaches most desired by the COMG in this debate are approaches that reflect engagement with the public, rather than industry bodies and politicians.

I think they need to build trust and include real people... The 'stakeholder' has to be more than a word. There has to be a series of relationships behind it that mean people feel they are stakeholders. [N/TT]

By consulting with the stakeholders—members of public, employees and other bodies. Be open and transparent about what the strategy is. [SIG]

#### *The BUSG View*

Meanwhile, the BUSG showcases its preference for approaches that engage with industry bodies and politicians to develop new tax legislation. In fact, some views expressed by BUSG representatives suggest that an exclusion of the COMG from tax debates may be justified, while other BUSG responses do acknowledge a general benefit from engaging with the COMG.

Yes, you have duties to your stakeholders that you should manage your taxes effectively, but not to the minimum level because that's too aggressive. Engagement—that sounds like a good idea to do—maybe companies should be more proactive in it. [BL]

A comment from a BUSG representative also suggests that engagement with various stakeholder groups can help toward designing a joint narrative.

You have to engage all stakeholders. You have to start with large companies, get some SMEs, get some large companies and then perhaps, between all of them they could produce some sensible report; that would be helpful. Then it tells the story from the small company through to the large company. [IR]

In terms of guiding approaches that companies could adopt in respect of tax, the top choice among the BUSG is for them to engage with industry bodies and politicians to develop new tax legislation. In contrast, consumer groups would prefer companies to engage proactively with the general public in the UK to deliver on societal expectations regarding company tax, and NGOs/think tanks favor companies making an effort to operate within spirit and letter of the law as their top choice. The majority of respondents in this survey agree that businesses should work further on creating a greater degree of transparency and improving clarity in communication about what tax they are paying and their profits.

### **Theme 6: Transparency**

The beliefs of stakeholders about transparency focus on the perceived openness with which businesses communicate their profit and tax payment strategy. Both COMG and BUSG stakeholders consider it important that business tax strategies are communicated in an accessible way, demonstrating how open businesses are about their profit

and how much tax they are paying. As such, the results suggest more commonalities on this theme than on some of the other themes.

#### *The COMG View*

The overall COMG experience with transparency indicates that businesses are perceived to be often operating behind closed doors and that evidence of profit and tax payment is not as readily accessible as it could be. The COMG does acknowledge that profit obligation, performance pressures, and the returns of shareholders drive large businesses to explore tax options. Nevertheless, the COMG expectations of transparency indicate that businesses should openly share and disclose crucial tax information with all stakeholders in society. In COMG expectations, companies could regain public and community trust through offering understandable and applicable knowledge about what taxes they are paying and their profits. This could be achieved through more accessible reports on earnings, income, and tax strategy as well as through “plain English reporting” [SIG].

There should be more transparency about what is paid; that would be helpful. I think it is about making information publicly available; [businesses] rely on the media to explain those things that people don't understand. [N/TT]

There could be league tables detailing the proportion that companies paid in tax and their levels of compliance. [SIG]

Transparency would be a great help, along with greater representation [of the public body] on boards and greater accountability. [SIG]

Interestingly, the COMG perceives transparency on any business matters as a foundation for trusting relationships with stakeholders.

A company that can be open and transparent and quite bold about what it does will probably get the benefit of the doubt around its tax affairs as well. I don't think a company can advertise its tax rules and expect the public to engage with it and understand what's going on, but they can be trustworthy overall. [N/TT]

#### *The BUSG View*

Businesses stress that companies undertake great efforts to explain their tax charges to the financial markets, which they could extend to reach the general public through simplified communication channels. However, the BUSG

raises the issue that explaining tax strategies is highly specialist and “very problematic because of the complexity and confidentiality” [IR]. The BUSG acknowledges that perceptions of transparency would be desirable. That is, better explanation of tax payments and why companies engage in the strategies they do. For example, a rewards system to break down complex information into easier chunks may be desirable, as would be providing more education to the public.

The advent of country-by-country reporting, which would provide more transparency. For example, the PwC Building Trust Awards for companies, getting accolades that they are transparent with tax payment. [IR]

Offer some education, because my view is that the public perception is based on what they read in the newspapers, which is probably an inaccurate portrayal of the facts. So by explaining how the tax is calculated, what reliefs you get, and why those reliefs have been put in place by governments. [BL]

### **Theme 7: Beliefs about the (Lack of a) Non-financial Purpose of Companies**

This theme summarizes the beliefs of stakeholders about the purpose of business in society.

#### *The COMG View*

The COMG community notes little if any perceived non-financial purpose in most businesses, i.e., an explicit purpose linked to an altruistic, pro-social, or pro-society goal. Business focus seems to be firmly on “making money” [N/TT]—however, interestingly, complying with the law within a money-making mission does not satisfy COMG respondents. The COMG expects companies to have a purpose and consider their impacts beyond mere legal frameworks; they expect them to articulate a wider purpose behind business in society, to respond to humanity-based and society-focused expectations, and to understand the letter and spirit of the law.

