Turning vice into virtue: Institutional work and professional misconduct

Brooke Harrington
Department of Business and Politics, Copenhagen Business School, Denmark

Abstract
Why do professionals engage in or aid misconduct, rather than rejecting it as a threat to their legitimacy and labor market survival? This article contributes to the scholarly agenda by drawing on an ethnographic study of professionals who facilitate offshore tax avoidance for the ultra-wealthy. This form of expert advisory work has become highly controversial, and is increasingly classified as a form of professional wrongdoing. Building on theories of institutional work and categorization, the study theorizes practitioners’ responses to field-level legitimacy threats. Specifically, the article models a process in which misconduct is recategorized in terms of the core norms that underpin professional legitimacy. Through this process, practitioners create institutional change by altering the way they see themselves and their work, transforming the ‘vice’ of tax avoidance into the professional ‘virtues’ of public service and expert neutrality. This model advances knowledge compared to previous research on professional misconduct, which was situated primarily at the organization level, and responds to calls for analysis of ‘agentic self-categorization’ processes in creating the micro-foundations for legitimacy in the professions.

Keywords
category work, institutional theory, professional misconduct, tax avoidance

Introduction
The ‘character’ of a profession is judged by its practices (Abbott, 1988: 190). Practices classified as misconduct or wrongdoing can pose a significant threat to a profession’s
legitimacy—the foundation of the regulatory bargains that privilege professionals above other occupational groups (Adams, 2017). Professions whose practices are categorized as illegitimate risk costly regulatory scrutiny (Ozcan and Gurses, 2017), have difficulty attracting capital (both human and economic), and face exclusion from strategic alliances (Deephouse and Suchman, 2008; Pfeffer and Salancik, 1978). Even when a professional practice is not definitively categorized as wrongdoing, the mere fact of contestation can limit access to resources and constitute a competitive disadvantage (Vergne and Wry, 2014). In this sense, avoiding any association with the taint of misconduct is ‘survival-enhancing’ (Antebey, 2010: 607) for professionals.

Yet many professionals still engage in disreputable practices that some classify as wrongdoing. These include the manufacture of weapons (Vergne, 2012), the sale of tobacco products (Jensen, 2010), the provision of certain reproductive technologies (Spar, 2006), and the trade in human cadavers (Antebey, 2010). These cases raise questions that current theory is ill-equipped to address, such as: how do practitioners understand misconduct and the challenges it poses to their viability as professionals? A related question is: once a professional practice is subject to negative categorization or contestation of its legitimacy, how do practitioners respond?

This article addresses the gap in knowledge by examining how professionals engage in institutional work (Lawrence and Suddaby, 2006) to recategorize contested practices in an effort to re-establish their legitimacy. Specifically, the article models a process in which misconduct is recategorized in terms of core norms that underpin professional legitimacy—particularly norms of neutrality and public service. Empirically, the article looks at elite professionals facilitating offshore tax avoidance for the ultra-wealthy—a form of expert advisory work identified by Cooper et al. (2013) as among the most fruitful domains for research on professional wrongdoing. Although tax avoidance involves reducing fiscal obligations to the state through legally accepted means (Fisher, 2014; McBarnet, 1992), these practices have become controversial and are increasingly classified as professional misconduct.

Theorizing from data gathered through 8 years of participant observation with tax avoidance professionals, interviews with 65 practitioners in 18 countries, and a wealth of archival material, this article makes three contributions to scholarship on the professions. First, it conceptualizes the terms misconduct and wrongdoing as categories subject to contestation, and as catalysts for institutional work and change in the professions (Lawrence and Suddaby, 2006). Specifically, it proposes that the meaning of professional misconduct is not fixed, but changes—andprovokes change institutionally—as practitioners seek to regain legitimacy and other resources (Lounsbury and Rao, 2004). In this respect, the article diverges from previous accounts of misconduct as either an ‘essentially static’ phenomenon or as one that changes primarily in response to an exogenous ‘ecology’ of political and economic factors, such as globalization (Muzio et al., 2016: 145).

Building on this starting point, the article offers a second contribution: an endogenous model of change based on ‘agentic self-categorization’ and the strategic pursuit of membership in particular categories (Vergne and Wry, 2014: 78). This addresses recent calls to explain the conditions under which professionals engage in or aid misconduct (Muzio et al., 2016). A significant gap in knowledge has arisen around this point: while previous
literature has examined the motives and opportunities that surround wrongdoing—such as client capture, globalization, and self-regulation (Adams, 2017; Dinovitzer et al., 2014)—we still know little about the processes through which individual professionals actually understand and enter into misconduct. The model proposed here shows practitioners strategically recategorizing activities to align them with the traditional virtues of professionalism. By changing the way actors view themselves and their practices, this categorization work provides the self-justification that is a necessary precursor for misconduct (Bandura, 2002) and drives institutional change from the bottom up (Suddaby et al., 2015).

Third, the study extends recent work showing that the authority to define professional work is devolving from the level of firms and industry groups to that of individual actors (Durocher et al., 2016). By examining individual agency in the categorization of misconduct, the article exposes the neglected ‘micro-foundations of legitimacy’ (Antebay, 2010: 606) and addresses calls to model institutional change as arising from incremental adaptations by practitioners, rather than as a result of planned, top-down strategy by field-level actors (Smets et al., 2012). This contributes to the literatures in both institutional theory and the professions, shedding light on the otherwise ‘invisible role that professionals play in institutional work’ (Suddaby and Viale, 2011: 423).

The remainder of the article is arranged as follows. The literature review addresses the state of existing research, pointing up areas that have been neglected or undertheorized. The methods section offers a justification for the selection of private tax avoidance and the professionals who facilitate it as the empirical setting of the study; then it outlines the data sources and analytic techniques applied to them. The findings section presents the results of the analysis, and the discussion section proposes a model of professionals’ institutional work on misconduct. The final segment of the article assesses the model’s potential contribution, limitations, and implications for future research.

**Literature review**

**Professional misconduct, wrongdoing, and legitimacy**

Both misconduct and wrongdoing are terms that categorize activities as illegitimate. Although wrongdoing is not unique to professionals, it is ‘especially worrisome’ (Muzio et al., 2016: 143) because of the power and privilege accorded to them as an occupational group. This power and privilege have historically been predicated on the attribution of legitimacy and ‘respectability’ (Macdonald, 1995: 31) to practitioners. As a result, whenever professional practices have been characterized as wrongdoing, contestation arises as to their legitimacy; as one study noted in reviewing the history of the professions, ‘nobody struggles more with the question of morals than professionals in contested markets. Probably more than others, they have a vested interest in seeing their activities depicted as morally legitimate … legitimizing efforts often appear to originate with professionals’ (Antebay, 2010: 610).

Precisely how misconduct or wrongdoing are defined varies not only across professions, but also within professions at different times and locations (Gong et al., 2015). Although some clear lines have been drawn around criminal forms of wrongdoing, the
leeway in practice and self-governance that professionals enjoy (Adams, 2017) mean that large ‘grey areas’ have emerged in the realm of activities that are legal but potentially disreputable (Jackson and Brammer, 2014). The boundaries of such grey areas are shifting, in part because professions are self-regulating: when practitioners judge one another’s conduct via disciplinary tribunals and other governance mechanisms, the outcomes can be quite varied (Gabbioneta et al., 2013). And from outside the professions, the meanings of misconduct may be even more variable: from the vantage point of mass media and public opinion, ‘a behavior becomes a transgression only if it is perceived as such’ (Clemente and Gabbioneta, 2017: 287). In practice, this means that professional wrongdoing—especially when it does not clearly violate any laws—remains largely in the eye of the beholder. Thus, rather than being clearly defined, professional misconduct and wrongdoing can best be characterized as ambiguous or contested terms whose meaning is highly contextual (Cooper et al., 2013).

Another way to examine professional misconduct is against the backdrop of the larger professional project of legitimization (Larson, 1977; Suddaby and Viale, 2011): this project establishes the monopolistic privileges and regulatory protections for practitioners based on their knowledge and enactment of ‘the right thing to do’ (Suchman, 1995: 579). Legitimacy, defined as being in ‘congruence with social norms and values’ (Deephouse and Suchman, 2008: 50), has been central to the study of the professions since the early work of Weber (1978) on expert authority. From this functionalist perspective, ‘professional misconduct is a misnomer that runs counter to the very idea of professionalism’ (Muzio et al., 2016: 144).

