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**FULFILLING THE CURIOUS OMISSION OF HOST COMPANY  
RESPONSES TO RESHORING**

A thesis presented in partial fulfilment of  
the requirements for the degree of

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## **ABSTRACT**

While offshoring has become one of the most significant strategies adopted by home companies, its subsequent reshoring has created new challenges to research. For reasons that remain unexplained, the extant literature focuses on 'Why' and 'How' to reshore near exclusively from the home company's perspective. However, an interactive dyadic relationship exists between the two resource bundles during reshoring. The findings of a content-analysis based literature review reveal that published case studies focus on Western firms' offshoring and subsequent reshoring strategies, ignoring the host company response. Single and multiple case studies were completed using data collected from four host companies in China. The single case study explores the host company's response to reshoring and its influence on the home companies' decisions. Thematic analysis generated four response strategies: cost-related; market-related; knowledge-related; and, relationship-related. The multiple-case study was used to identify how the host company orchestrates resources obtained from the offshoring network in response to reshoring. Four dimensions of resources acquired from the offshoring network: financial; physical-asset related; knowledge; and, human resources were identified. The network for resource exchange was also observed to contain actors beyond the dyad, notably clients who contributed to the resource bundle. The home company's repatriation leaves resources in the host country, defined as the available residual resource (ARR). This resource bundle then leads to risks and potential sources of competition for the home company. This study adds a new dimension, the host company, to reshoring studies restoring what has become unilateral research into a bilateral dialogue.

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## GLOSSARY

***Backshoring/Back-reshoring*** - moving the firm's offshored production or service back to its home country or the country of its parent company.

***Backsourcing*** - bringing formerly outsourced work back in-house.

***Captive Offshoring*** – has the same meaning as offshore insourcing and implies that a firm move its activities to foreign affiliates.

***Captive Reshoring*** - the home company moves its previous offshored activities back to its home or near country and completes them itself.

***In-house*** – a firm undertakes activities by itself in its home country or overseas, has the same meaning as insourcing.

***Insourced Reshoring (II)*** - a firm relocates its production or service activities previously performed by a wholly-owned offshore facility back to a wholly-owned onshore/nearshore facility.

***Insourcing*** - a firm undertakes activities by itself in its home country or overseas, the same meaning as in-house. Some researchers treat insourcing and backsourcing as being the same.

***Nearshoring/Near-reshoring*** - a company relocates the firm's offshored activities to another foreign country in the same region as the home country.

***Offshoring*** - a firm completes activities in a foreign but relatively further country than nearshoring.

***Onshoring*** - a firm chooses to complete operations in its home country.

***Outsource Reshoring (OO)*** - a firm relocates its production or service activities previously performed by offshore suppliers back to onshore/nearshore suppliers.

***Outsourcing*** - any operation or service performed by a third-party provider who is not the firm's employee.

***Procurement*** - the process chain from the purchasing of goods through the shipment of the materials to the receiving warehouse.

***Reshoring*** - the voluntary decision to relocate partial or total offshored production or service activities to a firm's home country (or nearshore countries).

***Reshoring for Insourcing (OI)*** - a firm relocates its production or service activities previously performed by offshore suppliers back to wholly-owned onshore/nearshore facilities.

***Reshoring for Outsourcing (IO)*** - a firm relocates its production or service activities previously performed by wholly-owned offshore facilities back to onshore/nearshore suppliers.

***Shoring strategies*** - the location choices of operations. Mainly consists of onshoring, nearshoring and offshoring.

***Sourcing strategies*** - who completes the operations or activities and comprises insourcing and outsourcing.

# **CHAPTER ONE: INTRODUCTION**

## **1.1 RESEARCH BACKGROUND**

Offshoring strategies have been widely used by manufacturing enterprises since the late 1970s. The anticipated cost advantages from offshoring proved irresistible to western companies who moved parts of their value chains to emerging countries, such as China, India and those in Eastern Europe. Specific strategies used to offshore included outsourcing, alliance formation, or foreign direct investment (FDI) through which access to abundant resources, low-cost labour and more business-friendly environments (Ellram, 2013; Kinkel & Maloca, 2009; Wiesmann et al., 2017) invariably results in cost savings. These same cost savings then enable firms to create or reinforce competitive advantage (Di Mauro et al., 2018; Kotabe & Mudambi, 2009) up to the point when further cost reduction can no longer be extracted

Three waves of offshoring have occurred over the last four decades. The first wave occurred in the mid-1980s when manufacturing firms began to exploit low-cost resources en masse. The second wave began in the early 1990s when service firms chose to outsource their information technology (IT) departments. Cost advantages were again achieved, this time by relocating IT service providers to emerging market economies, especially India. The third wave began in the early 2000s when more and more business service functions were outsourced to overseas countries, including accounting, finance, human resource management, sales, after-sales services and call centres (Kotabe & Mudambi, 2009). The digital revolution and the dramatic decrease in telecommunication costs reduced the transaction costs of long-distance cooperation and eventually contributed to the success of each of the offshoring waves (Farrell, 2005; Levy, 2005). The development of various organisational and managerial capabilities to coordinate geographically dispersed networks of tasks and productive activities also had an impact on them (Levy, 2005). Nowadays, not only multi-national corporations (MNC) but also small-to-medium sized enterprises (SMEs) are active in offshoring strategies (Roza et al., 2011). The core theories typically applied to offshoring include macro theories of international business; international expansion; and, corporate and business strategy (Doh, 2005). Consequently, studies on offshoring have produced an entire genre of relatively mature research.

However, after decades of booming offshore activity, some companies have begun to move their offshored operations back to their respective home countries. This phenomenon is now referred to as reshoring (Fratocchi et al., 2014; Gray et al., 2013). Reshoring is currently defined as the voluntary (i.e., not forced by a host country government) decision to relocate partial or all offshored production or service activities to a firm's home country or nearshore countries (Foerstl et al., 2016; Fratocchi et al., 2014). In a survey of 1663 German manufacturing companies conducted in 2008, every fourth to sixth offshoring activity was followed by a backshoring decision within four years, mainly because of a lack of flexibility and quality problems encountered in the host company (Kinkel & Maloca, 2009). Similarly, a survey of 319 American companies demonstrated that 40% of respondents considered reshoring (Tate, 2014; Tate et al., 2014), and that 38% were convinced that their direct competitors had already practised reshoring (Tate & Bals, 2017) to some extent or other. Therefore, research on the reshoring phenomenon, a strategy entirely consequential to offshoring, is both timely and ought to be of value to both researchers and practitioners alike.

Reshoring is attracting the attention of the mass media, public opinion, and governments as well as scholars. Governments and politicians are now paying specific attention to reshoring, especially in times of global crises (Tate et al., 2014). Governments of western countries are encouraging their firms to move production back to their home countries to enhance economic recovery and for various political reasons. Both the German "Industrie 4.0" programme and American "Make it in America" policy have provided financial support to reshoring projects (Albertoni et al., 2017).

Reshoring also influences economic development in those emerging countries affected, especially China. The Chinese government also has noticed the trend of American manufacturing companies' reshoring activities from China and its significant influence on their domestic manufacturing industry and subsequent economic development (Zhai et al., 2016). First encouraged by President Obama and later by the Trump administration, 16 American MNCs reshored in 2010, with the number increasing to over 300 in 2014. Facing the supply-chain risk caused by COVID-19, the Biden administration continued to encourage reshoring American manufacturing, especially from China. In taking these challenges and transforming them into opportunities, the

Chinese government has put forward a strategic project called "Made in China 2025" to reform and adjust the country's manufacturing structure and enhance industry competition domestically (Duan et al., 2017).

Reshoring has also had several positive effects on Chinese economic development. Firstly, reshoring has forced the Chinese manufacturing section to upgrade from low to middle, and onwards to high value-added parts (Duan et al., 2017). The "Made in China 2025" strategy encourages Chinese manufacturers to improve efficiency and pursue technology development and innovation (Duan et al., 2017; Jiang, 2015). Secondly, reshoring has forced Chinese manufacturers to develop overseas by using foreign direct investment (FDI) themselves or motivated them to compete directly in foreign markets (Ancarani et al., 2021; Duan et al., 2017).

