TAX PLANNING AND CORPORATE STRATEGY IN MULTINATIONALS; AN EXAMINATION OF ALIGNMENT FROM THE NON-TAX PERSPECTIVE

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Abstract
The assumption that multinational corporations (MNCs) are somehow self-servingly aligning tax planning with corporate strategy on a global scale is of major societal concern. And although it’s perhaps unsurprising that the tax literature takes a good look at this topic, it is curious that the strategy literature shows no similar interest. This paper will take fresh look at this fascinating and topical debate by considering it from a non-tax perspective.

Preliminary interviews were conducted with the tax field to establish what is important for the main interviews which are currently underway. Drawing from the preliminary interviews this paper explores on three broad areas of importance, firstly, ‘alignment’ of corporate strategy with tax planning and how this is understood, secondly, what are the drivers of alignment, and finally, from a people perspective how does the head of tax fit into the corporate strategy generation process.

Introduction
The alignment of tax planning with corporate strategy in MNCs came into sharp focus after Lehman’s collapse in August 2008 when most European nations began suffering from slowing economic growth, fiscal austerity and a need to increase overall taxation including corporation tax (The Economist, 2012). It has been this need to increase corporation tax, which has resulted in increasing scrutiny of MNCs and their tax affairs. In December 2012 this led to the UK’s Parliamentary Public Accounts Committee (PAC) publishing a report (2012) looking at the UK subsidiaries of Starbucks, Google and Amazon, and exploring how, while in 2011-12 total UK tax revenues increased by £4.5 billion, corporation tax revenue declined by £6.3 billion. A Reuters (2013) special report explained the concern more broadly by finding that the “average 2012 tax charge of 6.8% on non-US earnings published by 37 of the top 50 U.S. tech firms whose PE (permanent establishment) structures help avoid tax”.

Against this backdrop, a greater understanding of the extent to which taxation is aligned with the strategy of a business is important. This alignment question is addressed here by drawing on literatures from strategy management and taxation. Following a review of the literature, the next section outlines the methodology employed in this study. The presentation of the preliminary findings is then followed by a discussion and finally the conclusion.

Literature review
Tax Planning
There is some debate in the literature about the role of tax in business decisions, the extent to which tax personnel should be consulted when business decisions are being made and whether they merit tax input (Mulligan, 2008, Gawley et al., 2013, Mulligan et al., 2015a). That said the tax literature argues that not only is tax planning’s alignment with corporate strategy important to the MNC but that its success is dependent on the tax department working with non-tax business and the TMT on a broad range of key issues.
Looking first at the importance of tax to strategy, Mollan and Tennent (2015) set the historical context by arguing that it was the collective introduction of corporate taxation measures by governments during the twentieth century which resulted in the unintended consequence that was MNCs taking effective targeted tax reduction countermeasures. Skaerback and Tryggestas (2010) note that ‘over the last 40 years or so, accounting research has enquired into the relationship between accounting and strategy’, and importantly, the tax literature is not short of advocates as to the strategic importance of tax. Porter (1999a) reported that just over 50% of tax managers surveyed ‘believe their company’s directors accord "considerable" or "very great" importance to minimising tax liabilities’ (p. 36). Valente (2002) posits the ‘strategic alignment of the taxation variable with the goals pursued by top management’ as representing ‘the most forward-looking approach within the multinational entrepreneurial scenario’. He notes that globalisation has tax implications from both the perspective of states and enterprises. He sees the strategic vision for taxation policy within multinational groups as taking place on a global scale and is ‘consequently implemented (on a corporate level) in a transnational spirit, to the primary benefit of the country in which the top holding resides’. James (2005a) believes that given taxes importance to determining profitability there are considerable advantages to including taxation in the process of developing corporate strategy. This should be done through a process of incorporating current tax considerations as well as likely future tax developments into the strategic decision-making process.