I think companies are now financial entities above everything else. Once that would not have been the case; 25 years ago that was not the case. Now the need to maximize shareholder value is the dominant ethos and taking every tax advantage you can is part of that. [N/TT]

It's disappointing, because their [business] aim is to maximize profits and I suppose they go to fancy accountants who will work out the best way for them

to avoid paying as much tax as possible—is there no other purpose to business? [SIG]

#### *The BUSG View*

Experiences of the BUSG reflect that it acknowledges the self-interest of business, but that it also focuses on the role of companies as agents to benefit others. It recognizes the key concerns of the public, for example:

That large businesses are only driven by profit, don't pay enough attention to non-financial aspects to the good of society, and also I think the big thing in some businesses at the moment is employment conditions, zero-hours contracts and all that kind of stuff. [BL]

However, while showing an understanding of COMG concerns, expectations of businesses reveal that they do not feel obliged to go beyond legal requirements—that is, a business is seen as a character that is expected to operate within a legal framework, and not to do more than that. The beliefs behind these expectations indicate that although concerns are understood, they are perceived to not necessarily be well founded.

In general these concerns are not well founded; they are understandable. It's always easy to blame the other. They forget that businesses are run by people who've got similar aspirations to themselves, but at the same time there is a division between the people who run businesses and people who staff them. [BUSG]

### **Theme 8: Beliefs about the Integrity/Character of Firms**

The final theme explores the beliefs of stakeholders about whether business is seen to be well intentioned or not, and whether the motivation behind business activities is seen as favorable or not.

#### *The COMG View*

The COMG expresses beliefs about integrity in comments related to honest and upright attitudes of companies, for example:

I think there is an issue around trust and whether companies are acting with integrity. [N/TT]

Beliefs of the COMG express cynicism and a lack of trust when it comes to companies acting within the letter and spirit of the law.

Through extensive use of accountants and legal professionals, there can be ways found to stay within the law, but go far beyond what was ever intended for the law and what people expect the law to be used for. Staying within the law itself is not necessarily the best benchmark of whether a company's tax practices fit with what policy makers intended or what the public expects. [N/TT]

...if you are a responsible citizen, whether you are an individual or a corporate, then you do have a moral obligation to get things right. I don't think it's enough to just comply with the law because on occasions, the law is nonsense and a lot of people know that. [SIG]

#### *The BUSG View*

While the COMG expresses concerns over integrity, the BUSG argues that the public are not well placed to pass judgement on integrity, for example:

The public debate on this is not as sophisticated as it needs to be before companies can regulate their behavior with that. [BL]

Within the BUSG, experiences revealed the general belief that companies pay according to the law—and as such, demonstrate integrity. However, in situations of complexity and lack of clarity, players will try to maximize their own benefit. This was the view in particular regard to multi-nationals, for example:

Any multinationals, particularly those operating with a significant presence in the US, may be still able to exploit the rules. [BUSG]

However, the BUSG does not see this as a sign of bad character, but rather as a business decision.

Expectations of the BUSG indicate (again, supportive of theme 2) that society should appreciate business contribution more, i.e., job creation, shareholder and competition pressures. Beliefs around expectations of the BUSG concerning integrity reveal that, in their view, the COMG does not appreciate companies' duties and responsibilities, but focuses only on perceived unfair taxes. For example:

Obviously there's a whole load of people who perceive it to be unfair around multinational taxation, but I don't think I agree with them. Everybody thinks that the tax system is unfair relative to how it applies to them. That's the point. It's always fair for other people to pay tax. [BL]

## Discussion

Overall, our findings suggest that stakeholders tend to sympathize with views held within their own networks (businesses leaders and industry representatives in business groups, and special interest groups, NGOs and think tanks in community groups) and tend to iterate well-established narratives within such networks. Established narratives include, for example, the business groups view that society has unrealistic/ill-informed expectations, and the community groups view that business is ill-intentioned and too narrowly focused on profits. While our results reveal some appreciation of each other's situations (such as international pressure on companies, or a sense of perceived unfairness in society if there are special tax treatments for firms), many respondents do not seem to question the validity of their own narratives. However, the themes expressed in this study provide rich grounds for exploring novel approaches for dialogue and for developing a stakeholder-based approach to corporate tax from a managerial perspective. The findings also allow us to offer suggestions for policy makers that comprise views derived from currently opposing narratives. Before exploring implications for management and policy in more detail in this article, however, we discuss our findings based on theory and in particular in terms of contributions to the literature in CSR and ethics.