Professional legitimacy has historically been linked to specific practices (Abbott, 1988; Antebry, 2010) that demonstrate superior knowledge and disinterested (neutral) contribution to public service. Although some professions have begun emphasizing a commercial logic in which the ‘client is king’ (Spence and Carter, 2014), the traditional virtues of public-oriented altruism, neutrality and expertise (Larson, 1977) remain the basis of the regulatory bargains that afford professions their characteristic monopolies and autonomy (Adams, 2017). Moreover, judgments about professional misconduct and wrongdoing are still made in relation to those historical sources of legitimacy. In particular, empirical research frequently points to perceptions of professional wrongdoing arising when practitioners engage in conduct interpreted as biased or self-serving (Antebry, 2010; Brown, 2003; Fanelli, 2013; Ostas, 2007; Rittenberg and Covaleski, 2001)—that is, as violating the traditional norms of neutrality and altruistic service.

Category-editing as a response to professional misconduct

Professionals faced with allegations of misconduct may respond with efforts to repair and restore the legitimacy of the contested practices. This implication is supported by a stream of research on categorization or ‘category editing’ (Lounsbury and Rao, 2004; Ulin, 1996)—a form of institutional work (Lawrence and Suddaby, 2006) in which actors seek to manipulate the boundaries that structure cognition and valuation of goods and services. Categorization of professional services constitutes a key form of institutional work (Lawrence and Suddaby, 2006), central to embedding professions in societies and markets (Suddaby et al., 2015).
Professional legitimacy, jurisdictional boundaries and market competition all depend on the ways that practices are categorized (Abbott, 1988; Lounsbury and Rao, 2004). Category work (Ozcan and Gurses, 2017) engages interpretive processes to answer questions such as ‘what is this?’ or ‘how should we understand this action or event?’ Categories set boundaries around phenomena, but they also do more: they permit actors to ‘explain, rationalize and promote’ (Lounsbury and Glynn, 2001: 546) some activities and beliefs over others. For professionals, categories help individuals classify themselves, positioning them within normative frameworks and socio-economic hierarchies (Abbott, 1988; Durocher et al., 2016; Suddaby et al., 2015).

Thus, category work is emerging as a central institutional process in gaining and maintaining legitimacy. By implication, category-editing could also be used in response to legitimacy threats. For example, one new study shows firms developing new category distinctions as a means to legitimate products that have acquired a dubious reputation, such as dietary supplements (Ozcan and Gurses, 2017). However, questions about the application of such findings to the professions remain unanswered—most importantly: can category work be a means of restoring legitimacy to practices viewed as professional misconduct? The present study will address this gap in knowledge.

In addition, the article will examine the under-researched issue of agency and change in category work. Until recently, institutional theory treated categories as exogenous social facts to which professions, firms and industries were subject. Research on categorization of professional work, in particular, has frequently been limited to processes of boundary construction and maintenance, rarely considering change (Suddaby and Greenwood, 2005). The relevant actors were all located at the macro-level: that is, the capacity to create or modify categories was considered a ‘consequential social power, often associated with states, firms, professions and other field-level actors’ (Lounsbury and Rao, 2004: 976).

This study will build on newer research showing that categories surrounding professional service can change endogenously, driven by individual practitioners. For example, research on the use of social media by ‘celebrity professionals’ shows that their ‘micro-practices’ catalyze change in the way professionals ‘view themselves. This, we interpret as a key shift in self-cognition, or a change in institutional thinking’ (Suddaby et al., 2015: 66). This seizure by individuals of the symbolic power of categorization ‘exposes the agentic limitations of high-status actors’ (Coule and Bennett, 2016: 1059) such as firms, states and other organizations—particularly in a globalized context in which individuals can access mass audiences. This account of change is distinct from the institutional entrepreneurship model, which focuses on powerfully agentic or ‘hypermuscular’ actors purposefully engaged in dramatic change efforts (Lawrence et al., 2009). In contrast, the category work perspective looks at the changes catalyzed by individuals engaged in their ordinary work (Lawrence and Suddaby, 2006).

Recent research on category work is particularly relevant to questions of professional misconduct because it documents the growing significance of individuals in driving change in professions’ identity and mission (Durocher et al., 2016). A key agenda in this research stream is thus to explain how such individuals engage in ‘agentic self-categorization’ and the strategic pursuit of membership in particular categories (Vergne and Wry, 2014: 78). That is, scholars need to know more about what motivates professionals to change
the way they view themselves and their practices. Some studies have focused on exogenous shocks (Suddaby and Greenwood, 2005; Tolbert and Zucker, 1996), but research on this issue has been limited. Advancing this area of inquiry requires closer specification of the catalysts for micro-level category-editing (Lounsbury and Rao, 2004) and self-categorization—an agenda to which this study contributes.

This article addresses gaps in knowledge about the professions and institutional work by positing that individuals can use categorization processes to restore the legitimacy of disreputable practices. This approach advances on earlier ‘bad apples’ (Felps et al., 2006) models of professional wrongdoing, which have been criticized for detaching the individual from the collective, portraying wrongdoers as ‘rogues’ unrepresentative of the profession as a whole (Muzio et al., 2016). In contrast, an institutional analysis situates individuals and legitimation processes in a field-level context, showing how ‘actors create “tunnels” around existing institutions, up through the “pores” of society … [as] an important pathway of social change’ (Rao et al., 2000: 249). Empirically, this article develops a multi-level model of professional misconduct and legitimation efforts by applying a category work perspective to the case of experts who facilitate tax avoidance for the wealthy.

**Research-setting**

As professional misconduct is still poorly understood (Muzio et al., 2016), this article follows Gabbieta et al. (2013) in developing theory from a case study: the objective is not to test a priori hypotheses but to create a model from which testable propositions can be derived. The selected case is tax avoidance, which has been identified as among the most socio-economically significant and analytically interesting domains of professional misconduct today (Cooper et al., 2013). In particular, this study examines the professionals who create tax avoidance schemes for high- and ultra-high-net-worth individuals—a practice estimated to cost global governments at least US$200 billion in annual revenues lost (Zucman, 2015).

Though rarely acknowledged by social scientists (but see Hofri, 2014), these professionals have come to greater public prominence through a series of data leaks from offshore tax havens, the most extensive of which was the Panama Papers of 2016, which exposed private tax avoidance ‘on an industrial scale’ (Halpern, 2016; Harding, 2016). This study responds to scholarly calls to delve deeper into these revelations (Weisbord, 2016) and what they suggest about professionals who engage in activities widely viewed as misconduct (Trayner, 2017). In particular, the disapproval directed at private tax avoidance offers an analytically interesting opportunity to observe professionals’ responses to a practice undergoing a dynamic process of categorical contestation.

**Legality vs legitimacy: The case of tax avoidance**

Unlike tax evasion, which is illegal, tax avoidance involves reducing a firm’s or an individual’s fiscal obligations to the state without breaking any laws (Fisher, 2014; Wheatcroft, 1955). Although avoidance and evasion achieve similar purposes, the crucial difference in terms of professional legitimacy lies in how those ends are achieved.
(Antebay, 2010). The ‘how’ of tax avoidance has been termed ‘creative compliance,’ which denotes the professional practice of manipulating the law ‘to achieve the same goals as crime … without risking penalties or stigma’ (McBarnet, 1992: 58). It requires fastidious compliance with the letter of the law, while violating its intent; this creates the appearance of legitimacy without the substance.

Until a few decades ago, virtually all tax avoidance was considered normatively legitimate; an uncontroversial, commonsense practice in business and personal finance (Scholes et al., 2008). Starting in the 1980s, however, public perceptions of the practice started to change, and some tax avoidance began to be classified as unacceptable (McBarnet, 2004; Mitchell and Sikka, 2011). Economically, tax avoidance deprives world governments of billions in tax revenues each year, including not just the losses from private individuals but an additional US$500 billion in unpaid tax by corporations (Cobham and Jansky, 2017); these revenue shortfalls make it increasingly difficult for governments to provide public goods. Politically, the practice creates a group of natural and corporate persons who are essentially above the law and beyond the reach of social control. Their legal ‘impunity’ (McBarnet, 1992: 68), along with failure to pay their fair share of the costs of society, have been classified in an increasingly negative way following the global financial crisis of 2008, which led—among other outcomes—to imposition of austerity measures in states whose coffers had been severely depleted by decades of tax avoidance (Schneider, 2012). Tax avoidance is now subject to multiple normative distinctions, ranging from the still-acceptable ‘tax planning’ to disreputable ‘aggressive avoidance’ and ‘aversion’ (Riches, 2012; Seldon, 2005 [1979]).