It seems sensible that when a company makes strategic decisions that the tax implications should be considered, however, James (2005b) finds that despite the ‘pervasive nature of taxation in commercial transactions’ tax is hardly mentioned in the strategy literature and textbooks. Moreover, Glaister and Hughes (2008) point out that ‘in general, models which set out the prescriptive approach to strategic management make no reference to tax implications of strategic decisions.’ The dearth of consideration of tax issues in the strategy and management literature contributes to taxes ‘black box’ status. Holzman (2001) believes that most management decisions have tax consequences which should be addressed, and the management group must ‘know enough about taxation to solve the organizational, commercial and financial problems that have to be met.’ The latter emphasises the importance of effective communication and relationships skills, which are at the core of Wilson’s (1995) efforts to find ways to have senior management and in-house tax personnel work together towards optimisation of after-tax profits. Mollan and Tennent (2015) take an historical perspective to argue that the unintended consequence of taxes growing negative impact on their profitability over time has been that MNCs need to embed in their strategic decisions countermeasures including innovation in organization structure, a global approach to crafting their legal entity architecture and a targeted approach to their choice of jurisdictional presence and domicile.
The question of whether tax is approached as ‘compliance’ or ‘planning’ is a significant one for strategic decision makers. Mulligan (2008) explains the level of resource, the organization of the tax functions and the role of the CFO heavily influences how an company approaches tax and thereby whether it influences strategy from a ‘tax compliance’ or a ‘tax planning’ perspective or some mix of the two. Porter (1999) reminds us that there is a question around the degree to which ‘tax compliance’ and ‘tax planning’ are divergent and which needs to be considered as we reflect on whether the distinction of tax as ‘compliance’ or ‘planning’ has an impact on how tax influences strategy.

The **internal marketing of the tax function** to non-tax functions through seminars, training and road shows was found by PWC (2001) to be important when it comes to influencing corporate strategy. At Board level studies have shown an increasing interest in tax and how it can support corporate strategy, whilst tax directors’ focus is on the larger strategic plan (PWC, 2001). In terms of how taxes marketing can influence strategy, PWC (2001) found that tax directors said the people they need to influence mostly are the finance directors and CEOs while from an approval perspective they must get Board approval for a project or decision before getting it accepted at operating level (some said the former is sometimes easier). It is noteworthy that Glaister and Frecknall-Hughes (2008) find that among the unanswered questions around the internal marketing of the tax function is ‘how within the firm strategic decision-makers interface with tax decision-makers’.

The question of **tax embeddedness** in an organisations strategy could also be a function of the size of the organisation, as Rego (2003) notes ‘large firms generally engage in more business activities and more financial transactions than small firms do, thereby providing more opportunities to avoid income taxes’. There is a counter argument however, as also acknowledged by Rego (2003), ‘proponents of the political cost hypothesis argue that larger firms are likely to pay more income taxes than smaller firms do, as a result of increased visibility and government scrutiny and expropriation of resources’.

The **alignment of tax strategy** with corporate strategy is one that has received little attention in the literature. And while there is no overall consensus on how important tax alignment actually is in organisations, at a practical level Mulligan (2008) frames the nature of this alignment as being influenced by five key themes; (1) tax should not drive the business (Mulligan, 2008, Yancey and Cravens, 1998); (2) the tax definition of corporate strategy and its relationship with taxation strategy (Glaister and Frecknall-Hughes, 2008); (3) tax embeddedness in the MNC (Holzman, 1965, KPMG, 2005, Wilson, 1995) ; (4) the role the CFO and his or her view of tax (Mulligan, 2008) and, finally; (5) the limited level to which the tax department understands the business (Mulligan, 2008, Valente, 2002, Wilson, 1995). From a tax arena perspective, it is important to note that the CFO has a central influence on

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alignment (Mulligan, 2008, Gawley et al., 2013); especially when you consider that there was limited evidence of documented tax strategy or mission statements. James (2005a) brings focus and structure to the alignment literature arguing that strategists should craft corporate strategy in light of; (1) economic costs such as R&D tax incentives, (2) tax incidence (or implicit tax), (3) management of financial reporting, (4) legal jurisdictional requirements, (5) organization form and legal entity requirements, (6) multinational business strategies across jurisdictions, (7) political risk, and finally, (8) dynamic tax planning to facilitate adapting to a changing tax landscape.

In conclusion, while there is some consensus in the literature that tax is important to corporate strategy (James, 2005a), the literature struggles to make the case that taxation matters greatly to corporate strategists in practice. The taxation literature does help highlight this research gap with Glaister and Frecknall-Hughes (2008) defining corporate strategy and its relationship with taxation (Scholes et al., 2013), Porter (1999) lays out the debate around the significance of taxation in business decisions, Mulligan (2008) argues that the research has “…fail(ed) to examine the formalisation (or not) of an overall tax strategy/mission within MNCs, and the factors which establish the importance of tax (embeddedness) within these organisations”.