Nevertheless, while reshoring is believed to be a fundamental trend of the early 21<sup>st</sup> Century, sceptical voices claim that it is only happening in a small number of companies (De Backer et al., 2016). Though becoming more and more critical to various countries and firms, reshoring is still treated by some as a small-scale phenomenon concerning offshoring (Albertoni et al., 2017). That said it emerged as a new topic in international business in 2007 (Fratocchi et al., 2016), and notably, more academic papers have appeared since 2013 (Barbieri et al., 2018). Unsurprisingly, many aspects of the reshoring phenomenon remain under-researched (Albertoni et al., 2017; Arlbjørn & Mikkelsen, 2014), in particular the perspective of the host company, the subject of this research.

## **1.2 RESEARCH MOTIVATION**

At the outset of reshoring research, most papers focused on the relevant terminologies and sought to identify the drivers and/or the motivations of reshoring (the "Why" questions). Fratocchi et al. (2014) and Gray et al. (2013) clarify the relevant concepts and definitions of reshoring and provide the terminological foundation for much of the extant literature. Mostly secondary data on firms' reshoring decisions or activities were used to explore the "Why" question; analyse the drivers; and, classify them with specific criteria, such as those by Benstead et al. (2017); Di Mauro et al. (2018); Fratocchi et al. (2016); Stentoft, Olhager, et al. (2016). However, this research was all conducted in

the form of ex-post analyses to understand what motivates firms to repatriate (Benstead et al., 2017). Other research questions have been explored in an effort to understand the reshoring phenomenon, including drivers/motivations, barriers/readiness, contingency factors, decision-making processes, their implementation and outcomes achieved. Meanwhile, besides the traditional international business (IB) theories (eclectic paradigm, transaction cost economics and resource-based view), new theoretical perspectives have been adopted amongst reshoring studies, such as contingency factors, social network theory, knowledge, flexicurity, innovation, and more recently, behaviour theory (Boffelli et al., 2020).

However, the focus to date of *all* these reshoring papers has been home companies in western countries. However, an interactive dyadic relationship exists between the two actors during offshoring and reshoring. The other vital actor, the host company, has been widely ignored by researchers, even though two studies have acknowledged that the host company has influenced the home company's reshoring decisions. Therefore, this research explores the reshoring phenomenon from the perspective of the host company, which appears to be a critical gap in current research.

### **1.3 RESEARCH QUESTIONS AND RESEARCH DESIGN**

A content-analysis based literature review (presented as Chapter Three and submitted for publication) is conducted to develop a definitive understanding of the research gap. The review includes all 34 reshoring cases presented in 17 reshoring papers published in academic (double-blind and peer-reviewed) journals. This component of the literature review aims to establish the thematic novelty (Paul & Criado, 2020) of the host company response. The findings reveal that the published studies focus almost entirely on western firms' offshoring and subsequent reshoring strategies. Consequently, the research gap – albeit within the relatively new genre of reshoring research - is the perspective of the host company, the curious omission of the host company response.

The aim of the research is to identify and explore the host company's response to reshoring. The assumption being made is that the host company will respond, namely, that the host company is unlikely to be passive and is expected to respond in some

manner to recover their competitive position or redeploy their resources in the pursuit of new markets. The stated aim being:

*What is the host company's competitive response to reshoring?*

Given the current research gap, the research is conducted as an inductive exploration for the purposes of theory generation. Given the research aim and specific questions, case methods were deemed appropriate. A discourse on the method is presented in Chapter Four. The specific research questions emerge in two chapters, Chapter Five and Chapter Six. The paper titled "*An Exploration of the Host Company's Response to Reshoring*", conducted as a single case study, is presented as Chapter Five. This paper explores the host company's competitive responses to reshoring within the dyadic relationship. The two research questions addressed in Chapter Five are:

*RQ1: How does the host company respond to the home company's manufacturing location decisions resulting from reshoring drivers?*

*RQ2: How does this response influence the dyadic relationship?*

The paper, "*Host company responses to reshoring: Recovering competitiveness through resource orchestration*", is presented as Chapter Six. Using the theoretical perspectives of resource orchestration and industrial marketing and purchasing (IMP), how the host company orchestrates the resources obtained from the offshoring network to create and develop its capabilities, strategies and competitive advantages is analysed. The research questions explored in Chapter Six are:

*RQ3: What resources do the host company acquire in the offshoring network?*

*RQ4: How does the host company bundle these resources into capabilities?*

*RQ5: How does the host company leverage these capabilities in response to reshoring?*

The context of the research is China. The researcher's background and personal connections in China made access to (Gummesson, 1991) the case companies possible. Furthermore, the researcher's language advantage in Chinese allows her to read Chinese

documents and interview participants in Chinese as well as understand policies, culture, and the business environment in China. As one of the most crucial host countries to Western companies, China is at the forefront of the reshoring and relocation trend. Some researchers have specifically studied reshoring from China, such as American manufacturing (Zhai et al., 2016); the decline of sourcing by Swedish buyers of textiles and apparel (Gadde & Jonsson, 2019); the consideration of Asian competitiveness (Fjellstrom et al., 2019); and, Chinese foreign direct investment to developed economies (Ancarani et al., 2021). However, this study is the first to collect primary data in China to explore the reshoring phenomenon.

Several papers published in Chinese journals provide in-depth insights and discussions on reshoring from China, mainly at a macro-economic level. In particular, they focus on the impact of American manufacturers' reshoring on local industrial development. Surprisingly, even amidst this literature, the firm-level (local, host) competitive response to reshoring is still missing. By contrast, this research intends to fill research gap and consider the strategies of the host company within the dyad and business network.

#### **1.4 THESIS OUTLINE**

This research contributes to a doctoral thesis with publications published in academic journals, requiring the collation and linking of articles synthetically to constitute a monograph. The motivation for the study has been discussed, and the aim of the research stated. While the research gap is referred to as a curious omission, it presents a fascinating opportunity – that does not appear to have been considered.

A literature review is presented in Chapter Two. The chapter begins with a brief introduction to international trade theory, followed by a discussion of the transitions from trade theory to international economics to international business. An outline of the theories underpinning each is provided that includes those now used to explore reshoring. A comparison, and where needed, clarification of definitions on shoring and sourcing strategies is then presented. The chapter concludes with an analysis of the drivers and motivation for offshoring and its subsequent reshoring.

Chapter Three presents a paper for the content-analysis based literature review to explore the host company's responses to reshoring in previous published case-based studies, addressing the thematic novelty. 34 cases in published 17 papers were identified and analysed by '5W1H' method. The findings reveal the curious omission of the host company in the extant literature and the ignorance of an available residual resource bundle in the host country after reshoring.

The epistemological position of the current study is discussed in Chapter Four. Given the research aim and five questions that follow, this research is conducted using the ontology of realism and the epistemology of pragmatism. After reviewing the research methods used in previous reshoring studies, the research design of the current study is presented, including the content-analysis based literature review; a single case study; and, a multiple case study. The research procedure of the content-analysis based literature review in the preceding Chapter, Chapter Three, is discussed in detail. A brief comparison of the influential case methodologies is presented. The quality of the case study method and relevant tactics are discussed, and the approach to research ethics addressed.

Chapter Five is presented in the form of a single-case study paper exploring the host company's competitive responses to reshoring within a dyadic relationship. While Chapter Three identifies the gaps in previous research, Chapter Five sets out to fill them. The theories adopted during case analysis include the eclectic paradigm, transaction cost economics, the resource-based view, knowledge-based view and relational governance. Though some of them have been widely used to analyse the home company's reshoring decisions, they still provide theoretical support to the findings of this paper. Applying the existing general theory in a new context to deduce propositions or hypotheses is defined as theory elaboration by Ketokivi and Choi (2014). This study uses the thematic analysis method and identifies four response strategies of the host company: cost-related, market-related, knowledge-related and relationship-related strategies. Based on the findings, three propositions were presented.

A multiple case study paper exploring how host companies recover competitive advantage through resource orchestration is presented in Chapter Six. The theories of

resource orchestration and Industrial Marketing and Purchasing (IMP) are adopted for this particular work for theory elaboration (Ketokivi & Choi, 2014). Through a thematic analysis, four dimensions of resources the host company acquires from the offshoring network are identified: financial resources; physical-asset related resources; knowledge resources; and, human resources. The network for resource exchange is also observed to contain actors beyond the dyad, notably clients who contribute to the resource bundle. This research reveals that when its original cost advantage and relevant competitive advantage are vanishing, the host creates and develops new capabilities and strategies by bundling, structuring and leveraging resources rather than continuing to rely on cost leadership strategies. Correspondingly, three propositions are suggested for future research.