Not only the practice of tax avoidance, but the professionals associated with it, have been labeled ‘immoral’ (Syal, 2012). Investigations of corporate and individual tax avoidance have increasingly directed attention to the professionals who provide the ‘advice and innovation necessary to stay on the right side of the criminal line … to escape control yet still remain legitimate’ (McBarnet, 1992: 71). In the corporate arena, these professionals are found in the Big 4 accounting firms (Sikka, 2017) and corporate law firms (McBarnet, 2004). For wealthy individuals, the key facilitators are wealth managers—an elite profession composed of lawyers, accountants, bankers and others who specialize in tax avoidance for the world’s ‘upper crust’ of 15.4 million individuals with US$1 million or more in investable assets (Cap-Gemini, 2016).

*Wealth management and private tax avoidance*

Wealth management professionals specialize in protecting the fortunes of high- and ultra-high-net-worth individuals from taxation and other forms of social control (Hofri, 2014; Winters, 2011). The legality of this work is dependent upon the global web of tax havens, so practitioners typically create and manage a complex set of structures—such as trusts, corporations, and foundations—to hold clients’ assets in multiple offshore jurisdictions. The clients themselves are usually residents and citizens of several countries, with assets spread across multiple states (Beaverstock et al., 2004). To serve these clients, wealth managers must command professional skills in multiple domains; practitioners describe themselves as ‘part lawyer, part tax adviser, part accountant and part investment adviser all rolled into one’ (Parkinson, 2008: 20).
Historically, practitioners in this field 'were men from good families who managed the wealth of other members of the elite, and did this as a business' (Friedman, 2009: 115). They specialized in shielding clients' assets from tax using legal tools such as the philanthropic foundation—an approach that remains popular in private and corporate tax avoidance (Shaxson, 2011). This meant that wealth managers often acted literally as 'social trustees' (Brint, 1994) by managing entities established—at least nominally—for public benefit (Hall, 1973; see also Marcus and Hall, 1992). In this way, they were seen publicly as using their expertise in a disinterested way: offering 'service or stewardship, not only to the ongoing and individual interests of particular persons, but to the Durkheimian whole' of society (Marcus, 1983: 242).

Thus, wealth managers have historically embodied something close to an ideal type in the professions, in the sense that their 'professionalism is an extension of elitist norms of appropriate conduct' (Suddaby et al., 2015: 55). Moreover, their work represented the three characteristics—expertise, public service, and neutrality—on which professional legitimacy and privilege are contingent (Larson, 1977). In fact, they were expected to embody extremes of these qualities, as wealth managers are legally classified as fiduciaries—a subset of professionals with special obligations to render loyal and selfless service, along with strictly impartial advice (Fairclough and Micelotta, 2013). Because they have been held to particularly high conduct standards, fiduciary professionals have been granted the highest levels of trust (Boxx, 2012; Thornton et al., 2005). As a result of this history, the wealth management profession has remained lightly regulated, and almost entirely self-regulating up to the present day (Adams, 2017). Far from states controlling wealth management, politicians are increasingly dependent upon the profession, appointing practitioners as regulators (Sikka and Wilmott, 2013) and inviting them to draft the laws governing their own activities (Cooper et al., 2013; Hofri, 2014).

In light of the position of trust that wealth management has enjoyed, categorization of its tax practices as misconduct has come as a particularly destabilizing shock to the profession’s understanding of itself and its work. For example, in the UK, Members of Parliament have described wealth managers and their practices as ‘completely and utterly and totally immoral’ (Syal, 2012), and as ‘perverting the spirit of the law’ (House of Lords, 2011, Column 375). In the USA, a Senate investigator described wealth managers as ‘really bad people’ who gather at professional society meetings ‘to learn how to become even worse people’ (Silverstein, 2014). Within wealth management, this growing chorus of public disapproval has been received as a major legitimacy threat (Halpern, 2016; Riches, 2012), but unlike in corporate tax avoidance practice, there has been little to no response from field-level representatives of the profession.

The professional society. The professional society does little to defend the legitimacy of wealth management and its practices. The London-based Society for Trust and Estate Practitioners (STEP)—the only organization that represents wealth management as a profession worldwide—was established in 1991, and has remained surprisingly passive in the face of international outcry. Although STEP lobbies legislatures for laws favorable to its members, and established the profession’s first globally-recognized credentialing system, as well as a Code of Conduct and disciplinary procedures (STEP, 2006), it has very limited influence over the 20,000 members it claims in 95 countries. For example,
STEP’s disciplinary proceedings are largely symbolic: in response to violations of its Code, the organization can issue a reprimand, impose a fine or exclude individuals from STEP membership (STEP, 2017). But, unlike in law or accounting, where practitioners can be stripped of their license to practice, no such penalty exists in wealth management: neither STEP nor any other organization can prevent someone from practicing as a wealth manager, since neither a credential nor membership of the Society are required.

STEP has made few efforts to increase its credibility or effectiveness in defending the profession’s reputation in the face of legitimacy threats. The organization did not create a Code of Professional Conduct until 2002—more than a decade after the Society was established. The delay is noteworthy given the significant role that codes of conduct have played in supporting the legitimacy and ‘moral prestige’ (Kouchaki, 2015: 378) of professions. Though the Code has been revised several times, its prime directive has not changed: in all versions, Article 1 remains ‘Observing the Law.’ STEP’s insistence on legality as the only meaningful source of legitimacy for their members’ practices is of little assistance in countering contestation of an already-legal practice like tax avoidance. Thus, although STEP has provided a platform for some responses to attacks on the legitimacy of private tax avoidance—as reviewed in the Findings section—it has generally recused itself from the field-level debate. This is in keeping with the organization’s previous responses to reputational crises in the profession.

Wealth management firms. By the same token, wealth management firms have left practitioners on their own in responding to categorizations of private tax avoidance as professional wrongdoing. Owing to the extreme commitment to secrecy in the industry—which is both normative (Winters, 2011) and bolstered by laws imposing civil and criminal penalties for breaches of client confidentiality (Parkinson, 2004)—firms are absent from the public debate. So, whereas organizations that facilitate corporate tax avoidance, such as the Big 4 accounting firms (see Sikka and Wilmott, 2013), regularly defend themselves in public forums against charges of misconduct (e.g. Ježek and Kofod, 2017), wealth management firms have opted for a very different strategy: intentionally absenting themselves from public debate, even when their legitimacy and reputation are at stake.

In this sense, firms in the wealth management industry are akin to companies engaged in other legal-but-disreputable practices, such as weapons manufacture (Vergne, 2012) or the trade in human cadavers (Antebiy, 2010). Like them, wealth management firms ‘prefer to avoid public association of their name with the industry and thus communicate very little about their activities’ (Vergne and Wry, 2014: 77). They thrive by strategically isolating themselves from public view, minimizing scrutiny of their practices and the potential for social disapproval. Thus, The Economist (2012) described wealth management firms as ‘tight-lipped,’ adding that ‘Bad publicity makes many in the industry gun-shy.’

Wealth management firms’ cultivation of invisibility and silence is particularly pronounced around the topic of tax avoidance. Even large international banks with robust wealth management divisions downplay the tax avoidance aspect of their service portfolio; although the banks have huge advertising and marketing budgets to promote most of their offerings, they ‘do not openly advertise advisory services for “tax shelters”’ (Goodman, 2016). By the same token, firms have been almost completely absent from the public debates that have followed offshore leaks concerning private tax avoidance.
Despite the legitimacy threat such leaks have posed (Halpern, 2016), virtually every major firm has declined to comment publicly (Greenhalgh, 2016).

As this suggests, wealth management differs in important ways from corporate tax avoidance services, particularly in terms of the role of firms in responding to contestation of professional practices as misconduct. Although the two professional groups achieve similar ends using similar techniques, firms play a relatively small part in wealth management. The deep traditionalism of wealth management includes its embeddedness in an employment model that has remained essentially unchanged since the nineteenth century, in which ‘the individual practitioner was once [considered] the most legitimate form for the delivery of professional services’ (Suddaby and Viale, 2011: 431). This means contemporary wealth managers’ enduring relationships are not with employer firms, but with individual clients, often spanning several generations of the same family (Hall, 1973; Marcus and Hall, 1992).