Corporate Strategy and Alignment to Tax Planning
The strategy literature while not directly considering tax or tax planning directly does acknowledge the importance of tax and helpfully has several sub-themes of relevance to alignment and tax planning.

Cunningham and Harney (2012) explain that the standard MNC commitments to ‘adding value’ are easily rationalized and sound sensible. Porter (1998) is clear on the importance of value in competitive strategy and competitive advantage, while Kim and Mauborgne (2005) expand on this theme by arguing that value innovation is needed to make the competition irrelevant. Campbell et al. (1995) argue that MNC’s can impact value (most often they destroy it) through; (1) stand-alone influence (viewing each subsidiary separately); (2) linkage influence or integrating subsidiary back office functions; (3) ensuring central functions and services are not privileged, and; (4) corporate development activities such as M&A, divestitures etc., Tax is best able to influence value through ‘linkage influences’ or using a combination of strategy, legal structures and legal personalities to lower the tax burden. To influence these ‘linkages’ the tax departments needs to create a narrative capable of gaining wider stakeholder support (Magretta, 2002, Wilson, 1995) and thereby supporting the numbers in the Tax Plan. The corporate parenting style adopted influences value creation capability in the business (Goold and Campbell, 2002) with the challenge for MNCs being the managing and co-ordination of these complexities to achieve some form of organization uniformity and consistency or ‘parental fit’.
Hedlund (1986) describes the MNC as a **Heterarchy** or a series of nodes "actively seeking advantages originating in the global spread of the firm". The MNC as a Heterarchy (rather than a hierarchy)\(^2\) has several key features including centers (or nodes) with different attributes (sales, manufacturing, or research and development), loose coupling between units and normative control systems. When we consider the role of corporate parenting and subsidiary relationship within the 'heterarchy', the parenting style and issues of fit have been the focus of some debate within the strategy field. Usually the role of the corporate parent includes corporate strategy and planning, investments and divestments and providing centralized services to business units (van Oijen and Douma, 2000). Some MNCs structure their subsidiaries around product families and geographic arenas, while basing their locational decisions on a variety of factors including incentives. Subsidiaries in the ‘heterarchy’ are in competition with each other to appropriate resources and services from the corporate parent and to enhance their own mandate.

Looking at the MNC’s **subsidiaries**, Birkinshaw and Morrison (1995) argue that much of the early subsidiary literature side steps the issue of strategy to consider parent-subsidiary relationships in terms of variables such as centralization (Schollhammer, H, 1971) and integration (Brandt and Hulbert, 1977) and their relationship with external variables such as parent ownership and the local environment. The Process School perspective is that manager’s focus on defining the subsidiaries structural context to support their strategic objectives (Birkinshaw and Morrison, 1995, Bower, 1970, Prahalad, 1976). Hedlund et al. (1990) argue that this relationship between strategy and structure is probably 'reciprocal and non-linear'. Birkinshaw and Morrison (1995) argue that “the relevant facets of the corporate strategy and the external environment are largely built into the subsidiary’s structural context, and it is from this structural context that subsidiary management principally takes their cues”. Birkinshaw and Morrison (1995) find that subsidiaries with a world mandate (rather than specialized contributors or local implementers) have a higher strategic autonomy and a more internationally configured value-chain. Interestingly, Birkinshaw et al. (2002) argue that an organization’s design is influenced by firstly the firms knowledge base and secondly that they call system embeddedness or the extent to which knowledge is a function of the social and physical system in which it exists.

In a **legal context** and still at the subsidiary level, Hu (1992) explains that MNCs are global concerns using subsidiaries and entities to hide behind the legal principles of separate personalities. This is possible because as Chassagnon (2011) explains, ‘theories of the firm’ show that at one level the firm is a single real entity or a “fictitious or aggregative entity that