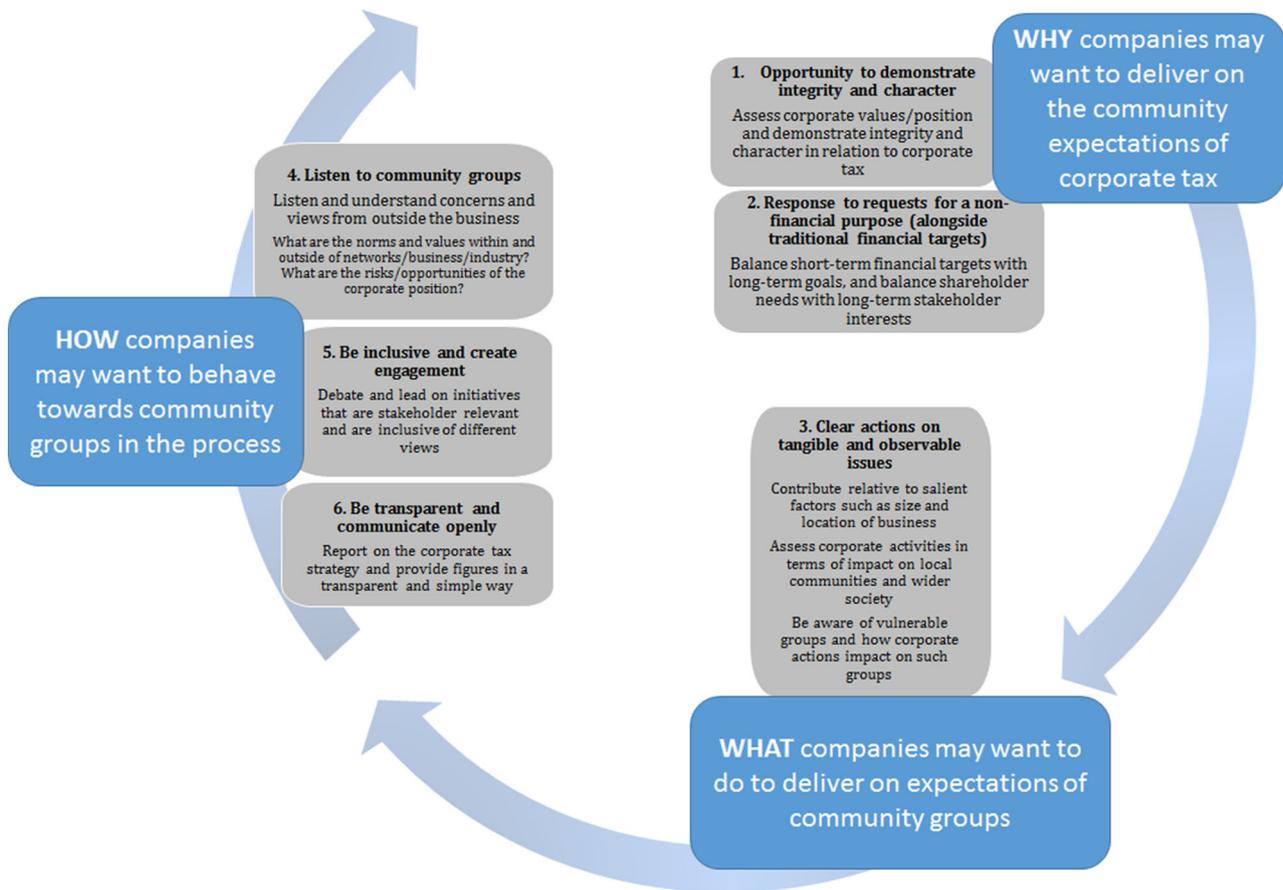
## Theoretical Contributions

This study makes three contributions to development of theory in CSR and ethics, which are outlined below.

(1) *We call for, and suggest a process of, more integrated management theory in relation to responsibility* Much of the CSR and ethics literature has separated the legal requirements of business from other requirements such as economic, social, societal, ethical, or discretionary responsibilities (often building on the seminal work by Carroll 1979; for reviews, see also Wood 1991; Waddock et al. 2002; Lindgreen and Swaen 2010; Ghobadian et al. 2015). Our findings suggest that, from a stakeholder perspective, such a separation is artificial and any compartmentalization of business activity is highly problematic. This article therefore calls for an integrated approach in management theory that aligns the overall strategy and purpose of business with the activities conducted in specialized departments within the organization (such as tax functions). This requires the development of more complex management theories that incorporate, rather than separate, business activities under common viewpoints, one of which is stakeholder perceptions of business (Matten and Moon 2008; Matten and Crane 2005; Waddock et al. 2015).

Interestingly, our findings offer empirical support to Freeman's (1994) seminal work in which he rejects what has been referred to as the "separation thesis." Freeman (1994) describes stakeholder theory as "one of many ways to blend together the central concepts of business with those of ethics. Rather than take each concept of business singly or the whole of "business" together and hold it to the light of ethical standards, we can use the stakeholder concept to create more fine-grained analyses that combine business and ethics (...)" (p. 409). In fact, our findings suggest that respondents belonging to different stakeholder networks, such as business groups and community groups, share a common sense that using purely legal or economic reasoning will often lead to neglecting aspects related to social or ethical concerns. In fact, from a stakeholder viewpoint, there is no evidence in the findings of this study that a differentiation between different types of business responsibilities is useful or supported. On the contrary, such an approach seems to anger respondents particularly from a community perspective and is also seen as "out of date" and unhelpful by many business respondents. As such, theories in CSR and ethics lag behind this much more holistic view of business evidenced in the findings of this study by holding on to a legal or regulatory debate in the CSR literature (Mackey et al. 2007; Mueckenberger and Jastram 2010; Russo and Perrini 2010; Svendsen and Laberge 2001). Interestingly, this call for more integrated management theory corresponds with a debate in the management literature on the purpose of business (Alexander and Douthit 2016; Hsieh 2015; Nichols 2014) as well as with reviews in CSR and ethics literature on the holistic nature of stakeholder expectations (Aguinis and Glavas 2012; Gond et al. 2011; Liston-Heyes and Ceton 2009; Lucea 2010; Matten and Moon 2008; Orlitzky et al. 2015). Our study starts to integrate aspects that can be seen to relate to legal, economic, ethical, and social aspects of business by presenting a process, outlined in Fig. 1 and discussed in the managerial implications below, that is developed from our empirical data to form a stakeholder perspective. As such, it may be seen as a first step toward developing a more integrated approach to management theory and practice.