Thus, whereas corporate tax avoidance involves firms serving firms, wealth management predominantly involves individuals serving individuals, making the role of firms far more limited. The weak influence of firms on wealth managers has been accentuated by globalization and increased mobility. Both have structured the market for expertise increasingly around individual practitioners rather than the organizations that employ them; wealth managers are now part of a larger group of professionals whose ‘personal brand’ competes with or even exceeds that of employer firms in market recognition and value (Suddaby et al., 2015). This contributes to the limited role of firms in the debate on the legitimacy of tax avoidance, positioning individual wealth managers as key actors.

**Methods**

The four data sources used in this study are summarized in Table 1, which also shows how each data source was applied in the analysis. The data range from 2007 through 2017; complementary perspectives were used in order to reduce bias, enhance validity, and triangulate findings (Jick, 1979). Interviews conducted with 65 practicing wealth managers in 18 countries constituted the study’s primary data source in answering questions about professional agency and wrongdoing.

Another source of data was statements and documents produced by STEP, including: statements by leaders of the association at closed professional society meetings, as well as internal documents, such as training manuals for the organization’s credentialing program for wealth managers. In addition, I looked at statements and documents produced by STEP for public consumption, such as the monthly magazine (*STEP Journal*) and public policy statements on issues of taxation. Both shed light on the Society’s view of professional wrongdoing. The internal statements and documents reveal the professional association in conversation with itself, as it developed an understanding of public perception of wealth managers and their role in tax avoidance.

Finally, I analyzed articles from the English language press about the wealth management industry and its connection to tax avoidance. Using the Factiva database, I surveyed articles from the English-language press in Europe and North America between 1 January 2000 and 31 December 2017. The articles provided valuable context for this study by illustrating the construction of tax avoidance as a form of wrongdoing, as that view
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<td>Interviews</td>
<td>Interviews with 65 wealth managers in 18 countries.</td>
<td>Individual</td>
<td>Analysis of individual professionals’ understandings of wrongdoing in relation to tax avoidance.</td>
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<td>Internal statements and documents of the professional society</td>
<td>Remarks by officers of STEP—the primary professional society for wealth managers—at annual and regional meetings open only to members. Textbooks from the credentialing courses for wealth managers, available only to members.</td>
<td>Collective: intra-professional</td>
<td>Develop understanding of the collective intra-professional discourse around wrongdoing through tax avoidance.</td>
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<td>Public documents from the professional society</td>
<td>Monthly magazine published by the professional society, available online. Public policy statements, available to all.</td>
<td>Collective: public-facing</td>
<td>Analyze practitioners’ assessments of external perception of tax avoidance, as well as public response by the profession.</td>
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unfolded over time. Of the 626 articles, most (412) concerned the Panama Papers leak of 2016 or the Paradise Papers leak of 2017. This suggests a momentum of change in public perceptions of tax avoidance and wealth managers.

Data collection

The interviews that form the primary data source for this article were part of a larger participant observation study conducted between November 2007 and July 2015, which consisted of completing STEP’s professional certification program in wealth management, and attendance at professional society meetings (for which the STEP credential was a prerequisite). The credentialing program involved five week-long courses which were each attended by different groups of 10 to 15 wealth managers from a variety of firms. As the credential is not mandatory to practice wealth management, but is increasingly viewed as a desirable signal of professional respectability (Macdonald, 1995), all those in attendance were already in practice, with between 2 and 15 years of experience. Each course was taught by wealth managers with careers of 30 years or more; they were often the authors of the course textbooks we used. I interviewed both my fellow course participants and the instructors. At the professional society meetings, where there were frequently more than 500 wealth managers in attendance, practitioners were highly diverse, representing a wide variety of nationalities and backgrounds—including not just those with law or accounting degrees, but wealth managers who had previously worked in academia or journalism.

Although I never practiced as a wealth manager, this participant observation strategy was necessary to overcome the considerable normative and legal barriers to accessing the profession for research purposes. The constraints imposed by confidentiality laws (Parkinson, 2004), coupled with normative commitments to discretion (The Economist, 2012) mean that most wealth managers simply refuse to speak with researchers, journalists or other outsiders (Strike, 2013; Strike and Rerup, 2016). Owing to the unusual levels of secrecy and distrust surrounding wealth management, it would have been difficult to study practitioners other than by immersion. By entering their world as a student, I was following a long-standing tradition in qualitative research: gaining access by putting myself, as much as possible, in the shoes of the people I wanted to study (MacRae, 2007). Previous research has shown this approach to be particularly valuable in approaching occupational groups suspicious of outsiders; for example, in police departments facing accusations of misconduct, a researcher who enrolled in the police academy (while disclosing his research aims) was granted access based on participants’ perception that he was making a good-faith effort to see the world from their perspective (van Maanen, 1973).

In keeping with this tradition, the interviews for this study were conducted with the wealth managers’ knowledge of my identity and institutional affiliation, as well as their consent to participate in a research project. In both the credential program and professional society meetings, I—like the other participants—at all times wore a badge on my chest showing my name and institutional affiliation. To have ‘gone undercover’ would have been a violation of research ethics (Ryen, 2004), and was not necessary in any case. If anything, my badge provided a useful icebreaker during coffee breaks and other informal interactions: it provoked questions about my reasons for being present. I explained that I was conducting an academic study of the wealth management profession and its
role in the global political economy; I added that their work seemed neglected by scholars and poorly understood, in light of the large international capital flows they managed. Participants often agreed with this assessment, and elaborated on the ways in which they felt wealth management was misunderstood and underappreciated publicly. I followed up by asking if they would be willing to sit down for an interview with me, on condition of anonymity: that is, I would not use their names, nor those of their employer organizations, and I would not ask them to violate client confidentiality. Whether they believed I would ‘set the record straight’ publicly, or simply act as an appreciative audience for their professional ‘war stories’ (Waddington, 1999), most agreed to be interviewed.

The interview sites included many of the most significant financial centers in the world: Switzerland, Liechtenstein, Hong Kong, Singapore, Mauritius, and the following British Crown Dependencies and Overseas Territories: Guernsey, Jersey, the British Virgin Islands, and the Cayman Islands. Some were conducted in the newer financial centers, such as the Seychelles. This was done to capture global variations in practitioners’ understanding of professional wrongdoing. The number of interviews conducted in each country is shown in Figure 1.

None of the participants consented to be taped during the interviews, so responses were recorded by the researcher typing on a laptop, at the rate of approximately 75 words per minute. Interviews typically lasted 90 minutes, with a range of 30 minutes to over 3 hours. Questions focused on challenges and dilemmas of providing client service—a line of questioning that did not explicitly touch on tax avoidance, but frequently brought forth data on that subject. The interview participants were diverse, representing 19 nationalities, five racial-ethnic groups (Hsu et al., 2014), and ages from late 20s to late 60s. Women were very well-represented in this sample compared to similar studies (e.g. Strike, 2013), but still remained in the minority at 29 percent. Like most elite professions, the composition of wealth management practitioners is mostly white and male (Cook et al., 2012). A
Table 2. Characteristics of interview sample (N = 65).

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Count</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Women</td>
<td>19</td>
<td>29%</td>
</tr>
<tr>
<td>Men</td>
<td>46</td>
<td>71%</td>
</tr>
<tr>
<td>Age group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20s</td>
<td>1</td>
<td>2%</td>
</tr>
<tr>
<td>30s</td>
<td>20</td>
<td>31%</td>
</tr>
<tr>
<td>40s</td>
<td>21</td>
<td>32%</td>
</tr>
<tr>
<td>50s</td>
<td>14</td>
<td>21%</td>
</tr>
<tr>
<td>60s</td>
<td>9</td>
<td>14%</td>
</tr>
<tr>
<td>Race/ethnicity(^1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>White</td>
<td>45</td>
<td>69%</td>
</tr>
<tr>
<td>Black</td>
<td>6</td>
<td>9%</td>
</tr>
<tr>
<td>Hispanic</td>
<td>6</td>
<td>9%</td>
</tr>
<tr>
<td>Indian or Pakistani</td>
<td>5</td>
<td>8%</td>
</tr>
<tr>
<td>East Asian</td>
<td>3</td>
<td>5%</td>
</tr>
<tr>
<td>Professional background</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Law</td>
<td>22</td>
<td>34%</td>
</tr>
<tr>
<td>Banking</td>
<td>21</td>
<td>33%</td>
</tr>
<tr>
<td>Accountancy</td>
<td>12</td>
<td>18%</td>
</tr>
<tr>
<td>Corporate finance</td>
<td>6</td>
<td>9%</td>
</tr>
<tr>
<td>Other</td>
<td>4</td>
<td>6%</td>
</tr>
<tr>
<td>Years in wealth management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0-5</td>
<td>4</td>
<td>6%</td>
</tr>
<tr>
<td>5-10</td>
<td>16</td>
<td>25%</td>
</tr>
<tr>
<td>10-15</td>
<td>23</td>
<td>35%</td>
</tr>
<tr>
<td>15-20</td>
<td>12</td>
<td>18%</td>
</tr>
<tr>
<td>20+</td>
<td>10</td>
<td>16%</td>
</tr>
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</table>

Note: \(^1\)This study acknowledges the problematic nature of classifying people by race and ethnicity. For example, the category 'Black' in this context includes people who identify as African-American, Afro-Caribbean, Seychellois, Mauritian, and as bi- or multi-racial. In this sense, grouping interview participants is bound to be inaccurate and reductive as a means of capturing their multi-faceted identities. However, within the context of the broader demographic information provided here, information about race and ethnicity may be helpful—particularly as a majority of interview participants mentioned that culture and identification play a significant role in the establishment of trust between professionals and their clients. The importance of perceived racial and ethnic similarity between professionals and clients has also been underscored in recent research (e.g. Hsu et al., 2014).

