

Erratum for Supply chain strategies and international tax arbitrage

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This note corrects several typos in expressions and a sensitivity statement in Proposition 3 in Shunko et al. (2017).

Key words: Tax Efficient Supply Chain Management; Principal-Agent Model; Supply Chain Contracts; Multinational Firms; Distribution Structure; Erratum

History: Received: September 2018; Accepted: October 2018 by Johnny M. Rungtusanatham.

The statement of Proposition 3 on page 240 should be:

PROPOSITION 3. Let $\hat{\gamma}_C = \frac{2(2k-1)(w(1-\tau)-d(1-t))}{(1-c)^2 k(t-\tau)} - \frac{(\delta-1)(1-t)}{(2\delta k-1)(t-\tau)}$. If and only if $\gamma_C > \hat{\gamma}_C$, the MNF can increase its after-tax profits by establishing a foreign distribution entity as a Commissionnaire instead of operating without a distributor. The threshold $\hat{\gamma}_C$ increases in c and w ; and decreases in d and δ .

The sentence following Proposition 3 should state: "The threshold indicates that in order for the Commissionnaire structure to be more profitable than the No Distributor structure, the fixed cost of the distributor division and the product cost should be relatively low; and the distribution cost for HQ and the HQ multiplier on the cost of marketing effort should be relatively high."¹

On page 241, the threshold on w should be:

$$w < \frac{(\dots \Pi_L^* \text{ decreases (increases) in } \tau \text{ when } w < (>) \frac{(k\xi+1)k(1-c)^2(2kA\gamma_L(1-\tau)-B(\gamma_L)^2)}{2(2Ak-B(\gamma_L))^2}.$$

In the statement of Proposition 5 on Page 241 $\hat{\gamma}_L$

$$\text{should be: } \hat{\gamma}_L = \frac{\frac{2kB(\gamma_C)}{2k-1+\frac{B(\gamma_C)}{A}}}{t-\tau} - \frac{1-t}{t-\tau}.$$

In Proposition 6 on page 242 and in Table 3 on page 243, the expressions for β_F^* and Π_F^* should be:

$$\beta_F^* = \frac{2B(\gamma_F)}{\gamma_F(2A + \xi(k\xi - 1)B(\gamma_F))},$$

$$\Pi_F^* = \frac{(1-c)^2 k}{4} \frac{(2A + B(\gamma_F)k\xi^2)}{2Ak + B(\gamma_F)(k^2\xi^2 - 1)} B(\gamma_F) - w(1-\tau).$$

On page 242, third paragraph after Proposition 6, the expression for the threshold for non-monotonicity in τ in the following sentence should be:³ " Π_F^* decreases (increases) in τ when $w < \frac{(1-c)^2 k 2(B(\gamma_F))^2 - k\gamma_F(B(\gamma_F)\xi + 2(1-\tau))(2A - B(\gamma_F)\xi(1-k\xi))}{4(k\xi+1)(B(\gamma_F)(1-k\xi) - 2k(1-\tau))^2}$."

None of the other results, discussions, and/or managerial insights presented in the published manuscript are affected by these corrections.

Notes

¹We thank Zhiqiao Wu and Yaling Kang for pointing out that the sensitivity statement with respect to τ was incomplete in Proposition 3. We remove the incomplete statement via this erratum, and provide all details with complete results in the electronic supplement.

²This typo appeared only in the published version of the manuscript; the expression in the electronic supplement was correct.

³This typo appeared only in the published version of the manuscript; the expression in the electronic supplement was correct.

References

Shunko, M., H. Do, A. Tsay. 2017. Supply chain strategies and international tax arbitrage. *Production and Operations Management* 26(2): 231–251.