(2) *We identify the need to include corporate tax practices in theoretical frameworks relating to CSR, social issue management and ethics* Corporate tax is a key concern in both business and stakeholder perceptions that forms part of wider judgements of the corporate responsibility and ethics of firms. This is often neglected in contemporary work, and we suggest that aspects of tax practices be included in theoretical frameworks relating to CSR, social issues management and ethical business conduct. While the blurred boundaries of current tax regulation and perceived



**Fig. 1** Aligning expectations on corporate tax

corporate misconduct have recently positioned corporate tax payments as a hot topic in the CSR debate, actual academic work—be it conceptual or empirical—remains scarce (Dowling 2014; Graham et al. 2013; Lanis and Richardson 2015; Sikka 2012; Sikka and Willmott 2010). In a pioneering study, Dowling (2014) explores whether corporate tax avoidance is socially irresponsible and whether tax can be seen as a boundary condition of CSR. There are also some suggestions in the literature that if corporate tax payments are widely out of line with societal expectations, public boycotts, interference by regulators/courts or damaging press coverage may follow (Hardeck and Hertl 2014; Hoi et al. 2013; Miles 1987; Orlitzky et al. 2015; Wallace 2003). However, the concept of corporate tax is often missing in theoretical frameworks, and links to the social issues management literature in terms of the potentially explosive nature of corporate tax as subject of public interest has also been neglected (Orlitzky et al. 2003; 2015). Importantly, following advice in the CSR and ethics literatures, we have sampled in this study to include representatives from both business and community groups (Dahan et al. 2015; Roloff 2008; Waddock et al. 2015; Doh and Quigley 2014; Mitchell et al. 2015), and thus feel that

our suggestion to include corporate tax in future work would truly represent a valid stakeholder concern.

(3) *We propose to conceptualize stakeholder perceptions of responsibility as a function of business action and perceived intent, as well as their interplay* Our findings provide, to the best of our knowledge, the first empirical evidence to suggest that perceptions of responsible tax practices are a function of both behavior and perceived intent, as well as their interplay. This adds to, and extends, the theoretical suggestions of Godfrey (2005) and Griffin and Prakash (2014) to suggest that an exploration of action (i.e., what a company does) as well as perceived intentions (i.e., why and how a company does what it does) are critical when exploring notions of responsibility and ethics in the context of corporate tax. Further theories should therefore ensure that perceptions of both actions and intent are included in a way that takes account of both separately as well as the interplay between these concepts, when studying stakeholder perceptions. In fact, only three of the eight themes identified in this study cluster under “what firms need to do” to appeal to a wide group of stakeholders, whereas the remaining five themes fall under two

additional categories of “how” and “why” firms need to engage with stakeholders in the process of fulfilling the “what” of expectations. We thus build on a noteworthy theoretical contribution in the recent CSR literature, in which Godfrey (2005) argues that moral reputation is built not only through the actual activities that firms engage in, but also, importantly, on the motives that underlie firms’ activities, and how they are viewed by firm stakeholder groups. While Godfrey (2005) and subsequently Griffin and Prakash (2014) as well as Hillenbrand et al. (2012) differentiate between the actions of the actor/firm (the “what?” in this paper) and the character/motive of the actor/firm (the “why?” in this paper), we identify, from the findings in our study, a third category of “how?”—the process by which an actor/firm may conduct its activities and illustrate its character/motivation. This third category of “how” firms need to engage with stakeholders in the tax debate seems to matter significantly to stakeholders, and particularly emotionally to community groups, which perceive that they are being excluded, not listened to, and not engaged with in the process (Colquitt et al. 2013; Shin et al. 2015). In other words, the perceived norms and narratives surrounding corporate tax activities may act as a catalyst to interpret firm behavior either positively or negatively (Helmig et al. 2016; Lopez-De-Pedro and Rimbau-Gilabert 2012; Roloff 2008; Siltaoja and Lähdesmäki 2015; Svendsen and Laberge 2005).

We now turn to the implications for practice and policy, respectively. To provide an overview for the next two sections, Table 5 summarizes implications from our findings for managers as well as policy makers.