Based on the analysis and discussion of three papers, Chapter Three, Chapter Five and Chapter Six, a synthesis of the contribution to knowledge is made and an extension beyond the cases is presented in Chapter Seven. By distinguishing between offshoring and procurement, a new and critical characteristic of reshoring emerges in the revised discussion of reshoring. The findings of the host company's responses to reshoring in Chapter Five and Chapter Six are categorized into firm-level strategies and the influence of both the dyadic and triadic relationships explored. A discussion on the available residual resource (ARR) is then provided. Conclusions are drawn in the final chapter, in particular the contribution to knowledge made, the limitations encountered and implications for practitioners in both home and host companies and countries.

Three papers (presented here in the form of Chapters Three, Five and Six) have been submitted to international journals. Detailed information on the publication status is provided at the beginning of each chapter. Drs James Lockhart and Wayne Macpherson co-authored the three papers and contributed significantly to the study design and editing work. Their contributions to each paper are acknowledged in the relevant chapter.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.0 INTRODUCTION**

The focus of this study is the relatively recent phenomenon of reshoring, in particular the impact, consequences and response from the host company. The objective of this chapter is to identify current gaps in knowledge that have emerged as a consequence of reshoring research being predominantly pursued from the standpoint of the home company and home country. It is due to this gap that the research questions emerge. A discussion on the relevant terminologies, as typically debated in the academic literature, is presented in Section 2.1. Definitions of shoring (onshoring, offshoring and reshoring) and sourcing (insourcing, outsourcing and back sourcing) strategies and their various combinations in practice provide the terminological foundation of this study. The discussion of definitions in this thesis unusually precedes the brief review of international trade theory. The distinctiveness and consequences of location decisions (collectively referred to as shoring) and ownership (collectively referred to as sourcing) and their interactions are essential to this research. The understanding of these terms then influences the interpretation of trade theory and international business theories that follow.

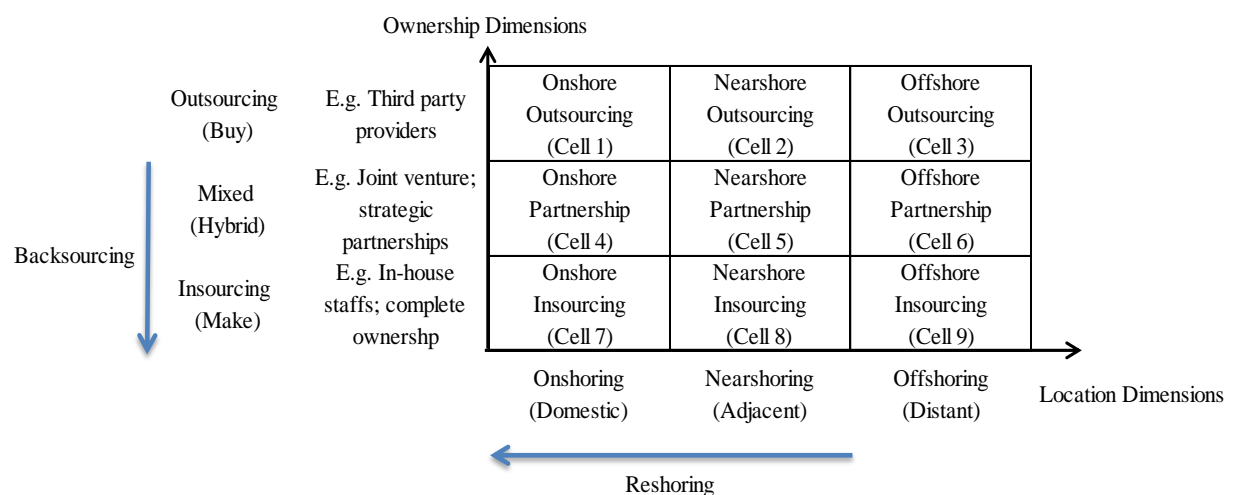
The development of what are regarded as the traditional theories on internationalisation and its subsequent expansion is reviewed in Section 2.2. For simplicities sake, the traditional theories are introduced in chronological order while recognising that the development of theory lagged practice, especially that following World War II. The key contributions to the international business theory made during the last three decades of the 20<sup>th</sup> Century are then reviewed. Theoretical contributions from previous reshoring studies are discussed in Section 2.3. The observation that emerges from this discussion is that these theories, their application and often the research itself have been conducted in a less than holistic manner giving rise to the broad research issue, namely, the opportunity to explore the host company's response to reshoring. The theoretical perspectives adopted in this study, including the resource-based view (RBV); relational mechanisms; resource orchestration; and, industrial marketing and purchasing (IMP), are introduced and discussed in detail in Section 2.4. The primary drivers, the motivations for offshoring and reshoring are discussed and categorised in Section 2.5.

A debate as to whether reshoring is a correction of a previous mistake by management of the firm or the adjustment of a strategic decision caused by changes in the internal and external environment is then presented. A chapter summary, Section 2.6, is provided to highlight the theoretical contribution being made, especially the development of what emerges as a critical gap in knowledge.

## 2.1 DEFINITIONS OF SHORING AND SOURCING STRATEGIES

Shoring and sourcing represent two categories of strategic decisions. Shoring refers to the location of the home company operations and mainly consists of onshoring, nearshoring or offshoring. Sourcing indicates who completes the operations or activities on behalf of the home company and comprises either insourcing, outsourcing or both. Therefore, sourcing relates to ownership and control (Jahns et al., 2006). However, these two streams of terminologies are frequently confused. An example illustrating the confusion in practice was the forum "insourcing American jobs" hosted by President Obama in 2012. The meaning of insourcing, as used there, refers to reshoring jobs back to the United States of America. The different combinations of sourcing and shoring are demonstrated in Figure 2.1.

**Figure 2.1. The classification of shoring and sourcing**



Source: Adapted from Jahns et al. (2006) and Foerstl et al. (2016)

Different sourcing strategies determine the actors and relevant ownership structures being considered and enacted by the firm. Outsourcing is defined as any operation or service performed by a third-party provider who is not the firm's employee (Ellram et

al., 2008; Jahns et al., 2006). It is regarded as the combination of two terms, namely, "outside" and "resourcing" (Jahns et al., 2006). However, Gilley and Rasheed (2000) emphasise that when choosing to outsource something, a firm should first be capable of that production by itself, if needed. Otherwise, outsourcing simply becomes another procurement process. The impact of this difference (outsourcing or procurement) re-emerges during the analysis of the cases in Chapters Five and Six.

Insourcing is subject to some heterogeneity in the extant literature. On the one hand, insourcing implies that a firm undertakes activities by itself in its home country or overseas (Aydin et al., 2010; Hartman et al., 2017; Hikmet, 2015; Jahns et al., 2006) and has the same meaning as in-house (Gray et al., 2013). On the other hand, insourcing is also defined as reincorporating an outsourced activity within a firm formerly operated by an external supplier (Bals et al., 2016; Cabral et al., 2014; Foerstl et al., 2016; Gylling et al., 2015; Stentoft et al., 2018), which is similar to the meaning of back sourcing (Solli-Sæther & Gottschalk, 2015; Whitten et al., 2010). Consistent with outsourcing, insourcing also represents two terms, "inside" and "resourcing". However, unlike reshoring, insourcing does not include the significant implication of moving back from earlier outsourcing. Consequently, the first definition of insourcing is used and considered consistent with the 'make' strategy referred to in transaction cost economics (TCE). "Captive" is also used to express the similar meaning of insourcing, such as, captive offshoring (Cell 9 offshore insourcing) and captive reshoring (insourced reshoring) (Benstead et al., 2017; Di Mauro et al., 2018).

From the perspective of the contractual mechanism, outsourcing is a pure market exchange, whereas insourcing belongs within the hierarchy of strategies. Mixed in Figure 2.1 refers to the hybrid of contracting with evidential support (Williamson, 2008) and is mainly represented by joint ventures (JV), alliance formation and/or strategic partnerships. In the latter category, the firm may have part ownership or have long-term contracts with suppliers. Backsourcing is defined as bringing formerly outsourced work back in-house (Whitten et al., 2010). Backsourcing results in firms moving from row 1 (Cell 1 – Cell 3) to row 2 and 3 (Cell 4 – Cell 9).