A typical participant in this study was a white man in his 40s, trained in law, with 10 to 15 years' experience (Table 2).

Analytic strategy

The analytical process took place in four steps. Step 1 involved bringing together practitioners’ account of their involvement in tax avoidance, to create a highly detailed,
textured account of the individual professional within a larger system of client relations and globalized work. These data shed light on several key issues, including the ways that professional wealth managers understand the connection between the tax avoidance services they provided to clients and the category of professional wrongdoing. Step 2 in the analysis was examination of the field-level categorization debate surrounding wealth managers’ understanding of tax avoidance. This part of the analysis used newspaper articles to trace public statements from policy-makers and representatives of the wealth management industry. Examination of statements and documents produced by STEP were also part of step 2. Together, they provided insight into efforts to influence public perception of wrongdoing in relation to tax avoidance, as well as the intra-professional discourse on the topic.

In step 3, I used process coding (Saldaña, 2015) to organize the material from steps 1 and 2 into first-order codes. These were then grouped into second-order themes, from which I developed aggregate dimensions. Table 3 illustrates the relationship among these parts of the analysis, and provides additional data to substantiate the second-order codes and aggregate dimensions.

In step 4, I brought together the data into a provisional model of professional wrongdoing. The model shows how individuals engage in institutional work to recategorize and legitimate private tax avoidance and their involvement in it. The process of theory-building was iterative, moving back and forth among the data, the literature and emergent patterns in the findings.

Although qualitative research involves an irreducible element of subjectivity, several aspects of the research process lend confidence to the interpretations presented here. First, the study is based on ‘prolonged engagement’ (Creswell and Miller, 2000), suggesting the validity of the analysis; in this case, the engagement lasted nearly a decade, and included training to join the profession. Second, the emerging insights during the analytical process were validated by ‘member checks’ (Cho and Trent, 2006) from current wealth management practitioners, including representatives of STEP.

**Findings**

**Understanding of professional misconduct**

Awareness of being publicly condemned for professional wrongdoing in connection with tax avoidance was acute among wealth managers; the subject came up frequently and unprompted during interviews. For example, a practitioner in Zurich described his work (with a laugh) as doing ‘what governments define as immoral tax planning’ (Switzerland 1). A Panamanian practitioner said: ‘people outside the industry think of what we do as evil and Machiavellian’ (Panama 2). In the British Virgin Islands, a wealth manager complained at length about his clients being ‘vilified’ as ‘immoral for not paying as much tax as some people think they should’ (BVI 1).

To this understanding of professional misconduct, as defined by outsiders, was added the acknowledgment that some sort of response was required—but no one seemed to be providing it. In the 65 interviews conducted for this study, none of the practitioners referred to any firms or representatives of STEP defending the profession against this
<table>
<thead>
<tr>
<th>Second-order themes</th>
<th>Third-order aggregate dimension: public service</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Category-swapping</strong> (Justice—&quot;tax is theft&quot;)</td>
<td>Many of our clients live in countries where theft of your assets without due process is common, and that includes confiscatory tax regimes. It’s state-sponsored theft, and we are among the very few who will stand up to that, who will stand up for fairness. It’s just a shame that instead of thanks, we get treated like the bad guys. (USA 1) The internationalization of the world that began in the 1950s and 1960s meant that people became more mobile and started looking for ways to reduce the sizable tax burdens that were imposed on them by the demands of social welfare … Social democracy is creating too big demands on the wealth creators. That must be obvious to you in academia. You can’t get voted in now unless you support massive entitlement programs, because too many people receive them, with the result that governments now need an ever-increasing share of GDP from the producers to fulfill their promises. So naturally the wealth creators, like squirrels collecting their nuts, are scaling back; they’re saying to themselves that they don’t want to collect as many nuts next year, because the government just takes them away … It’s nature, people don’t like the fruits of their labors taken away so arbitrarily. The squirrel says, ‘You know what, I did pretty well last year and stashed all my nuts in that tree, but the government knows where I live and took them all away. So I’m going to bury them in the woods where no one will find them’. (London 2)</td>
</tr>
<tr>
<td><strong>Category-extending</strong> (Economic development)</td>
<td>What so many people don’t understand is that tax avoidance frees up investment capital. Without our profession, there wouldn’t be the large pools of capital available to fuel economic development. So many of us, if not all, see our work as primarily about helping people—not just our clients, but more generally by helping maintain capital flows for investment and economic growth. (Hong Kong 3) There is such a negative image of wealth management and tax avoidance offshore, but I don’t really see why. If you’re looking at making an investment in an emerging market, which is high-risk by definition, you need to make sure you’re getting the best return. What offshore structures allow people to do is optimize the tax so that they do get a better return. The investee country gets a good flow of FDI [foreign direct investment]: perhaps if there weren’t the benefits of the tax mitigation opportunities, people might not even invest there. (Mauritius 2)</td>
</tr>
<tr>
<td>Category-distancing (Depersonalization—'it's just business')</td>
<td>We have to just put up and shut up. It's certainly not my business to comment on the morals of my clients ... they don't tell me what to do with my life and finances. (Cayman 3)</td>
</tr>
<tr>
<td>------------------------------------------------------------</td>
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<tr>
<td></td>
<td>You have to be able to reconcile yourself to the fact that your clients—who generate huge amounts of money—are aggressive, acquisitive people who haven't necessarily demonstrated any particular ethics in the conduct of their own business. They want to take advantage of tax loopholes, and you can advise them ... end of story. They are not your friends, and you are not their judge. (Jersey 1)</td>
</tr>
<tr>
<td>Category-shrinking (Intellectualization)</td>
<td>Avoiding tax is just problem-solving using the tools available, nothing more. I used to be a competitive chess player, which meant I had to strategize without emotion, just thinking: that has been an excellent background for this work. (Singapore 1)</td>
</tr>
<tr>
<td></td>
<td>It's all about the intellectual challenge of playing cat and mouse with tax authorities around the world. (Switzerland 3)</td>
</tr>
</tbody>
</table>
legitimacy threat. On the contrary, several mentioned the silence, and absence of such organizations. As one practitioner complained,

We have, by the nature of our work, cultivated privacy and discretion, so the profession is totally unprepared to respond to the claims being made about us and about the industry. (Hong Kong 2)

His comments were echoed in the intra-professional discourse on the categorization of private tax avoidance services as misconduct. *STEP Journal* articles lamented how the once-respectable profession had come to be ‘regarded with disdain and stigmatised’ (Riches, 2012: 72); others acknowledged the ways in which discourse in politics and mass media following the Panama Papers had ‘called into question the legitimacy of our industry’ (Halpern, 2016: 23). Yet none of the articles offered any alternative characterizations or a rebuttal strategy.

This reflects a more generalized failure of STEP to mount a defense of private tax avoidance and its practitioners. Faced with the growing opprobrium directed at wealth management, STEP has offered only negations, such as: taxation is not fair, and tax avoidance is not a crime. For example, in a 2010 speech at one of STEP’s international meetings, an officer of the Society described the professionals employed by the UK tax authorities as ‘robber barons of the Inland Revenue.’ The remark was greeted with nods and knowing chuckles from the audience. In the same vein, a prototypical statement found in one of the STEP credential course manuals accused legislators from onshore states of making ‘Onerously high, some may say unethical, tax demands’ (Parkinson and Jones, 2008: 267, emphasis added).