### Managerial Implications for Aligning Expectations on Corporate Tax

There is some evidence in the academic literature that companies are concerned about how their corporate tax approaches may affect reactions by stakeholders. For example, Graham et al. (2013) found that two-thirds of surveyed senior managers feared reputational damage as a negative consequence of adopting a tax planning strategy. Likewise, Austin and Wilson (2013) find that companies owning very valuable brands tend to pay higher effective tax rates than otherwise identical firms—presumably to avoid any negative incident. Findings such as these suggest that, from a firm perspective, corporate tax may be a potential threat to reputation and brand, and needs to be managed to forego tax-related crises and costly repayments (Crane et al. 2015; Orlitzky et al. 2015; Waddock et al. 2002; Welcomer 2002; West et al. 2015). However, very little is known to date from existing CSR studies about what stakeholders actually think concerning corporate tax—and the potential for dialogue between different

stakeholders from within and outside the business in this process has not yet been explored (Mueckenberger and Jastram 2010; Russo and Perrini 2010; Svendsen and Laberge 2005). The findings in this study go some way toward creating a joint understanding by suggesting categories of expectations and potential for dialogue derived from stakeholder views that are currently often opposed.

Indeed, in the light of recent scandals surrounding corporate tax, businesses may be well advised to think of their tax strategies from a multi-stakeholder perspective and to engage proactively with community groups to understand public expectations (Crane et al. 2015; Waddock et al. 2002; Welcomer 2002; West et al. 2015). As outlined earlier in this paper, corporate tax, while currently very much in the public eye, is different from other managerial issues in a number of ways, most importantly: blurred boundaries between what is voluntary and mandatory, a lack of transparency and communication by many businesses, and a sense of perceived unfairness felt by many in society. As such, a dialogue between business and society on issues related to corporate tax needs to be facilitated and conducted in a sensitive and appreciative manner (Kujala et al. 2012; Mitchell et al. 2016; Money et al. 2012). However, multi-stakeholder engagement in practice is described as a long-term process that requires an open mind-set, significant emotional and cognitive effort, and a sense of goodwill toward groups with different backgrounds and agendas—hence it requires a genuine desire and engagement by business and community representatives to participate in such a process (Helmig et al. 2016; Lopez-De-Pedro and Rimbau-Gilabert 2012; Mackey et al. 2007; Roloff 2008; Siltaoja and Lähdesmäki 2015). The findings in this study show a strong desire from community groups to be listened to and to be included in a debate with all parties affecting and affected by corporate tax payments. Our study finds, perhaps most importantly, that the accompanying intent and motivation behind corporate tax approaches are of key interest and concern to community groups. This therefore can provide a starting point for managers to engage in a corporate tax dialogue with players outside the business: the goal to clarify corporate purpose, motivation, and intent with regard to the wider business as well as corporate tax. Importantly, both community and business stakeholders see a need and the potential for better dialogue and more transparent and understandable information—in other words, all channels of communication are open for business to engage in. In Fig. 1, we summarize the findings of our study from a managerial perspective. We start with the “why?” of our findings for this part, as we believe it provides business with an opportunity to focus on its own values and character as a foundation of any subsequent activity. This is then followed by the “what?” and the “how?”, outlined