The classification and definition of shoring are less ambiguous, shoring being related to location and distance. Onshoring implies that a firm chooses to complete operations in its home country or domestically. Nearshoring changes the location of activities to a foreign but relatively close country. While offshoring extends the distance to a further country (Arlbjørn & Mikkelsen, 2014; Aydin et al., 2010; Fratocchi et al., 2014; Solli-Sæther & Gottschalk, 2015). Thus, offshore outsourcing includes two meanings: outsource to vendors and offshore to a further country. While outsourcing refers to a strategy across organisational boundaries, offshoring refers to crossing country boundaries (Chakrabarty, 2006). In some literature, offshoring and offshore outsourcing are regarded as interchangeable concepts (Jahns et al., 2006), which does not necessarily reveal ownership, as production could be both offshored and insourced.

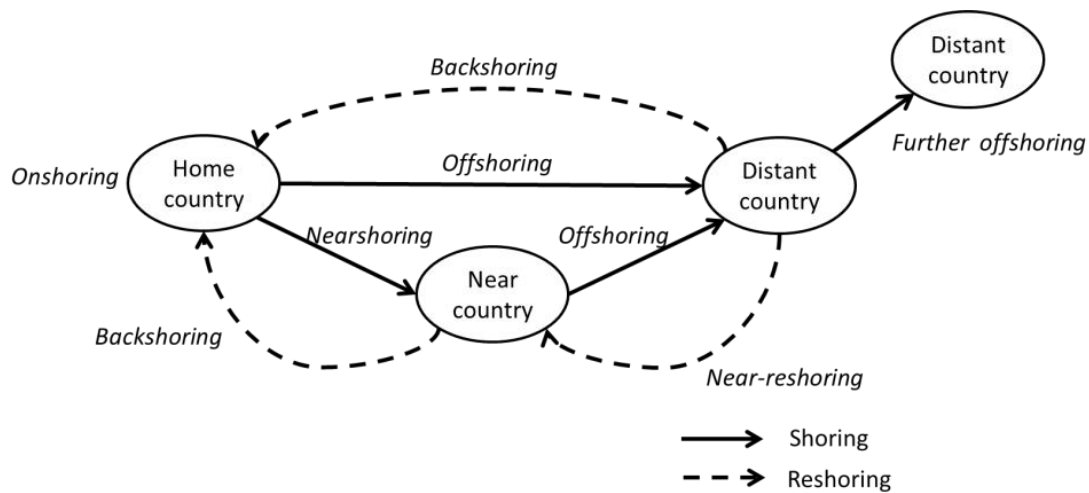
The terms to describe the decision to relocate previously offshored activities are heterogeneous, including reshoring (Albertoni et al., 2017; Ellram, 2013; Ellram et al., 2013; Foerstl et al., 2016; Gray et al., 2013; Tate, 2014), back sourcing (Benaroch et al., 2010; Bhagwatwar et al., 2011; Solli-Sæther & Gottschalk, 2015; Veltri et al., 2008; Whitten et al., 2010; Whitten & Leidner, 2006), backshoring (Arlbjørn & Mikkelsen, 2014; Canham & Hamilton, 2013; Kinkel & Maloca, 2009), back-reshoring (Fratocchi et al., 2014), and re-integration (Cabral et al., 2014). It is fortunate that amongst these terms, reshoring has been widely accepted and adopted in the literature.

Reshoring is defined as the voluntary (i.e., not forced by host country governments) decision to relocate partial or total offshored production or service activities to a firm's home country or nearshore countries (Foerstl et al., 2016; Fratocchi et al., 2014). Fratocchi et al. (2014) also define two concepts: back-reshoring (backshoring) and near-reshoring. Backshoring means moving the firm's offshored production back to its home country or the country of its parent company (Fratocchi et al., 2014). While nearshoring provides firms with the benefits of lower production or labour costs with lower transaction costs in comparison with offshoring (McIvor, 2013), near-reshoring refers to the relocation of the firm's offshored activities to another foreign country in the same region of its home country (Fratocchi et al., 2014), for example, a U.S. company moving its production from China to Mexico. Near-reshoring is especially

significant for small countries with constraints of limited resources or capabilities to reshore.

Previous research has identified three characteristics of reshoring. First, reshoring is the reverse decision of a previous offshored activity and only happens after offshoring (Fratocchi et al., 2014; Wiesmann et al., 2017). Second, reshoring is a location decision (Gray et al., 2013; Wiesmann et al., 2017), irrespective of ownership (Fratocchi et al., 2014). Third, reshoring does not require that a firm repatriate all previous offshored activities or decrease its exposure in the global market (De Backer et al., 2016). Therefore, reshoring refers to a change in firm strategy moving from column 3 (Cell 3, 6, 9) to columns 1 and 2 (Cell 1, 2, 4, 5, 7, 8). The common paths of reshoring are depicted in Figure 2.2.

**Figure 2.2. Location paths of shoring and reshoring**



Shoring and sourcing strategies are always related, if not deeply interwoven. Gray et al. (2013) defined four types of reshoring, adapted in Figure 2.3 to make it consistent with the previous definitions (above) and Figure 2.1. There are two differences between Gray et al. (2013) 's definitions and Figure 2.3. The first is that Gray et al. (2013) only consider moving from offshoring to onshoring. Figure 2.3 also includes the nearshore option. Secondly, insourced is used in Figure 2.3 instead of in-house because of the definition of insourcing discussed earlier, though insourced has the same meaning as

in-house here. Furthermore, the researchers suggest using II, IO, OI and OO for four types of reshoring because they are simple, direct and easy to understand.

**Figure 2.3. Types of reshoring strategies**

		<i>To: Onshore/Nearshore</i>	
		Insourced	Outsourced
<i>From Offshore</i>	Insourced	II (Insourced Reshoring)	IO (Reshoring for Outsourcing )
	Outsourced	OI (Reshoring for Insourcing)	OO (Outsourced Reshoring)

Source: Adapted from Gray et al. (2013)

The four cells are described as follows:

*Insourced reshoring (II).* A firm relocates its production or service activities previously performed by wholly-owned offshore facilities back to wholly-owned onshore/nearshore facilities.

*Reshoring for outsourcing (IO).* A firm relocates its production or service activities previously performed by wholly-owned offshore facilities back to onshore/nearshore suppliers.

*Reshoring for insourcing (OI).* A firm relocates its production or service activities previously performed by offshore suppliers back to wholly-owned onshore/nearshore facilities.

*Outsourced reshoring (OO).* A firm relocates its production or service activities previously performed by offshore suppliers back to onshore/nearshore suppliers.

Shoring and sourcing decisions are simultaneously considered by the firm, namely, the 'who' and 'where'. Some firms choose to backsource or keep outsourcing to suppliers in closer proximity when reshoring (Bals et al., 2016). This research mainly

concentrates on the reshoring phenomenon, though ownership in support of the shoring decision emerges as relevant to both the host and home companies in the following chapters. Moreover, though reshoring includes backshoring and near-reshoring many papers still use reshoring to represent backshoring, such as those by Baraldi et al. (2018); Benstead et al. (2017); Boffelli et al. (2020); Ellram (2013); Engström et al. (2018). Thus, reshoring is widely accepted to represent the repatriation of the home company's business to the home country.

## **2.2 A BRIEF HISTORY OF INTERNATIONALISATION THEORY**

The studies on reshoring lay their theoretical foundation on the internationalisation theory. This section will provide a brief history of international theories. Development of what is international trade theory can be traced back to Adam Smith and his treatise, *"An Inquiry into the Nature and Causes of the Wealth of Nations"* (Smith, 1937). Smith observed that the operation of natural law or what he referred to as the invisible hand favours individualism and free trade. He also emphasised that the division of labour improves efficiency. Consequently, he treated trade in two goods between two countries as a positive-sum game, meaning that trading partners or countries benefit from the international division of labour and specialise in producing goods in which they have absolute advantages (Cho & Moon, 2013).

While Smith's absolute advantage failed to explain trade where one country has absolute advantages in both goods, Ricardo (1817) predicted that countries specialise in different economic activities based on their comparative advantage. In doing so, they too may benefit from international trade. The theory of comparative advantage implies that even though a country has no absolute advantage in either good, it could still produce and exchange products with other countries on the basis of having a comparative advantage.