\(^2\) See BIRKINSHAW, J. M. & MORRISON, A. J. 1995. Configurations of strategy and structure in subsidiaries of multinational corporations. *Journal of International Business Studies*, 26, 729-753. For a good overview of the “competing theories of MNC structure” and why viewing an MNC through the lens of either a heterarchy or hierarchy is helpful, while a level down different models are needed to consider the MNC’s individual subsidiaries.
serves as a nexus of contractual relations among individuals”. Furthermore, it is important to realise that the modern network form of the MNC “links legally autonomous firms into a single productive system through a hub-firm that has the de facto power to control the entire network”, however “the determination of the boundaries of that entity is difficult because the economic integration of the network transcends the legal boundaries of the firm”. Hu (1992) sets the theory of the firm in practical context by arguing that MNCs derive their primary source of competitive advantage in the home nation, and a tapestry of international advantages then supports that this, including lower corporation tax rates. In terms of adding value from a tax perspective this is meaningful for MNCs because nations that adopt a worldwide taxation principle (US, Britain and most of the OECD) can tax the home-based MNC on its worldwide operations by virtue of the international subsidiaries earnings accruing to the parent’s home jurisdiction. Mollan and Tennent (2015) argue that it is when MNCs were faced with the collective imposition of corporate taxation around the world during the twentieth century they (to avoid double taxation) started taking advantage of the legal context and “(t)hrough innovation in structure, the alternation of location and/or domicile, or some combination of all three, some international firms adapted and changed as the strategic environment changed around them”.

Turning to how MNCs leverage competitive advantage from Domain and Direction, Cunningham and Harney (2012) argue that the MNC’s Corporate Strategy must consider the organizations nature, scope and configuration (Domain). This must be done in a context of a hierarchical approach (Mintzberg, 1994) starting with corporate strategy, flowing to business strategy, and finishing up with functional strategy (including intentions concerning Tax). Cunningham and Harney (2012) explain how Corporate Strategy should define the MNCs purpose (top managements responsibility), which can then crystallize and use to communicate a sense of direction. ‘Tax Planning’ as a Functional Strategy is influenced by national governments use of drivers (Yip, 1989) such as locational incentives (including Research and Development tax incentives and Corporation Tax) to attract MNCs. The MNCs in turn must leverage these drivers to lower their overall ETR and achieve competitive advantage.

Using Cunningham and Harney (2012) to explain of the ‘resource based view’s’ approach of analysing resources rather than products (Wernerfelt, 1984) help clarify that the tax department needs to maximize the benefits offered by external opportunities. These opportunities are created by; leveraging the competitive lowering of Corporation Tax by different jurisdictions; the MNC’s ability to create a ‘powerhouse tax department’ (Byrnes and Lavelle, 2003) as a core competence (Hamel and Prahalad, 1990); and by having the capability needed to pull external opportunities and internal structures together in a form acceptable to the organization’s stakeholders. Peteraf (1993) explains how it is important in the resource based view to leverage and sustain competitive advantage, while Stalk Jr (1988) argues that time is critical, and must be used as a ‘strategic weapon’, with the Tax Department continuously adapting and keeping ahead of the competition. Noda and Bower (1996) conclude that the senior executives of large complex organizations make strategic resource commitments to competing business opportunities base on enthusiasm of managers, such as the head of tax, in an iterative process of resource allocation.
In conclusion, taxation’s alignment with strategy is worthy of further research because MNC Top Management Teams (TMT) appear to be able to add value (McKinsey & Company, 2015, Reuters, 2013, OECD, 2015, OECD, 2014) through the MNC’s corporate parenting function (Campbell et al., 1995, Goold and Campbell, 2002) tactically influencing the MNC’s mix of subsidiaries, entities and jurisdictional presence choices in an iterative recursive process (Mollan and Tennent, 2015).

Methodology
An interpretative inductive methodological approach was adopted to move from generalizations to specific facts and thereby gain an insight into the data, with the study itself focusing on the alignment of tax planning with corporate strategy. The primary research method was semi-structured face-to-face interviews, with the top management team (TMT) or senior managers within ten to fifteen MNCs operating in the finance and ICT sectors. The companies selected all operate in a rapidly changing business environment. The interpretive methodology used the research to move from generalizations to specific facts, and thereby gain unique insights into the actual practices of the interviewees, which arguably could not be obtained through other methods such as questionnaires.