But *delegitimizing* taxation and tax authorities does not automatically *legitimate* tax avoidance, or the professionals who facilitate it. Nor does reiterating that tax avoidance is legal—STEP’s other response to claims of professional misconduct. Despite increasing commercialization of the professions (Carter and Spence, 2014), professions are still expected to present at least a ‘veneer of professional respectability’ (Sikka and Wilmott, 2013: 419; see also Kouchaki, 2015). In this light, mere denials of misconduct are plainly inadequate. STEP’s own publications acknowledge this, citing wealth managers’ need to confirm ‘the moral probity, as well as the legality, of their tax-planning arrangements’ (Riches, 2012: 73).

Yet the Society has not taken up the institutional work of categorizing tax avoidance in a credible, positive way; in the view of practitioners, like the Hong Kong wealth manager quoted above, this stems from a longstanding norm of remaining ‘tight-lipped’ (*The Economist*, 2012) and counting on strategic silence to provide protection from public scrutiny. For decades, this has been a highly effective strategy for the industry (Winters, 2011), as it has been for others involved in legal-but-disreputable practices (Antebiy, 2010; Vergne, 2012). Silence and refusal to engage in public are central to the institutional survival of wealth management. This is exemplified by the motto of one London-based wealth management firm: ‘I want to be invisible’ (Leigh et al., 2012). This approach does not apply just to clients; the institutions of the wealth management profession itself have long been cloaked in a protective obscurity from which they seem reluctant to emerge (Shaxson, 2011).
Recent shifts in the perceived legitimacy of tax avoidance, as well as the exposure of offshore data, have pulled aside this veil, exposing wealth management to a level of public scrutiny it has never before experienced (Harrington, 2016). This has led some wealth managers to propose—in their own industry publications—that effort was required to defend the legitimacy of their practices to the public (Halpern, 2016). That individual practitioners, rather than STEP itself, have taken up the task of countering claims of professional misconduct is not entirely surprising, particularly in light of institutional theory. As previous research has shown, institutions like STEP are slow to change, even in response to threats; their strength (and weakness) lies in stability and reproduction of the status quo (Suddaby et al., 2015). Thus, change often begins with individual members of institutions engaging in ‘agentic self-categorization’ (Vergne and Wry, 2014: 78).

For individual wealth managers, the data suggest that engagement in categorization work is motivated by an external shock: the experience of a sudden disjuncture between their self-image as professionals and the public perception of their practices. For example, several interview participants said they no longer answered truthfully when asked in social situations about what they did for a living, for fear of being tarnished personally by public disapproval, e.g. ‘I’m very good at my job, and I should be able to hold my head high,’ said a practitioner in London, ‘so I resent the tax shaming and tsk-tsking at offshore these days’ (UK 4). Other practitioners described a sense that allegations of misconduct in their profession represented a personal attack on them as individuals. As a practitioner in Panama explained,

In everything I do, I want my son to be proud of his dad, so it’s very distressing to hear how the work I do gets maligned. I’m careful about protecting our name: I was always very proud of my dad, and want my son to feel the same. That’s getting more and more difficult with the profession getting dragged through the mud. (Panama 3)

This tendency of professionals to identify with their work has long been recognized in the research literature (Abbott, 1988; Goode, 1957; Larson, 1977), but its implications for misconduct have not been explored. One such implication is that professionals who observe their livelihood being publicly condemned as ‘immoral’ and ‘evil’ will be motivated to defend themselves, not just as a matter of public reputation but of personal honor and integrity. Most individuals wish to see themselves as a good and moral people (Bandura, 2002; Toyoki and Brown, 2014), and to avoid shame (Goffman, 1967) and cognitive dissonance (Ashforth et al., 2007). This is not just an aspiration, but a prerequisite for action: ‘People do not usually engage in harmful conduct until they have justified, to themselves, the morality of their actions’ (Bandura, 2002: 103).

These demands are intensified in a professional context, because the norms of good behavior are set so high (Macdonald, 1995), particularly for fiduciaries (Thornton et al., 2005). This suggests that classification of their work as misconduct will catalyze a response from professionals in an effort to justify themselves to themselves, as well as to external audiences. Analysis of the interview data shows wealth managers turning to traditional legitimating virtues of professionalism—particularly public service and neutrality—for this justification. The following two sections elaborate on this idea and provide substantiating data.
The virtue of public service: Category-swapping and category extension

About half of the practitioners interviewed for this study defied the categorization of tax avoidance as professional misconduct by recategorizing it as a form of professional service in the public interest. Institutional work in this vein took two forms: one cast tax avoidance as a fight for justice; the other portrayed it as an engine of economic growth, particularly in the developing world. These claims not only challenged understanding of tax avoidance as misconduct, but positioned the wealth manager in alignment with professionals’ traditional role providing a service of ‘special importance for society’ (Conze and Kocka, 1985: 18).

To classify tax avoidance as a struggle for justice, wealth managers first portrayed states collecting tax as illegitimate and even criminal (Kramer et al., 2002). As one practitioner in Buenos Aires put it, referring to high income tax rates in some parts of Latin America, ‘My clients want to get their money out of their countries because they don’t want to be robbed by their governments. Brutal confiscation!’ (Argentina 1). This characterization not only portrays tax avoidance as a just cause—similar to arguments found in STEP publications—but implicitly redefines professional facilitators as heroes rather than villains. A wealth manager in Dubai underscored this point by defining his work as a defense of individuals victimized by state theft:

There are rapacious governments. We all believe in taxes in civilized society; they provide essential services. But it is theft by another word. When taxes get ridiculous, as they do at times, the tax avoidance industry arises. (Dubai 1)

This act of institutional work represents a simple category swap: the concept of wrongdoing is applied to taxation itself, whereas tax avoidance is classified as morally just and necessary. Simultaneously, this places the ‘white hat’ of heroism on the wealth management profession, and the villain’s ‘black hat’ on state actors.

The second strategy for reclassifying tax avoidance as public service consisted of claiming that it was only through tax shelters and offshore financial centers that foreign direct investment could occur in the poorer countries of the world. Contrary to claims that international finance is harmful to those countries (Rothe and Friedrichs, 2015), practitioners asserted that their work had brought enormous benefits. This altered understanding of misconduct was prominent in interviews with wealth managers who were native-born people of color working in developing countries. For example, a native Mauritian wealth manager criticized the ‘hypocrisy’ of onshore ‘tax shamers.’ He claimed that many, including Agence Française de Développement and the World Bank, use Mauritius as the hub for the development funds they channel to India and Africa, benefitting from the island’s reliable rule of law and European-style institutions. Most important was what he called ‘the huge tax-favored status’ in which capital gains are taxed at 3 percent if the funds originate in Mauritius; this compares to the 18 percent rate in India. ‘Out of every dollar that has gone into India,’ he said, ‘about 43 cents has passed through Mauritius for tax savings. Without us, maybe India wouldn’t have gotten the investment it has gotten in the last ten years’ (Mauritius 3).
Similarly, a Chinese wealth manager explained that, ‘what you call ‘tax avoidance’ is just a development strategy for countries whose institutions are too weak and inefficient to promote economic growth’ (China 2). By helping high-net-worth Chinese families get wealth offshore, to be invested in African natural resources or the New York Stock Exchange, he continued, ‘we provide an efficient workaround so that our country can develop economically while our institutions catch up; we don’t want to wait generations for our economy and political system to mature while the world passes us by’ (China 2). Without using the words of scholarly discourse, this practitioner essentially posited an institutional work perspective on tax avoidance, underscoring contestation and categorization as key processes.

Both he and his Mauritian counterpart used categories in a different way from the wealth managers who portrayed tax avoidance as a fight for justice against illegitimate or criminal states. The latter engaged in category-swapping by taking existing classifications (such as wrongdoing vs doing right action) and reversing their positions, without otherwise changing them. But the practitioners using foreign direct investment as a justification were doing a different kind of work: changing the boundaries of a category—economic development—to make room for the practice of tax avoidance. This represented a form of institutional innovation that could be termed category-extending.

The virtue of professional neutrality: Category-distancing and category-shrinking

The other wealth managers interviewed for this study took yet another approach: rather than recategorizing private tax avoidance based on the norm of public service, they drew on the norm of professional neutrality to legitimate the practice. This took two forms. One subgroup used categories to define themselves differently in relation to the practice, highlighting the classic professional virtues the work demanded of them: namely, selfless suspension of their own values, and impartiality in delivering service even to those they disliked personally. The other subgroup of practitioners redrew the boundaries around the work itself, tightly delimiting it to exclude the contested aspects of tax avoidance and present it merely as rational-bureaucratic (Weber, 1978) problem-solving. Such claims to neutrality—based on disinterested application of knowledge, uninflected by values or emotions—have long been central to the legitimacy and the ‘ideological self-presentation’ (Larson, 1977: 180) of the professions (Dinovitzer et al., 2014; Hendrikx, 2018).