**Table 5** Implications from findings for managers and policy makers

Themes from research in this study	Managerial implications	Policy implications
<p><i>What</i> companies need to do (contribution in relation to salient factors; balance in relation to multiple stakeholder and societal needs; equality on power issues)</p>	<p><b>Assess tax payments in relation to local/regional/national societal standards, and in relation to the economic situation of a community as well as in relation to how vulnerable groups are seen to be treated</b></p> <p>Perhaps most importantly, managers need to understand that community stakeholders intuitively make sense of corporate tax payment relative to the size and location of business and will judge business accordingly. Business is perceived as powerful and community groups desire tangible contributions by business and support for less powerful stakeholders</p> <p><b>Engage in collaborative mechanisms and work with others to create kite marks and industry-wide standards for responsible tax approaches</b></p> <p>Following Griffin and Prakash (2014), managers may want to think about corporate tax in terms of <b>collaborative mechanisms</b>, such as how firms can partner with governments, non-governmental organizations, and other players to achieve specific tax-related objectives. As Griffin and Prakash outline (p. 473), such objectives can range from strengthening local communities to furthering wider economic development. Managers may want to think about how they can utilize the subject of corporate tax to support voluntary programs and to work with community groups and policy makers to create kite mark and tax-related standards that are widely supported and understood</p>	<p><b>Through multi-stakeholder engagement create behavioral standards that take account of national and international norms and that consider the interests of business and communities</b></p> <p>Differences in stakeholder views relate to business groups focused on the international landscape and comparison with peers, while community groups focus on the national landscape and comparison between individuals and companies as well as vulnerable/powerless versus powerful groups. There is an opportunity for views to be understood and integrated through a multi-stakeholder dialogue that policy makers can lead on. Both business groups and community groups are keen to engage with policy makers due to the power that policy makers have—and would thus be keen to be invited to discuss options with government. As such, findings in this study suggest that policy makers should compare corporate tax practices to those applied to individuals and other types of businesses, as well as to international standards and norms. There is room to create standards across national and international boundaries that do not appear to disadvantage any business or community stakeholder</p> <p><b>Introduce options for contributions in kind</b></p> <p>Policy makers may also want to consider widening the “what?” of corporate tax approaches by introducing pro-societal initiatives that firms can invest in (as part of their corporate tax duties), such as providing corporate expertise and facilities to charitable organizations or through the development of skills and education in local communities</p>
<p><i>How</i> companies need to do it (Listening; inclusion and engagement; transparency)</p>	<p><b>Listen to community groups and actively report on the results of listening</b></p> <p>Findings in this study encourage managers to actively listen to community groups and to be inclusive and engaging in the corporate tax debate. Following Griffin and Prakash (2014), managers may want to think about listening to and including stakeholder views in line with <b>functional initiatives</b> (such as to enhance the employee voice in the corporate tax debate and be consumer oriented when deciding on tax policies). Importantly, managers could measure how such activities impact on business outcomes such as employee engagement and customer retention. Managers may also want to engage in dialogue about <b>cross-functional/corporate</b> initiatives in relation to corporate tax (such as improving corporate governance in the area of tax for the purpose of transparency and inclusion)</p> <p><b>Communicate in more simple language with more transparency</b></p> <p>Importantly, better communication and more transparency in reporting can be achieved by:</p> <ol style="list-style-type: none"> <li>(1) publishing business results in relation to tax in an accessible manner on company websites, voluntarily, globally (information about tax paid in different markets), and appropriately framed for different levels of financial knowledge among audiences;</li> <li>(2) using analogies and metaphors (the story approach) to make sure that the audience understands the full picture rather than just publishing spreadsheets and numbers;</li> <li>(3) translating percentages and abstract numbers into pound figures and tangible examples;</li> <li>(4) including tax information in corporate responsibility reports;</li> <li>(5) independently verify reports, for example by auditing firms</li> </ol>	<p><b>Define own role not only as law-maker, but as facilitator of communication</b></p> <p>Findings in this study suggest that policy makers should encourage business to consider community views more explicitly; differences in views relate to business groups focused on shareholders and governments, while community groups focus on wider stakeholders. While both groups agree that there needs to be increased understanding, business thinks understanding can be achieved through informing stakeholders on issues that business deems important, while community groups believe understanding can be achieved by business first listening to the concerns and important issues that stakeholders have before responding. There is room for policy makers to work toward integrating both views by a process of listening and informing (and particularly encouraging companies to listen and inform), and providing opportunities for genuine engagement with the views of all players</p> <p><b>Require companies to report on stakeholder expectations with regard to tax</b></p> <p>Policy makers may want to think about the requirements for companies to include stakeholder perceptions of company practices in reporting, and report on tax practices in simple formats such as “frequently asked questions.” They may also suggest that companies may want to report on tax practices using a framework that includes aspects of a “why?” “what?” “how?” approach. In the future, policy makers could consider asking companies to have stakeholder representation on boards and be involved in discussions of corporate tax policies</p> <p><b>Require companies to report on tax practices in easy-to-understand formats and support companies to make payment information more tangible</b></p> <p>Importantly, policy makers could also summarize corporate tax payments across firms in a format that people understand, e.g., “the amount of tax paid by this industry equates to the restoration of <math>x</math> miles of potholes in public roads”; “the amount of tax paid by FTSE 100 companies this year equates to <math>y</math> number of individual tax payers”; or “the amount of tax paid by small and medium-sized businesses this year equates to the amount of tax collected by a country such as <math>z</math>.”</p>

**Table 5** continued

Themes from research in this study	Managerial implications	Policy implications
<p><b>Why</b> companies need to do it (Non-financial purposes; motivation; integrity and character)</p>	<p><b>Answer the question “why do we exist” from a multi-stakeholder perspective</b> Findings in this study encourage managers to consider the wider purpose of business and demonstrate non-financial purposes and integrity in how they act on the issue of corporate tax. This requires a change of mind-set as, currently, corporate tax is often seen to be practiced “behind closed doors” and not linked to a wider purpose. Managers need to be aware that firm activities are being judged in conjunction with perceived motivation. Hence a firm that pays very little tax may be perceived as cheating society of important resources regardless of what the actual intention may be</p> <p><b>Voluntarily include community groups (and other stakeholders) to discuss role of business in society/communities and consider joint sign-off on tax policy</b> Following Griffin and Prakash (2014, p. 471/472), managers may want to think about <b>cross-functional/corporate initiatives</b> in framing their purpose jointly with multiple stakeholder representation. Firms can demonstrate integrity and character by voluntarily fostering governance initiatives that could require tax policy to be developed and signed off by representatives of multiple purpose</p>	<p><b>Require companies to prepare a statement “why we exist” that explicitly acknowledges the trade-offs made between stakeholders in developing tax policy</b> Findings in this study suggest that policy makers may want to request businesses to consider their role in society explicitly and to act as citizens with non-financial purposes (alongside financial targets) and integrity. This may include a requirement to report on non-financial targets</p> <p><b>Invite business to work with community groups on issues of purpose and motivation, e.g., through diverse stakeholder representation on boards</b> One way of achieving a more balanced role of business in society and to co-create appealing purpose for business could be to request societal representation on business boards, including employee representation, customer representation, community representation.</p>

earlier, to allow practicing managers to reflect on the process of aligning expectations of corporate tax in a sequential manner.