Preliminary interviews were conducted with the tax elite to firstly, ground the research by establishing what is important to tax practitioners when they think of alignment, and secondly, to set the stage for the generation and refinement of the main interview questions targeting of the interview candidates and generation of the interview schedule. Preliminary interviews were secured with two MNC tax executives and one external tax advisor. One tax executive headed an MNC tax function while the other headed the International (non-US) tax function for an MNC reporting directly to the head of tax in the US. The tax adviser was a senior tax partner with significant MNC advisory experience working in a leading accountancy practice based in Dublin, Ireland. For the main interviews, once MNCs were targeted interviews were secured with the respective TMT member and senior managers using the researcher’s network. Obtaining access in this way, resulted in a quicker route to interviews with TMT members (Odendahl and Shaw, 2001) that are normally difficult to identify and challenging to access. Since April’17 seven main interviews have been conducted, with the intention being to ultimately conduct twenty-five to thirty interviews in ten to fifteen MNCs. Many interviewees sat on the TMT, headed their function, or were in senior management positions reporting directly to the TMT. Care was taken to select the right individuals for interview, ensuring they can answer the questions posed. Secondary research data came from the selected companies’ websites, press releases, press comments as well as any internet-accessible executive biographies for the interviewees.

All interviews were recorded and written up immediately afterwards, noting the tone of the interview, overall impression formed, and any other significant observations. The interview
transcripts, post-interview notes and email correspondence from interviewees before and after the interview amounted to a significant amount of data for analysis. NVivo was used to assist data management and data interrogation and analysis, and it also provided a form of ‘audit trail’ (Bringer et al., 2006).

The research methodology has three main weaknesses. The first of these is quantitative verification; although the approach allows for an enhanced understanding of tax planning’s alignment with corporate strategy in practice, by adopting a qualitative approach requiring interviews of TMT members from fifteen companies, the result is findings that are not statistically verifiable. The second is physical concentration of the sample; as the majority of the MNCs were (apart from the tax advisor) from the researcher’s network, it is arguable that some of the findings are limited to the network generated by the researcher’s MNC career progress. The third weakness is judgement and subjectivity; as with all qualitative research, including this one, this weakness must be acknowledged. However, this subjectivity was not at the expense of rigour.

Results
The research focus of this chapter is to detail and examine the findings from the preliminary interviews. Preliminary interviews with the tax elite and their advisors were designed to establish what is important when they consider of alignment and thereby provide focus for the main interviews with non-tax interviewees.

(1) The first finding was that the ‘alignment’ of MNC corporate strategy and tax planning is a process and it is well understood. Tax never leads alignment but rather responds to corporate strategy and business initiatives at a tactical level, ensuring compliance with the regulatory environment. Taxes responsibility in this process is to make the financial outcome better.
PI\textsuperscript{3} explained that MNCs must align tax because “(t)ax strategy can’t be separated from business strategy”, however, “business strategy must come first”. PI\textsuperscript{1} agreed, arguing that “(t)ax never drives the process, the tax tail should not wag the corporate dog... (t)ax follows strategy and tax first doesn’t work”. PI\textsuperscript{3} believed that “(t)ax is involved in (the) corporate decision making at the point of development of tactics” and then explained that as senior external advisor to numerous MNC tax plans that, “(g)enerally speaking... companies will allocate resources or fellow strategies that make money independently of considering tax... (t)he tax guys then make this better”.

(2) MNC tax plans are typically static but undergo periodic reviews and changes to respond to corporate events. These events can vary from corporate initiatives to financial events, to mergers and acquisitions. When an event happens the tax department generally considers it and if appropriate adjusts the tax plan to best leverage the matrix of jurisdictional and cross-jurisdictional compliance issues and opportunities specific to the event. In some cases, this will include direct negotiation with jurisdictional tax authorities. PI\textsuperscript{3} explained that, “any changes to the tax plan would be driven by game changer events... events drive tax planning”. PI\textsuperscript{3} explained that in the case of an event “you would consider a matrix of factors including availability of talent and tax rates, then run the numbers and make a decision”. PI\textsuperscript{1} explained that before the tax plan is changed, “sometimes it comes down to a negotiation with the tax authorities”. PI\textsuperscript{3} had found that MNCs would often chose or deselect a country to do business in based on the tax authority’s willingness to give a ‘tax ruling’.