Thus, when asked to describe his career in creating tax avoidance strategies for wealthy clients, a Cayman Islands practitioner claimed that the key to his success lay in his ability to remove his personal views from the advisory process. Like many others in this study, he portrayed this not as a regrettable constraint, but as an achievement that legitimated him as a professional:

You’ve got to totally be able to suspend your own personal sense of ethics in this work … It’s not that you have any doubts about the legality of what they’ve [the clients] done—a lot of things are legal in different parts of the world—but I think you just have a code of ethics as a professional, and you give professional advice, setting aside whatever you might think about that. (Cayman Islands 2)
Since STEP’s Code of Conduct has little to say on legal practices like tax avoidance, this participant may have been referring to ethics guidelines suggested by court cases taught in the credential course, such as Cowan vs Scargill, 1985. The judicial decision in that case emphasized practitioners’ duty to ‘put aside their own personal views and interests’ in advising clients (Harper, 2010: 17).

Several participants in the study made it a point of pride in the interviews to emphasize how far they were willing to go in enacting this mode of professional legitimacy. As one wealth manager in Geneva said, ‘I’ve told my colleagues, “if I ever become like some of our clients, shoot me.”’ Because they are really immoral people’ (Switzerland 2). Rather than expressing shame to be working with people whose conduct repulsed them, this practitioner and others in the study categorized themselves as admirable in their ability to detach ‘like a pro.’ A participant in Panama City explained:

I have to be able to work with clients I don’t like, do things that might not fit within my moral compass… I feel better about my contribution to society if I do pay tax, but they don’t. Making that possible for clients is my job; it’s just business. (Panama 4)

This institutional work strategy represents what might be called category-distancing, in which practitioners use categorization to draw a firm boundary around themselves and their professional skills—distinct from the people and purposes they serve. The claim of neutrality serves here to promote an underlying view that neither wealth managers nor tax avoidance are inherently bad, although they may be tainted by proximity to bad people (e.g. the clients). Thus, practitioners employing this form of category work are legitimating themselves and their practices not just by drawing on the norm of professional neutrality, but by using it to distance themselves from the world of interests and values to which (they imply) misconduct properly belongs.

The other subgroup of practitioners in this group achieve a similar result with category work focused on the content of tax avoidance practice, rather than their position in relation to it. In this strategy, tight boundaries are set around the task so that practitioners can define away most of what makes the practice problematic. The response of a wealth manager in the Channel Islands exemplified this in describing what tax avoidance meant to him:

Every day is different when you’re doing tax mitigation: the laws change, the clients’ assets change. It’s a great puzzle to solve, like an immense Rubik’s cube. (Guernsey 1)

At the extreme, recategorization in this mode produces a value-neutral definition of tax avoidance that makes it seem functionally indistinguishable from any other bureaucratic task:

I help achieve efficient markets by enabling private citizens to allocate their wealth according to their own preferences. (South Africa 1)

This strategy could be termed category-shrinking, in that it succeeds by exclusion: that is, it legitimizes a contested practice by eliding context and consequences. Rather than
attempting to cast tax avoidance in a different light, this institutional work shrinks professionals’ domain of responsibility by reducing the work itself to a rational problem-solving exercise.

Although appeals to neutrality as a basis for legitimacy lack the heroic appeal of casting wealth managers as contributors to a greater public good, both category-distancing and category-shrinking help practitioners justify to themselves continued engagement in tax avoidance. As recent research has shown, the ‘cool, distant, impersonal, and unemotional’ stance of the neutral expert can also lead to ‘moral unawareness’ (Kouchaki, 2015: 379)—a deliberate refusal by professionals to reckon with the impact of their practices. This, in turn, can lead to the persistence of professional misconduct (Tenbrunsel and Smith-Crowe, 2008). Publicly, claims of neutrality are unlikely to change condemnation of private tax avoidance into approval, but they can reduce disapproval and scrutiny from outside observers (Vergne and Wry, 2014). This can have a significant impact on the normative checks and balances that serve as barriers to misconduct (Vergne, 2012).

**Discussion**

Based on the analysis offered above, the model shown in Figure 2 was developed. It builds on and extends previous research, which showed that actors at the field level engage in recategorization efforts to legitimize their goods and services (Lounsbury and Rao, 2004; Ozcan and Gurses, 2017), and that individual practitioners can reclassify themselves in relation to their professional peers (Durand et al., 2017; Suddaby et al.,
2015). Whereas those forms of institutional work take place within a single level of analysis, a distinctive contribution of this study is to bring these insights together into a multi-level model, showing how individual actors respond to legitimacy threats from the field level by engaging in category work.

This model proposes a three-phase process involving two sets of actors; the phases are shown in bold on the left side, while the actors are shown in the ovals. In the first phase, there is contestation of a professional practice as misconduct; this can be initiated by field-level actors such as states, mass media or civil society groups, such as NGOs or grassroots activists. This contestation creates a legitimacy threat: the possibility of losing socio-economic privilege and many benefits of the regulatory bargain (Adams, 2017). This is because professions whose practices are classified as wrongdoing, or merely contested as such, experience competitive disadvantages such as exclusion from alliances, and additional costs from regulatory scrutiny (Deephouse and Suchman, 2008; Ozcan and Gurses, 2017). Legitimacy threats represent a survival risk to professionals (Antebi, 2010).

These threats trigger relegitimation, a form of institutional work that constitutes the second phase of the model. In this phase, a different group of actors—in this case, individual professionals—seek to change perceptions of the contested practice, so that it is viewed as ‘desirable, proper, or appropriate’ (Suchman, 1995: 574, italics in original). The data in this study show that this institutional work took place through four category manipulations: category-swapping, category extension, category-distancing, and category-shrinking. In these ways, practitioners aligned a contested practice with the norms that have long underpinned the legitimacy of the professions: public service and neutrality.

Category work around public service seeks to gain approval and legitimacy by turning a seeming negative into a positive. It asserts that a contested practice has been mistakenly classified as misconduct. Thus, category-swapping claims that wrong is right: in this case, that tax avoidance is the moral and principled response to unjust fiscal seizures by the state; this necessitates claiming that taxation itself is illegitimate. In contrast, category extension enlarges the boundaries of a legitimate category so that it subsumes a contested practice and makes it reputable by association. In this study, that meant placing tax avoidance within the category of ‘economic development activities,’ which is considered not just legitimate but laudable. By extension, tax avoidance—as a means to economic development—becomes laudable as well.

On the other hand, category work around the virtues of professional neutrality asserts the absence of wrongdoing. With category-distancing, practitioners detach their work from the people and purposes it serves, calling attention instead to professionals’ traditional duty to wield knowledge impartially. In this way, tax avoidance can be characterized as a form of expertise with no inherent moral valence, good or bad. The fourth form of category work, category-shrinking, limits the definition of a contested practice to its rational-bureaucratic features, such as technical elegance or complexity. This shrinks the basis for evaluative judgments, solving the legitimacy problem by excluding from consideration anything that could be considered wrongdoing. These neutrality-oriented strategies illustrate how, even when professionals cannot fully regain social approval for their practices, ‘keeping disapproval at a minimum’ (Vergne, 2012: 1030) can also be an effective strategy for retaining access to resources.
Finally, the model posits that these forms of category work lead into a third phase: *self-authorization* (Habermas, 1999). In this process, practitioners acquire the moral justification necessary to perpetuate misconduct (Bandura, 2002). This does not imply that misconduct automatically occurs as a result of these justifications, only that categorization work to restore the legitimacy of a practice is a necessary precursor for such misconduct. As psychological research has shown, actions do necessarily follow directly from beliefs or moral reasoning (White, 2002). Nonetheless, the model suggests a practical implication: efforts to reduce professional misconduct could target the re legitimization process, to undercut the moral self-justification it provides.