According to Ricardo (1817), comparative advantage emerges from differences in a country's labour productivity. However, he did not explain the causes of such differences. That limitation resulted in the development of the Heckscher-Ohlin (HO) model by Eli Heckscher and Bertil Ohlin from the Stockholm School of Economics in 1933. The HO model assumes that production methods are actually different between

countries while technology is identical. The different production methods then result in a different combination of capital and labour used by the two trade partners. Therefore, a country could have a comparative advantage in producing a commodity using "the relatively abundant resource in that country more intensively" (Gupta, 2015, p. 3).

Some 65 years later, Porter (1990) criticised the traditional models of international trade, especially those originating from Adam Smith and David Ricardo, as being either incomplete or even incorrect (Cho & Moon, 2013). For example, Ricardo's (1817) comparative advantage theory narrowly focuses on factor endowments, which may not be all that is necessary for international trade. Porter suggested that countries gain competitive advantages in particular industries for substantial and sustained exports, and national prosperity is actually created instead of being inherited. He then developed "the diamond of national advantage" with four determinants: factor conditions; demand conditions; related and supporting industries; and, firm strategy, structure and rivalry, which is dynamic and comprehensive. However, Porter's home-based diamond model has also been criticised, especially when applied to a small, open trading economy like Canada (Rugman & D'Cruz, 1993). Consequently, Rugman and D'Cruz (1993) suggested a new "double diamond framework", which was especially pertinent considering the Free Trade Agreement (FTA) between Canada and the United States of America.

While explaining one country's success in exporting, Smith, Ricardo, Heckscher and Ohlin, and Porter all focus on the macro national-level cross-border exchange with a theoretical foundation of economics, or what has subsequently emerged as international economics (IE). However, historical and political events of the past decades have influenced the global economy and international trade development, further accelerating and expanding the scope of international business theory. As a consequence of World War One (WWI), arguably that of being dragged into the war in Continental Europe, the U.S. government implemented the Hawley-Smoot Tariff in 1930, providing protectionist trade policies to domestic manufacturers. At the time, the tariffs were the second-highest in U.S. history and led to the reduction of exports and imported goods by 67%, which was believed to worsen the effects of the Depression

(Snyder, 1973), resulting in a period of relative isolation. The United States of America was then drawn back into global affairs by the Japanese attack on Pearl Harbour. After World War II (WWII), it was the United States of America that then initiated the Marshall Plan in 1948 to recover the global economy, and their economy in particular as a consequence and remove remaining trade barriers. The Organisation for European Economic Co-operation (OEEC) was then founded in 1948 to administer the Marshall Plan. Since that time, Western governments have concentrated on their economic development and willingness (or otherwise) to abandon various trade barriers with Smith's knowledge, and those that followed him, that international trade is not a zero-sum game. The Bretton Woods system of monetary management, established in 1944, eventually collapsed in the 1970s, and most fixed currencies became free-floating. After the 1970s oil crisis, petroleum prices worldwide returned to more sustainable levels, and Western countries again prioritised economic development. It was with this development of globalisation and the golden era of international expansion studies through international business (IB) (as opposed to international economics) that practice and research literally exploded. In particular, research on the foreign activities of multinational enterprises (MNEs) (Dunning & Lundan, 2008) became commonplace, and the focus of IB research was rapidly extended from macro country-level economics to micro firm-level strategy.

While largely drawing on the traditional IB theories, firms' internationalisation strategies have been studied for decades. Much of this research focuses on the international expansion of multinational enterprises (MNEs), particularly as a result of foreign direct investment (FDI). In particular, the Uppsala internationalisation process model that originated in the behavioural theory of the firm (Cyert & March, 1963) has been used to study the development of the individual firm, "and particularly on its gradual acquisition, integration, and use of knowledge about foreign markets and operations, and on its successively increasing commitment to foreign markets" (Johanson & Vahlne, 1977, p. 23). The Uppsala Model emerged from empirical observations of how Swedish firms develop their international operations. A process observed to start with exporting to a foreign country; or via an agent; to establishing a sales subsidiary; or, manufacturing in a host country. This behavioural model regards internationalisation as an incremental process with the accumulation of knowledge and

experience. It is also related to the psychic distance between the home and the host countries. Psychic distance refers to factors preventing the flow of information from and to the market, such as differences in language, culture, education, industrial development and business practices.

In 2009, Johanson and Vahlne (2009) revised the Uppsala Model, embedding changes in the business environment and relationships in the business network and adding trust-building and knowledge creation. They recognised that relationship development in the business network is a bilateral process involving two parties "who learn interactively and make a mutual commitment to the relationship" (Johanson & Vahlne, 2009, p. 1414). Hence, a business relationship between adjoining firms results from investment (time, money, effort and relationships) and should be treated as a firm's resource. Meanwhile, knowledge is also created during exchanges in this network of interconnected relationships. Therefore, relationship and knowledge are now emphasised in the internationalisation process, marking a substantive change from the solely economic approaches of Smith (Smith, 1937), Ricardo (Ricardo, 1817), Heckscher and Ohlin (Cho & Moon, 2013), and Porter (Porter, 1990).

While the Uppsala Model adopts firm behavioural theory, other economics-based theories have also been used to explain the rationale behind firms' internationalisation, including internalisation theory; transaction cost theory (TCE); and, the eclectic paradigm (Su, 2013). Internalisation theory views the economic system instead of just that of the individual firm. Casson (2013) argues from an economic perspective which types of knowledge and which stages of production will be retained by firms and which will be subcontracted to other firms. The internalisation process is also related to country-specific advantages (CSA) and firm-specific advantages (FSA) (Rugman, 2006). The firm is postulated to optimise its supply chain configuration and decide how to develop across national borders largely on the basis of earnings and costs. Consequently, Casson argues that global value chain theory is not a new phenomenon but an old one under a new guise.

The framework of global value chains (GVCs) is related to internalisation theory and identifies three elements: the complexity of transactions; the ability to codify

transactions; and, the capabilities in the supply base. GVCs also suggest five types of governance patterns – hierarchy, captive, relational, modular and market (Gereffi et al., 2005). Therefore, it may help a firm determine both ownership and location decisions by focussing on governance analysis (Gereffi & Lee, 2012). It is argued that firms develop long and complicated GVCs to take advantage of optimal location factors within the global context. However, the length and complexity of their international production networks then exposes the firm to additional levels of risks and makes them less agile to respond to rapidly changing customer demand (De Backer et al., 2016).

By integrating previous studies, Dunning (1998) presented the ownership, location and internalisation (OLI) framework through which the advantages of each component and their relationship with one another is recognised during international expansion. Now known as the eclectic paradigm (Dunning, 2000), and later to include resource seeking, efficiency seeking, market seeking, and strategic asset seeking, it has become the most widely used framework in the IB literature (Su, 2013). Offshoring and reshoring are classified as location (L) decisions (Gray et al., 2013) and maybe more relevant to shoring strategies than either ownership (O) or internalisation (I) (Doh, 2005).

Internationalisation creates challenges for organisational capabilities and their management across borders, particularly for multinational companies. Bartlett and Ghoshal (1987) argue that companies must build multidimensional capabilities through which to advance to a genuine transnational organisation. To realise efficiency, responsiveness, and learning simultaneously, the company must develop strong geographic, business, and functional management. Bartlett and Ghoshal's work serves to illustrate the difficulties encountered by companies choosing to conduct cross-border business.

From both a macroeconomic perspective of international trade and a microeconomic perspective, the Uppsala Model, internalisation theory, transaction cost theory, and the eclectic paradigm seek to explain intra-firm international division but not inter-firm market transactions (Dunning & Lundan, 2008). This outcome is understandable because the top 5,000 MNEs worldwide account for most of global FDI (UNCTAD, 2020). On the other hand, with the development of globalisation, internationalisation

is no longer limited to exporting, franchising or FDI. Over the last two decades, offshoring, especially offshore outsourcing, has become one of the most popular and effective strategies, especially for MNCs and SMEs in Western developed countries (Roza et al., 2011). By offshoring, the home company can access abundant resources, low-cost labour and highly incentivised government policies in the host country (Ellram et al., 2013; Wiesmann et al., 2017). However, as noted earlier, much of this activity appears to be procurement as opposed to what is – strictly – offshoring.