\textsuperscript{3} The PI acronym refers to Preliminary Interviewee. Each preliminary interviewee has been numbered.
(3) MNC tax plans are for the most part undocumented. Instead there is an unwritten tax framework that is understood and maintained by key tax people. This framework or tax plan is something that the tax departments share internally with TMT members that need to know and externally even more selectively to jurisdictional authorities when required to do so for regulatory compliance. By way of example at MNC level, it was PI2’s experience that “(company name omitted) has no documented tax plan, but has a framework that key people understand. The tax structure is in place”. This framework is then only changed as a result of a regulatory compliance need or a corporate event. Broadening back out to MNCs in general PI3, as an external advisor to several major MNCs, agreed that the tax plan was undocumented and informal, however “…some larger companies depending on the sophistication of the tax department may have (a tax) policy document, therefore it is possible (company name omitted) has one”.

(4) The effectiveness of an MNC’s tax plan relies upon leveraging a matrix of factors relevant to its global footprint and business, including jurisdictional tax rates and grants, talent availability, functions and resources impacted by any strategy change and the MNC’s natural supply chain. The availability of a skilled workforce can often be a gating consideration for a significant number of MNCs. In PI1’s experience “(f)rom just a tax perspective the considerations are; (the) tax rate, workforce availability, new functions to leverage, (country name omitted) tax rate, (locational) grants…. (i)t’s important to consider what the natural supply chain is and where is the workforce to leverage what we already have. Worst is to start making changes ad hoc without a visionary plan”. At a practical level, the head of tax then further tests these effectiveness factors by going to the line of business heads (LOB) heads including manufacturing/shipping to explore any shipping issues (such as export/import compliance), IT about ERP (Enterprise Resource Planning) system considerations and legal to establish what the regulatory considerations are.

(5) MNCs tax employees and advisors fit broadly into two categories, those responsible for transactional tax compliance and those responsible for tax planning. The tax compliance employees support and maintain the tax plan in its steady state, while the tax planner, normally the MNC’s head of tax, would be responsible to interact with the CFO and TMT to establish if a re-align of the tax plan is required to support any new corporate strategy, financial restructuring or corporate event. PI1 further explained how this distinction in responsibilities also applied to external advisors, because “(c)hanging the tax strategy needs study and analysis, (e)ach transaction needs to be examined”, so “(t)here are two types of consultant, very mechanical consultants who deal with transactions and consultants like (big four global accountancy practice) who deal with restructuring”.

(6) The CEO and CFO are the key TMT decision makers when it comes to aligning the tax plan with corporate strategy. The head of taxes’ main route to influence the TMT is via the CFO, with the head of tax effectively acting as a consultant detailing the tax planning options
and making a recommendation. PI1 explained how “(i)t’s important to listen to the CFO and CEO...(t)he CFO made the final decision, (the head of tax) made recommendation”. “(T)ax fulfilled a consulting role researching (three country names omitted). As an external advisor, it was PI3’s broad experience that “(t)ax will normally interface with the CFO” and the alignment of the tax plan with corporate strategy.

(7) It’s important for the tax department to understand the business if an effective tax plan is to be developed. PI1 explained how its key to “find out what’s important and thoroughly understand the business” because this is the only way, on the one hand to understand what the main considerations for an effective tax plan, while on the other hand it also facilitates understanding at a tactical level which LOB heads can help figure out the practicalities of implementation.

(8) Value creation is the most important thing to the tax planner when aligning the tax plan with corporate strategy. PI1 felt there was no debate about what was important, ultimately “ETR (Effective Tax Rate) is what tax is measured on”. PI2 believed “(t)wo things are important, value creation and value protection (because) (t)ax can’t be looked at on its own...(t)he key is value creation or protection and ensuring that any achievable tax rates are defensible”. Interestingly PI2 went on to explain that “(t)ax planners are not really interested in the distinction between corporate strategy and subsidiary strategy, but rather focus on the series of entities, their relationships and the appropriate application of local laws.

(9) It is important for the business and the TMT to understand tax and the tax plan and thereby facilitate tax compliance, leveraging benefits such as R&D tax credits and ultimately support tax planning. It was found that the TMT and the non-tax business had varying degrees of understanding of tax compliance and planning. PI1 described the level of understanding as “…depend(ing) on the style of the executive management team. Some understand others figure it out later”. PI2 felt that the TMT and the non-tax business were more reluctant to make the effort to understand tax resulting in “(t) ax (being) essentially brought to the executives as needed, probably via the CFO to the board”. That’s said PI1 believed that “tax (being) brought in early” positively impacts the degree to which the tax plan could be aligned with corporate strategy.