Figure 1 summarizes “why” companies may want to deliver on community expectations of corporate tax as an opportunity to demonstrate integrity and character as well as a way of responding to requests to exhibit a non-financial purpose alongside financial targets. This stage is particularly important for managers to get buy-in to any subsequent strategy; only if corporate intent and motivation are being perceived as credible and acceptable will community groups support related behavior. As outlined in more detail in Table 5, this stage encourages managers to answer the question, “why does the business exist?” from a multi-stakeholder perspective. The subject of tax is seen by community groups as important in judging firm integrity and character, and managers may want to define and relate corporate purpose to tax policies as a step to clarify the corporate position in this regard. Furthermore, it encourages business to voluntarily include community groups (and others stakeholders) to discuss the role of business in society/communities and possibly even sign-off on tax policy in a joint manner. Following Griffin and Prakash (2014), managers may want to think about cross-functional/corporate initiatives in framing their purpose jointly with multiple stakeholders. As such, tax-related activities can be used to improve the governance of a firm, and managers can demonstrate the integrity and character of firms by voluntarily supporting initiatives that seek to provide for investor protection, outline corporate codes of conduct, require new financial disclosures, or create binding guidelines outlining expected corporate behavior (Griffin and Prakash 2014, p. 471/472).

As a next step, Fig. 1 turns to “what” companies may want to do to deliver on expectations of community groups. As the findings from this study suggest, a major concern for community groups is whether firms contribute in line with what the former perceive would be fair given firm size, capacity, and location. Interestingly, a number of business representatives in this study express some sympathy with this view: they can understand that it may, intuitively, seem wrong that a major company should pay very little tax if they operate in a country, while others (be they smaller businesses or individuals) may not get the same allowances. As such, managers may want to assess corporate tax payments in relation to local, regional, and national societal standards, in relation to the economic situation of a community as well as in relation to how vulnerable groups are seen to be treated. As a further step, business may want to engage in what Griffin and Prakash (2014) call collaborative mechanisms and work with others to create kite marks and industry-wide standards. Interestingly, from a community perspective, the form and channel of firm

contribution could become a topic for dialogue between business, community groups, and policy makers. Following Griffin and Prakash (2014), for example, firms may want to think about contributions in terms of partnering with governments, non-governmental organizations, and other players to jointly achieve societal objectives that would otherwise be part of public budgets (such as providing corporate expertise to societal groups, supporting skills and education in local communities, or developing infrastructure).

Finally, Fig. 1 suggests “how” business groups may want to behave toward community groups in the processes outlined above. Importantly, community groups want to be listened to more by business groups: they desire an inclusive and engaged debate as well as transparent communication. For business groups, this may mean widening their circles, and to engage not only with stakeholders that may be seen as instrumentally useful in setting tax rules and regulations (i.e., government, shareholders, and policy makers) but with a wider group of societal players. A useful strategy for managers would be to actively listen to community groups (e.g., through outreach activities, open days, and by inviting key players from society into the business) and then to report on the results of listening back to these groups. Griffin and Prakash (2014) suggest a number of functional initiatives that could be utilized to elicit views from stakeholders such as employees, customers, and suppliers. Furthermore, following Griffin and Prakash (2014), business may want to initiate governance processes on the subject of tax policy and work in cross-functional and corporate initiatives at the highest level to debate issues of inclusion and transparency. In terms of better communication, Table 5 outlines a number of concrete steps that managers can follow to encourage simple and easy-to-understand language on corporate tax. These include, for example, framing information appropriately for audiences with differing financial knowledge and independently verifying reports. Abstract numbers and figures should be translated into tangible examples and pound figures, and stakeholders could be included in the process of compiling and disseminating outcomes. Such approaches have been applied in other areas of CSR but to our knowledge not in the field of corporate tax.

### Policy Implications

The recent debate around corporate tax in the UK poses interesting challenges not only for scholars and practicing managers. Community groups who express unease, if not outright anger, about corporate tax contributions call on policy makers and the government to review the current situation. Our study suggests that a possible starting point for policy makers could be the finding that business groups

and communities groups in the UK often differ in their understanding, i.e., on what is actually happening, who is to blame, and why businesses behave in the way they do. As such, policy makers may have a role to play in facilitating mutual listening and understanding. The findings in our study suggest an urgent need for dialogue between different players in society so that areas of joint interest can be identified and mutually agreeable solutions can be found. In the following, we outline a number of areas where expectations from business groups and community groups differ and how policy makers could go about building bridges in a currently divided society.

Differences between the expectations of community groups and business groups on the “why?” of business behavior show that businesses are still strongly focused on the interest of owners and shareholders, while community groups focus much more widely on multiple stakeholders and the harm that business can inflict on society in its pursuit of profits. As community groups explicitly ask for tangible evidence of integrity and character from business and desire business to demonstrate purpose beyond profit maximization, policy makers may want to encourage businesses to work with community groups on such issues. Indeed, policy makers could request societal representation on business boards (including employee representation, customer representation, and community representation) as a forum where the purpose of business and tax policy could usefully be debated and negotiated. As Table 5 furthermore outlines, policy makers could require companies to prepare a statement on “why they exist,” that explicitly acknowledges the trade-offs made between different stakeholders that a firm has to make when developing tax policy. Interestingly, and related to the “why?” aspect discussed here, our findings suggest that the role of government in setting and enforcing tax regulations is not as clear to representatives of business groups and community groups as it could be: while other CSR issues are seen as the pure responsibility of firms, tax regulations are set by governments who should represent the interests of citizens but who are perceived by some to be “in bed with business.” Policy makers may need to assist business in clarifying “why” businesses need to behave more responsibly in the area of corporate tax to create the foundation for more tangible action by business going forward.