Three waves of offshoring activities have now been observed. The first wave occurred when manufacturing firms began to exploit low-cost resources in the mid-1980s. The second wave followed in the early 1990s when firms chose to outsource their information technology (IT) departments. Many IT service providers were relocated to emerging market economies, especially India. The third wave began in the early 2000s when more and more business service functions were outsourced to offshore countries, including accounting, finance, human resource management, sales and after-sales services, for example, call centres (Kotabe & Mudambi, 2009). The digital revolution and the dramatic decrease in telecommunication costs significantly reduced the transaction costs of long-distance cooperation and contributed to the latter two offshoring waves (Farrell, 2005; Levy, 2005). The development of various organisational and managerial capabilities to coordinate geographically dispersed networks of tasks and productive activities also had a positive impact (Levy, 2005) on the adoption of internationalisation.

IB studies have produced substantial knowledge of offshoring. However, "offshoring presents challenges to core theories which underpin many assumptions within IB research" (Doh, 2005, p. 696). For example, though Dunning's (2001) OLI and the eclectic paradigm have been widely used in offshoring studies, Kedia and Mukherjee (2009) suggest that the Disintegration-Location-Externalisation (DLE) framework is better used to explore offshoring. Curiously, Porter (1990) required that home market demand was essential for internationally competitive industries, a now dated view especially when entirely new industries are developed for outputs instead (Doh, 2005). The aim of an offshoring strategy is no longer one of optimising a single value activity but enhancing a whole system of value-added entities. Therefore, it is essential to

understand the shoring phenomenon more comprehensively (Schmeisser, 2013) using more holistic tools and theories than has been done in the past.

Meanwhile, the appearance of the reshoring phenomenon brings new challenges to researchers. While reshoring is believed to be a trend of the early 21<sup>st</sup> Century, more sceptical voices suggest that it may be only happening in a small number of companies (De Backer et al., 2016). Though becoming more and more critical to various countries and firms, reshoring is still being treated as a relatively small-scale phenomenon concerning offshoring (Albertoni et al., 2017). Despite those reservations, it emerged as a new topic in the academic literature in 2007 with its own body of research (Fratocchi et al., 2016). More academic papers studying reshoring appeared after 2013 (Barbieri et al., 2018). However, many aspects of the reshoring phenomenon are still under-researched (Albertoni et al., 2017; Arlbjørn & Mikkelsen, 2014). More research exploring reshoring from different theoretical perspectives and research questions has appeared in the past ten years. However, this research explores reshoring from a new perspective – that of the host company - and, as a consequence, provides new insights and understanding to the extant literature.

### **2.3 COMMON THEORIES USED IN SHORING RESEARCH**

Transaction Cost Economics, the RBV, and the eclectic paradigm are the most common explanatory theories to be used amongst reshoring researchers (Barbieri et al., 2018; Wiesmann et al., 2017). TCE and the RBV provide theoretical support to IB-specific theories through the consideration of market transactions and firms' respective competitive advantages. Amongst these, Dunning's (Dunning, 1998, 2000) OLI model is the leading paradigm (Wiesmann et al., 2017) from which to discuss the global expansion of multinational enterprises (MNEs). As noted above, the eclectic paradigm presents OLI advantages emerging through ownership (O), location (L) and internalisation (I), of which recovering location advantage (Ellram et al., 2013) appears central to reshoring.

Dunning (2000) identifies four types of internationalisation activities as either resource seeking (supply oriented) that provides access to natural resources, raw materials and infrastructure, for example, minerals, agricultural products, and unskilled labour. Note

that local partners are also regarded as important resources. Market seeking (demand oriented) refers to the opportunities from opening a new market or satisfying a new foreign market. Efficiency seeking includes cost-related production factors, specialised industry clusters and government removal of trade barriers to promote a more efficient division of labour or existing assets. And, strategic asset seeking aims to protect or create firms' competitive advantage by evaluating knowledge-related assets, gathering marketing intelligence, and keeping a local presence.

The eclectic paradigm has been widely used to explore why firms offshore and subsequently reshore. In one of the earliest published papers on reshoring, Ellram (2013) conducted a survey in the United States of America to identify factors influencing the manufacturing location decision. The factors that emerged are presented in the form of the eclectic paradigm. It is suggested that firms need to consider the strategic assets that enhance their competitive advantage (Quinn & Hilmer, 1995), not just those that provide a purely - and potentially only short-term - cost advantage. Consequently, an offshoring firm seeking resources or efficiency is more likely to reshore than one seeking market choice (Fratocchi et al., 2014).

TCE emphasises the contractual mechanism between adjoining businesses and considers asset specificity, purchasing frequency and uncertainty when firms shift from market exchange to hybrid contracting to a hierarchy (Williamson, 2008). While mainly referring to the firm's boundary and the make-or-buy decision, TCE suggests that firms move their manufacturing from higher-cost to low-cost regions, *ceteris paribus* (Ellram et al., 2013). That observation is consistent with the primary motivation for offshoring that it is largely cost-driven (Di Mauro et al., 2018). The OLI posits that ownership and location strategies are also interrelated so that firms are expected to evaluate and make decisions across the three dimensions simultaneously.

However, it is believed that most offshoring decisions were based on per-unit production costs (Gray et al., 2013) or out-of-factory costs (De Backer et al., 2016). The home company, supposedly, does not consider the total cost. Other factors, such as logistics costs, quality control and purchase order rigidity, contribute to unexpected hidden costs and additional financial burden on firms. Cost estimation errors have been

found to have a negative effect on the performance of offshoring activities (Larsen, 2016). Hence, cost estimation should include not only cost differentials in a narrow definition (difference in the price of any necessary input, such as, labour costs or raw material costs), but also "the management of the risk inherent in developing those tasks in any location, the impact of the location on the whole supply chain, the extra premium that '*made in...*' can represent in the firm's marketing strategy" (Martínez-Mora & Merino, 2014, p. 227). Despite advances in digital communication, large geographic distances are expected to raise uncertainty during transactions (Wiesmann et al., 2017). Cultural differences and limited intellectual property protection also generate the potential for opportunism (McIvor, 2013) by the host company or host country.

It has been pointed out that labour costs should not be the only criterion for deciding on a specific offshoring destination (Wiesmann et al., 2017). Ellram (1995) suggests that the total cost of ownership (TCO) should include "different risk factors and the potential and realised impact on the cost" (Tate, 2014, p. 67). Gylling et al. (2015) use the term full-loaded Total Landed Cost (TLC) in their research, including "unit price; transportation, expediting and handling costs; duties and taxes; documentation and broker fees; financial transaction costs (incl. currency exchange costs); inventory carrying and obsolescence costs; product rework or damage costs; and customer service penalties" (p. 94).

While firms have noticed the significance of hidden costs related to offshoring, most reshoring research emphasises per-unit cost reduction upon reshoring. The total costs still appear to be ignored, including the costs to search for new suppliers, train new staff, establish new facilities and construct new supply chains. High initial setup costs and switching costs to move back would also present barriers to the firm reshoring.

From a macro perspective, internalisation theory discusses location decisions from a global and macro level and examines "the strategic questions of where the facility is located, who owns the product, and who employs the productive labour" (Ellram, 2013, p. 4). The theory manages the size and scope of firms (Wiesmann et al., 2017), which is similar to TCE. It is even suggested that "internalisation theory can be viewed as the TCE of multinational corporations" (Su, 2013, p. 177).

The RBV suggests that firms develop their sustainable competitive advantage by developing valuable, rare, inimitable and nonsubstitutable resources (Barney, 1991). To concentrate on their core competencies, they ought to outsource non-core activities to vendors (Quinn, 1999), a global resource seeking process. Offshoring then allows firms access to and exploit the host country's resources (Canham & Hamilton, 2013; Kazmer, 2014; Solli-Sæther & Gottschalk, 2015). By combining the comparative advantage of geographic location with resources and competencies, firms create their competitive advantage (McCann & Mudambi, 2005). Therefore, the RBV helps analyse manufacturing capabilities and links the manufacturing location decision with the firm's performance and their relative competitive positions in the industry (McIvor, 2013).

Other theoretical perspectives have been used in the current reshoring research. Bals et al. (2016) suggest that contingency factors, such as company size, growth or decline scenarios, countries of operation, ownership structure, product portfolio, supply chain structure and supply chain relationship structure, should be considered in future reshoring research. Benstead et al. (2017) develop a contingency-based conceptual framework to discuss how contingency factors influence the decision-making process of reshoring. Boffelli and Johansson (2020) extend the framework to cover both offshoring and reshoring processes for future research.