Discussion

Alignment as a process

Our first preliminary interview finding was that the ‘alignment’ of MNC corporate strategy with an undocumented tax plan is a well-understood process. This process involves tax responding to corporate strategy’s lead at a tactical level with a focus on improving the financial outcome. This tactical response by the tax planner may involve external advice and involves considering a matrix of considerations including jurisdictional tax rates, availability of suitably skilled employees and the natural supply chain.
From a main interview standpoint, it would be very interesting to establish the extent to which the TMT understand the; (1) undocumented tax plan; (2) the trade-offs and risks involved in making the tax plan effective; and, (3) process of alignment. It would also be important to understand from the TMT members the degree to which they consider understanding the tax considerations important.

The drivers of alignment
In terms of drivers the tax elite argued that the alignment of the tax plan with corporate strategy is driven by a combination of corporate events and a need to add value. When a corporate event occurs the head of the MNC’s tax function is involved to carry out a broad review of a matrix of considerations including the business needs, entity structure and the jurisdictional considerations needed to respond to the event. The expectation is that the head of tax would, depending on the size and expertise of the MNC’s tax department, take external advice and then generate options and a recommendation. The overall goal is to add value through lowering the ETR in a defensible way.

When it comes to the main interviews it would be important to understand where, from the non-tax perspective, the tax plan sits in the series of activities that the MNC would undertake once a corporate event occurs. Given taxes role is to add value, it would also be important to understand the degree to which the CFO and the TMT understand the level of risk in any proposed tax plan and what their views on risk are understood and responded to by the head of tax.

The people responsible for alignment
Our preliminary findings also showed that a very select group of senior individuals, almost always in the TMT, are responsible for the alignment of corporate strategy with the tax plan. This group has at its core the CFO and CEO who are in a limited number of cases supported by the head of tax and legal. The head of taxes route to the TMT is almost always via the CFO (Mulligan et al., 2015b). The head of taxes responsibility is to provide the CFO with tax planning options available to support any new strategic initiative and a recommendation such that the CFO can take this to the top table. For the main interviews, it will be important to establish from a non-tax perspective who are the key TMT members involved in making decisions on alignment.

To develop an effective ‘tax plan’ the tax planner needs to understand in considerably detail businesses which are often large, complex and geographically spread. Furthermore, they need to ensure key individuals are sufficiently trained to be able to understand, interpret and make decisions on which tax planning options best suit any new corporate strategy or event. From a social skill standpoint, they need to be able to work very closely with and influence the CFO and ultimately the TMT via the CFO. The tax planner would appear to need be willing to learn about the MNC’s business, be a good trainer and have the sophisticated social skills needed to both communicate an undocumented plan and
influence the CFO and the TMT. This makes it key to establish from the non-tax interviewees how embedded tax is within the business and whether the tax department; (1) trains the business on tax issues; (2) understands the business; and, (3) the degree to which the CFO and TMT members are influenced by tax.

Conclusion
There is a societal concern that multinational corporations (MNCs) are somehow self-servingly aligning tax planning with corporate strategy on a global scale. From a tax literature perspective, there is significant research to tell us how important it is that the MNC should align the tax plan with corporate strategy. However, on the other side of the alignment process the corporate strategy literature tells us very little the alignment process, its drivers and people.

Preliminary interviews were used to establish what is important to the tax elite when they think of the alignment of tax planning with corporate strategy in MNCs, and thereby provide the focus for the main interviews. There was general agreement that the tax plan was undocumented and that its alignment with corporate strategy is a well-understood process driven by corporate events. Technical reasons were given to detail what helps improve the effectiveness of the tax plan and achieve its goal of value creation. The role of the CFO and CEO in this process are critical with an effective tax planner needing to both understand the business and ensure the business and the TMT understand the tax plan.

Turning to the main interviews it will be important to establish from the non-tax interviewees the degree to which the tax planner understands the large and often complex business that is an MNC and the extent to which this understanding impacts the outcomes resulting from the alignment process. Given the tax planners need to influence and work with the most senior executives in an MNC, it will also be important to establish the degree to which the tax planners have the social, networking and persuasion skills needed to align a complex and undocumented plan on a topic that most non-tax people try to avoid. It would also be very helpful to get the non-tax TMT members view on where tax plan sits in the series of activities that the MNC undertakes when a corporate event occurs.
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