Differences in views on the “what?” of business behavior show that business groups look to the international landscape and comparison with peers when judging the fairness and size of tax contributions, while community groups are focused on how corporate tax payments compare with rules for individuals, and how less powerful groups in society are treated. Policy makers may thus work toward creating behavioral standards for firms that take account of national and international norms, as well as

considering the interests of individuals, local communities, and wider society. As such, policy makers may want to consider widening the “what?” of corporate tax approaches by introducing options for contributions in kind. Many companies have valuable resources that they can use to assist community groups and society to achieve improvements in living standards and other issues of concern. For example, firms could offer corporate expertise and facilities to charitable organizations, or contribute toward the development of local communities through educational initiatives, support for infrastructure, and preservation of natural resources.

Finally, differences between the expectations of community groups and business groups on the “how?” of business behavior suggest that business groups are more interested in speaking to governments and shareholders than to community groups in the tax debate. Perhaps more worryingly, business groups believe that more understanding in community groups can be achieved through informing stakeholders on issues that business deem important, while community groups desperately want to be listened to by business, rather than being talked at. Policy makers can play a vital role as facilitators of communication in bringing business groups and community groups together. Furthermore, policy makers could require companies to report on stakeholder expectations with regard to tax in simple formats, such as “frequently asked questions” and can work with companies and industries to make information more tangible, such as through the use of analogies and metaphors as outlined in Table 5. More holistically, policy makers could suggest that companies report on tax policies in the format of a “why?” “what?” “how?” framework, as suggested in this study, or develop a similar framework based on work with wider stakeholder representation.

## Limitations and Conclusions

### Limitations and Future Research

This study has a number of limitations that could usefully be addressed in future research. We elicit views from two broad stakeholder groups that represent views internal and external to business. As a next step, however, it would be interesting to gather views from a larger group of citizens as well as government representatives to ensure that civil society is represented in as broad a context as possible.

Within our sampling approach, we have unequal numbers of stakeholders within our two broad stakeholder categories. While this was a deliberate step to ensure that a wide spread of NGO/think tank views across interests and political agendas are included, the number of special

interest groups may appear comparatively low in this context. While the main purpose of including special interest groups was to ensure representation of consumer interests, and as such consumer bodies were sampled in this category, alternative ways of sampling public body views outside of these groups could be envisaged for future studies.

Furthermore, our research focus was on studying stakeholder perceptions in terms of their expectations. This was deemed a useful approach, following much precedence in the stakeholder literature, as a common rationale is that stakeholder perceptions are critical as they become a reality through stakeholder behavior, which in turn drives business success. However, it would also be interesting to conduct observational and behavioral studies next, to investigate which corporate tax approaches are creating behavioral support with stakeholders.

Finally, it would be interesting conceptually to more fully link corporate tax research to the social issues literature, and to see how corporate tax payment, or lack thereof, is related to disasters and anti-corporate activism. Such an endeavor could usefully build on Orlitzky et al. (2015) and Griffin and Prakash (2014) to combine levels of influence (such as national business systems, industry, company and time) in the context of tax with CSR initiatives, mechanisms and outcomes.

## Conclusions

Business groups and community groups are segments in society that are often seen as not speaking directly to each other. Communication typically gets channeled through the media—as such, these segments tend not to operate in the same networks and may also base their views on different sets of norms and expectations. This leads representatives of these groups to develop different narratives as to what constitutes fair corporate tax payment in the context of UK business, iterated in different camps. In order to move this debate to a more aligned position, the findings from this study suggest that stakeholders from different networks need to start communicating with each other, through listening, inclusive debate, and transparency. Perhaps surprisingly to some businesses, our findings suggest that corporate tax approaches supported by stakeholders require companies to re-think not just their actions, but importantly, to be aware of how their motivations and intentions are perceived and whether credible and meaningful exchanges with stakeholders are being formed. The research findings presented in this paper provide an in-depth commentary from community groups as well as business representatives on how views differ, how they can

potentially align, and how joint narratives and mutually beneficial norms and practices can be developed.

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### Compliance with Ethical Standards

**Conflict of interest** All authors declare that they have no conflict of interest.

**Human and Animal Rights** Research involving human participants: All procedures performed in this study involving human participants (i.e., research participants: interviewees) were conducted in accordance with the ethical standards of institutional (University of Reading Ethics Committee) and national (UK) research committees and with the 1964 Helsinki declaration and its later amendments and comparable standards. This article does not contain any studies with animals performed by any of the authors.

**Informed Consent** Informed consent was obtained from all individual participants included in the study, as explained in the methodology section.

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