Production location decisions are always based on bounded rationality (Cyert & March, 1963), which leads to potential risks (Gylling et al., 2015). Hence, organisational buying behaviour (OBB) is treated as a complementary theory to TCE as used by Foerstl et al. (2016) in their discussion of reshoring. The existence of bounded rationality and opportunism leads to the inability to expect offshoring outcomes accurately and the underestimation of costs. In addition, decision-making biases are expected to result in bandwagon effects. The fear of losing competitive advantage pushes a company to imitate its competitors' offshoring strategies. OBB theories also include studies of trust and commitment between adjoining companies. Ashby (2016) analyses how sustainability can be created and developed through reshoring in the U.K. clothing industry using social network theory (SNT) and emphasises the importance of managing a sustainable supply network with stronger ties with suppliers that, in turn,

engender trust, reciprocity and shared meanings. Boffelli et al. (2020) also analyse reshoring decision-making and implementation processes from a largely behavioural perspective suggesting that a yet wider range of theoretical lenses may be necessary through which to understand the complexity of reshoring.

On occasions, previous research has included a cost comparison of the offshoring and subsequent reshoring decision. Gylling et al. (2015) analyse the offshoring and backshoring decisions of a Finnish bicycle manufacturing company by comparing the make-or-buy costs consecutively. The drivers to reshore, as discussed in the previous literature, were found to focus on reducing costs, such as, logistics costs and coordination costs. However, reshoring was found to involve switching costs, such as searching for domestic suppliers, establishing a new cooperative relationship, and training new employees. The firm needs to consider long-term reshoring risks (Tate et al., 2014). Tate et al. (2014) suggest that competition in resource markets, known as factor market rivalry, causes a shift of manufacturing activities from what were once low-cost countries toward newer low-cost countries or closer to customer/consumer markets (the reshoring process), "where labor [*sic*] is readily available, the transportation infrastructure is well-established, and the geopolitical environment is conducive to this change" (p. 382). However, the theory of factor market rivalry also implies that reshoring may result in rising costs in the home country. It has been argued that managers must develop a long-term perspective to consider total costs, life-cycle costs and other risk issues to better understand the rapid changes within their respective internal and external environments (Tate et al., 2014).

Regardless of the theoretical approach being pursued, costs, whether production costs or preferably total costs, appear to be a central criterion to the shoring decision and notably to reshoring. In particular, there is a belief, accurately quantified or otherwise, that reshoring will now result in some form of cost reduction.

## **2.4 NEW THEORETICAL APPROACHES**

Besides the traditional IB theories discussed above, shoring researchers have embraced a broad genre of new theoretical approaches. A brief review of this latter group of theories is now presented that includes the Knowledge-Based View (KBV); the

relational mechanism; resource orchestration (RO); and, Industrial Marketing & Purchasing (IMP). Each of these theories has, to some extent, added new findings and understanding to the literature, of which some shape this research.

#### ***2.4.1 Knowledge-Based View***

Knowledge is regarded as an intangible resource and can be used as a strategic asset to create competitive advantage (Barney, 1991). This dimension of organisational knowledge has been considered an influential factor during reshoring. More specifically, it is argued that the home company needs to revive and renew its knowledge-related capabilities to prepare for manufacturing production after reshoring (Nujen et al., 2018).

Information communication technology (ICT) now allows firms to communicate and exchange complex information at a low cost over a considerable distance. ICT is also beneficial to knowledge codification and reduces the need for face-to-face meetings. Combined with the standardisation of product components, communication and coordination costs can be controlled effectively (Grandinetti & Tabacco, 2015) over time. Therefore, while ICT enabled offshoring, it is likely to be less critical in reshoring as the firm retracts supply chains. However, reshoring may leave knowledge behind, in part captured by the host company's ICT, a concept explored later in the research.

Strategic asset seeking, including what may be considered knowledge-related assets, is one of the main drivers for firms to offshore (Dunning, 2000). Mukherjee et al. (2017) argue that different combinations of the home company's external knowledge search motives (exploration or exploitation) and local embeddedness (low or deep) lead to four types of knowledge strategies in the host country: replication, refinement, renewal and recombination. Consequently, offshoring involves both knowledge sharing and transferring processes between the home and host locations. However, IP leakage and loss of R&D control are found to be amongst the drivers for firms to reshore (Di Mauro et al., 2018). But although the home company could use IP laws to protect its technologies and recover machines and equipment to prevent further production in the host country, knowledge, especially that concerning technology, can simply not be

unlearnt (Casillas et al., 2010) by management, technicians and workers in the host location.

Knowledge transferred to the host company could then emerge as a significant barrier to home company reshoring. Nujen et al. (2018) identified one home company that had to pay what they referred to as a large sum of money to recover knowledge shared with their host company. Engström et al. (2018) also mentioned a case company encountering barriers to reshoring due to host company control over product blueprints. While unavoidable but risky to the home company, knowledge sharing is beneficial to the host company through which they may then explore and exploit the offshoring network. Knowledge interdependency between home and host enhances the relationship between two companies (Håkansson & Snehota, 1995) for mutual benefit. In the stage of case analysis in Chapters Five and Six, KBV also provides the theoretical explanation for the findings.

#### ***2.4.2 Relational Mechanisms***

Offshoring and reshoring involve a dyadic relationship between two actors, namely and regardless of ownership, those in the home and host countries. Relational governance, such as trust, commitment and social ties, complements contractual governance (Poppo & Zenger, 2002). The offshoring relationship between two firms, especially vertical involving functional complementarities among parties, is expected to increase interdependence (He et al., 2011). In other words, offshoring is also a trust-building process. Mutual trust encourages firms to share information (Butler, 1995, 1999), create value (Kong et al., 2014) and engenders familiarity between partners in interpersonal interaction and social exchange (Butler, 1999; Kong et al., 2014). Trust and commitment remain vital to both actors in the relationship (Johanson & Vahlne, 2009). Actor bonds are also emphasised in the business network (Håkansson & Snehota, 1995). Maintaining a good relationship with the host company is beneficial to the home company. When reshoring, the home company then needs to establish and strengthen new ties with the local suppliers (Baraldi et al., 2018) and engender trust, reciprocity and shared meanings with them (Ashby, 2016). The relational mechanism is also adopted in the case analyses in Chapters Five and Six.

### **2.4.3 Resource Orchestration**

The RBV has been widely used in offshoring and reshoring research. Resources are defined as, but not limited to all assets, capabilities, organisational processes, firm attributes, information, and knowledge controlled by a firm through which it implements strategies and improves efficiency and effectiveness (Barney, 1991). The net result of the RBV is to treat the firm as “a collection of different resource elements” (Håkansson & Snehota, 1995, p. 134). The firm then creates competitive advantage by activating valuable, rare, inimitable and nonsubstitutable resources (Barney, 1991).

However, the RBV is criticised for its static nature and that it overlooks the dynamic external environment (Cui & Pan, 2015). Hence the need to consider the firm’s potential (latent) or activated dynamic capabilities (Teece et al., 1997). The subsequent theoretical development, considering the RBV within a dynamic as opposed to static environment, resulted in Sirmon et al. (2007) framework for resource management. This framework includes structuring the portfolio of resources (acquiring, accumulating and divesting); bundling resources to build capabilities (stabilising, enriching, and pioneering); and, leveraging capabilities in the market place to create value (mobilising, coordinating and deploying). The purpose of resource management is to create competitive advantage for the firm and value for its customers. Parallel with Sirmon et al. (2007) contribution is that by Helfat et al. (2007), who presented a more parsimonious approach, consisting of two primary processes. Helfat et al. (2007) processes are search and selection to identify, invest, design, and organise assets, while the second process is the configuration and deployment of assets for innovation.

From these two frameworks, Sirmon et al. (2011) developed the concept of resource orchestration, emphasising the importance of managerial actions on resources. Consequently, a firm’s competitive advantage can be realised by effectively managing a firm’s resources (Cui & Pan, 2015). These latter contributions effectively relocate managerial decision making within what was the RBV. Resource orchestration suggests that firms ‘orchestrate’ their resources to cope with the dynamic environment and generate new capabilities (Helfat et al., 2007; Sirmon et al., 2011). Resource orchestration is the primary theory used in Chapter Six, in which the discussion of how the host company responds to opportunities within the offshoring network, creating and

developing new capabilities and recovering competitive advantage when previous ones vanish is presented.