It is noteworthy that only two of the three traditional sources of professional legitimacy appear in this model: practitioners recategorize contested practices in terms of public service and neutrality, but not technical expertise. This may be because technical expertise is the most difficult category to manipulate. Of the three dimensions, technical competency is of apprenticeship, expert knowledge is the ‘least common denominator’ of professional occupations (Freidson, 2001: 157). As such, it is most frequently viewed as a ‘domain of consensus’ (Sandefur, 2015: 910) in the evaluation of professional conduct: that is, a practitioner’s possession or lack of requisite knowledge is usually less debatable than her neutrality or altruism. But the authenticity of professional claims to wield knowledge in a disinterested and value-free way (Heinz, 1982–83; Weber, 1978), or of claims to provide service motivated by ‘superior ethics, altruism and civic conscience’ (Muzio et al., 2016), is difficult to assess. As a result, those two aspects of professional legitimacy may be subject to shifting perceptions both from inside and outside the profession (Clemente and Gabbi oneta, 2017); they represent points of vulnerability in the categorization of professional misconduct.

**Broader contributions**

The model builds theory on professional misconduct by linking it to the growing body of institutionalist work on ‘agentic self-categorization’ (Vergne and Wry, 2014), contributing to both literatures. With respect to institutionalist theory, the model addresses an open question in the literature about the motivations for category work: it identifies legitimacy threats—such as the classification of professional work as misconduct—as catalysts for re legitimization efforts. This ties into earlier research in the institutionalist tradition showing that ‘contentiousness is also fundamental to the *legitimation* of new practices, products and ideas (King and Pearce, 2010: 259).

In addition, the model illustrates how specific types of category work contribute to re legitimization of contested practices. This is in contrast to previous studies, which have rarely specified the content of new categories developed through institutional work (Lounshby and Glynn, 2001; Navis and Glynn, 2011). This study advances on that literature by specifying four types of category work that draw on the traditional bases of professional legitimacy as resources for transforming perceptions.

Finally, in proposing a generalizable model of professional misconduct based on normative realignment and recategorization, this study diverges from the stream of research arguing that professions have shifted away from normative claims in favor of legitimating themselves based on commercial imperatives (e.g. Carter and Spence, 2014). The
two perspectives may not be incompatible: both center on the institutional work of shifting legitimacy claims. Whether that work shifts a profession toward commercialism or toward traditional norms, such as public service and neutrality, may be the result of exogenous factors—that is an issue for future research to explore. In the case of private tax avoidance, path dependencies may be a major factor: the fiduciary ethic (Thornton et al., 2005) underpinning the wealth management profession is steeped in centuries-old customs of disinterested public service (Langbein, 1995; Marcus, 1983). In contrast, professions lacking this history of fiduciary service—such as accountancy—have been vulnerable to ongoing allegations of misconduct based on client capture and other manifestations of ‘creeping commercialism’ (Clikeman, 2013: 233). In this sense, institutional logics may serve not just as resources for recategorizing professional wrongdoing, but also as normative constraints on the range of action and discourse in which practitioners can engage.

Limitations and directions for future research

The present study is limited in that the data theorized here concern only one professional group; furthermore, the dataset does not permit analysis of some key issues of variation and dissemination raised by the model. For example, future research could examine whether category work varies based on where actors are positioned within organizations and social hierarchies. In other words, would category-swapping or -distancing be used preferentially by professionals of different seniority levels, or of different nationalities? Investigating this question would require a more systematic study, with larger sample sizes from each country, to disentangle the effects of environment (such as geography and culture) from individual characteristics, such as years in professional practice.

Another limitation is the study’s timeframe: although the data were collected over a period of years, the 65 interviews on which the analysis centers were each one-time events. Thus, they represent snapshots of ‘agentic self-categorization’ (Vergne and Wry, 2014) rather than an ongoing view of this institutional work process. In addition, the data do not permit analysis of whether practitioners’ categorizations disseminate to the field level, and how audiences inside and outside the profession respond. Future research would benefit from a method that captured the back-and-forth of a categorization contest over time, to model how individual action can develop into collective action (King and Pearce, 2010). This would improve scholars’ ability to account for variations in the understanding and persistence of professional misconduct.

These are critically important issues for future research to investigate, for both theoretical and practical reasons. If, as ecological theorists have argued, ‘legitimation grows with the level of consensus within the audience about the meaning of a label’ (Hannan et al., 2007: 98), then it is particularly important to understand how professionals build and disseminate changing understandings of contested practices over time. If a practice considered as professional misconduct can be successfully re-labeled to ensure broad acceptance of its legitimacy at the field level, we would expect professionals engaged in the practice to garner more resources (Lounsbury and Glynn, 2001). This implies a pathway through which wrongdoing can thrive in the professions through skillful institutional work to recategorize vice as virtue. Future research on this issue could help
scholars address other unresolved questions, such as why misconduct persists despite the risks to practitioners and despite the efforts of many regulators and professional societies to stop it.

Conclusion

This study shows how categorization of professional activity as misconduct or wrongdoing creates a legitimacy threat that catalyzes institutional work by individual practitioners. The analysis presented in this article models how professionals engage in ‘agentic self-categorization’ (Vergne and Wry, 2014) to reclassify their work—and themselves—in terms of norms that have traditionally underpinned the legitimacy of the professions as a whole. Rather than representing a form of misconduct, such practitioners assert, their activities provide a valuable public service or represent ‘respectable’ (Macdonald, 1995) professional neutrality. In this way, vice can be transformed into virtue. This transformation grants professionals the justification necessary to persist in work considered disreputable (Bandura, 2002). Even if the claims persuade only the practitioners themselves, recategorization represents institutional change (Suddaby et al., 2015), which can trigger development of new understandings of a profession and its mission (Durocher et al., 2016). It is noteworthy that, despite the significant variations that globalization has introduced to the professions—particularly in the meaning of professional wrongdoing (Gong et al., 2015; Muzio et al., 2016)—this study indicates that coherence can emerge around ideas originating with individuals situated in very different national and cultural environments. From Singapore to South Africa, and from Jersey to the Cayman Islands, tax avoidance specialists who participated in this research coalesced around a small set of normative themes in their categorization work.

Modeling the process by which such collective understandings form, and new institutional boundaries develop in a profession, represents one of the three theoretical contributions of this study. This article’s model of endogenous institutional change, based on individual agency, draws from an analysis of wealth managers engaged in the contested practice of providing tax avoidance strategies to high-net-worth clients. The unique dataset—drawing from 8 years of participant observation, interviews with 65 practitioners and a wealth of archival material—offers unusual insight on two further issues. First, it illustrates why it is analytically fruitful to conceptualize professional misconduct or wrongdoing as instances of contested categorization: in other words, as a dynamic institutional process rather than a static condition. Second, the dataset allows close specification of wrongdoing and the micro-foundations of legitimacy (Antebay, 2010), both of which have been missing in many previous studies of both professional wrongdoing and institutional work. Usually, such activity remains ‘at the ‘invisible’ substructural level, [so] its occurrence may not be readily detected’ (McBarnet, 2004: 229). Lack of data on the enactment and justification of disreputable practices has contributed to a significant knowledge gap surrounding professionals’ understanding of and response to perceptions of their work as misconduct. This is part of a larger problem for research in the professions in explaining the persistence of wrongdoing and the willingness of practitioners to engage in it despite the risks it poses to their professional viability.
By examining professional misconduct through the lens of institutional category manipulation, this study not only contributes to professions scholarship, but addresses a gap in the institutions literature, which has given ‘insufficient attention to those actors who are able somehow to compromise, avoid or defy systems of institutional control’ (Lawrence, 2008: 189). Ultimately, this ability to elude control may be wealth managers’ most highly-developed form of expertise, and the most relevant for building knowledge on professional misconduct. This detailed examination of practitioners who facilitate and legitimate private tax avoidance can thus shed light on the enduring puzzle of persistent wrongdoing in the professions.

But wealth managers are not unique by virtue of their skill at conducting institutional category work; professionals in many fields become experts at manipulating the ‘boundaries of deviance’ (McBarnet, 1992: 70; see also Sikka and Wilmott, 2013). Research based on wealth managers can readily be generalized to other professions, because tax avoidance specialists themselves come from other professions: almost all practitioners are first credentialed in law, accountancy and other major professional domains. Thus, although the model presented in this article is based on the case of wealth managers, it implicates professionals across many fields of practice.

**Funding**

This research was supported by funding from the European Research Council (grant number: COFFERS, #300774).

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**Brooke Harrington** is a professor of economic sociology at the Copenhagen Business School in Denmark. She received her PhD from Harvard University, and her research examines the social underpinnings of finance; for the past decade, it has focused on the professionals involved in offshore financial centers. She is the author of three books, most recently *Capital without Borders* (Harvard University Press, 2016). [Email: bh.dbp@cbs.dk]