#### ***2.4.4 Industrial Marketing and Purchasing***

Baraldi et al. (2018) adopted the IMP perspective, using the ARA model (Activity links – Resource ties – Actor bonds) (Håkansson & Snehota, 1995) to analyse a home company's network development in the home and host country contexts. The offshoring process is observed to establish supply chains turning the home company from outsider to insider, establishing a position in the new network of the host country with learning and building trust and commitment (Johanson & Vahlne, 2009). Reshoring means weakening or breaking down the original connections in the host network, which directly or indirectly influences relevant actors.

##### *Activity links*

Activity links emphasise adaptations and the relocation of activities between adjoining actors. From the perspective of cost dimension, the company could adopt standardisation and modularisation to reach economics of scale. On the other hand, considering the behavioural view, the company need to focus on differentiation and uniqueness to strengthen its irreplaceable position in the business network. Thus, the process of adaptation builds up interdependencies between companies (Håkansson & Snehota, 1995). Meanwhile, such activity links contain asset specificity, purchasing frequency and uncertainty, discussed in TCE (Williamson, 1979). Costs considered by TCE and activity links are also consistent with the primary motivation for offshoring (Di Mauro et al., 2018).

Offshoring allows the home company to enter a foreign business network, and reshoring could be treated as a re-embedding process. Particular activity links are adapted and relocated between two actors. Offshoring and reshoring affect all actors in the business network directly or indirectly (Baraldi et al., 2018; Håkansson & Snehota, 1995). When reshoring, the home company breaks out routines and relationships in the host company and brings new activities back to the home network. The new adaption process may cause resistance from the existing actors (Baraldi et al., 2018).

### *Resource ties*

The real value of resources in the ARA model is determined by their potential use. Hence, a resource can be "regarded as a relation rather than an element in itself" (Håkansson & Snehota, 1995, p. 132). Two sides to resources emerge, provision and use. The provision side decides the features of resources. However, the actual value of resources relies on how to use their features and further the relationship between the provider and the user. Subsequently, resource ties need to be treated as a condition that makes activity links possible (Håkansson & Snehota, 1995; Koporcic, 2017). Resources are then variables available to all actors in the business network, and a business firm can be treated as a collection of different resource elements (Håkansson & Snehota, 1995).

In studies of offshoring supported by the RBV (Barney, 1991), exploring and exploiting resources is identified as a way to enhance a firm's competitive advantage. However, the ARA model emphasises not only the ownership of scarce resources but how to get access to and configure resources through relationships with other companies. It is this concept that is consistent with resource orchestration theory. Reshoring decisions involve eliminating or breaking down resource ties in the host country and finding new physical and immaterial resources in the home country (Baraldi et al., 2018). In reshoring, the home company may give up the whole resource constellation (Håkansson & Snehota, 1995) in the host country, severing all direct and indirect connections in the business network.

### *Actor bonds*

Actors, both individuals and arguably the collective, develop bonds with others when developing their identities in business networks. Such bonds also let actors acquire a certain position and may even constrain others' perceptions and behaviours (Håkansson & Snehota, 1995). When first offshoring, the home company is an outsider in the host context, so it may suffer from the liabilities of being an outsider and being foreign. Under such circumstances, it needs to find an insider (a host company) to help it access the host market with learning, trust and commitment building (Johanson & Vahlne, 2009). Actor bonds are also related to the relational mechanism. Both of them emphasise the significance of trust and commitment in the business relationship.

Reshoring decisions break down actor bonds and require that the home company build new ones in the home context. It may be easier for the reshoring company if it still has trustful and highly committed relationships with domestic actors or brings value to the local/domestic network (Baraldi et al., 2018). However, building new relationships with new actors is likely to require time and the development of mutual benefits. In this research, the ARA is used to supplement resource orchestration theory when analysing the offshoring network of case companies in Chapter Six.

## **2.5 DRIVERS OF OFFSHORING AND RESHORING**

The “Why” question, namely, the drivers and/or motivation for reshoring has been studied almost exclusively in the extant literature (Barbieri et al., 2018). However, Fratocchi et al. (2014) argue that the analysis of reshoring cannot be conducted independently from the analysis of the earlier offshoring decision, the position adopted in this research. An array of offshoring and subsequent reshoring motivations have been identified and classified according to different criteria. While offshoring is primarily seen as being cost-driven, reshoring is often triggered by problems of quality and supply chains (Kinkel & Maloca, 2009). Reshoring can help maintain or improve product quality and improve speed, flexibility and responsiveness (Ashby, 2016). The research literature also demonstrates that reshoring is a complex phenomenon. Its motivations are expected to vary among firms, industries and countries (Di Mauro et al., 2018). A brief review of home country offshoring and reshoring drivers follows.

### ***2.5.1 Home Country Offshoring Drivers***

Despite the common motivation for offshoring being widely accepted as being ‘cost’, Schmeisser (2013), following a meta-analysis of 63 papers published in leading IB research journals, argued that no single theory explains why firms offshore. Offshoring research has resulted in a co-evolutionary perspective to study relevant factors and dynamics that motivate firms to offshore. Despite the lack of consistent theoretical explanation, there are extensive benefits to be had from offshoring, and these are now well understood. Farrell (2005) argues that offshoring “creates enormous value for both companies and the economy as a whole” (p. 675), reminiscent of international trade theory’s positive-sum game. The eclectic paradigm (Dunning, 2000) identifies four types of offshoring drivers, including resource seeking, market seeking, efficiency

seeking and strategic asset seeking. Empirical research conducted by Roza et al. (2011) reveals that the drivers of offshoring activities are also related to firm size. Cost reduction is the most critical driver for large and small firms, while resource acquisition is especially crucial to medium-sized and large firms. Entrepreneurial strategy, defined as addressing new resource combinations and seeking new business opportunities, is the most important to medium-sized firms. Ellram et al. (2013) analyse the drivers of manufacturing location choice based on the eclectic paradigm, and also suggest that firms increasingly consider the impact of offshoring on total cost, profitability, and customer value when choosing other manufacturing locations.

But while there may not be a coherent theoretical understanding of offshoring amongst researchers, the primary driver and/or motivation remains as cost-saving (Farrell, 2005; Kinkel & Maloca, 2009; Lewin & Peeters, 2006). Emerging countries provide low-cost labour and resources with well-aligned government incentive policies, such as lower tax rates (Farrell, 2005). Offshoring enables firms to aggregate demand from different regions, which provides bargaining power through economies of scale (Kotabe & Mudambi, 2009). Secondly, offshoring allows firms to access more operational flexibility from which to then reach optimal asset utilisation rates. Firms can benefit from the higher usage rate of capital infrastructure through round-the-clock shifts (Farrell, 2005), likely to be prohibitively expensive in western countries with comprehensive employment laws. Offshoring companies face less constrictive laws and regulations in emerging countries and are likely to be allowed to conduct activities restricted or perhaps even prohibited in developed countries. Thirdly, offshoring may create new revenue for firms through export growth (Farrell, 2005) into new markets, especially those with flourishing middle classes like China, India, and Brazil. Finally, some offshoring activities are driven by knowledge acquisition. Firms are eager to access global talent and unique resources to create and reinforce their competitive advantage (Kedia & Mukherjee, 2009). Besides the firm-level drivers, macro-environmental factors, such as globalisation, technological development, liberalisation of emerging economies, and hyper-competition, motivate firms to adopt an offshoring strategy (Kedia & Mukherjee, 2009). Therefore, while cost may be the recognisable dominant driver of offshoring, it is, by no means, the only one. There remains an array

of drivers, many of which could be labelled ‘cost’, but there remain others that cannot be categorised as such.

### ***2.5.2 Home Country Reshoring Drivers***

Reshoring researchers have now identified and categorised a range of home company decision drivers and motivations (Barbieri et al., 2018). For example, Stentoft, Olhager, et al. (2016) identify 25 factors relevant to reshoring and categorise them into seven groups as follows: cost, quality, time and flexibility, access to skills and knowledge, risks, market, and others. Similarly, Fratocchi et al. (2016) analysed tertiary data published in newspapers, academic papers and reports edited by consulting firms and other institutions from which they identified 31 independent motivations. Their interpretative framework characterises these motivations along two broad dimensions: the goal (customer perceived value versus cost efficiency); and, the level of analysis (internal environment versus external environment).

As mentioned above, Fratocchi et al. (2014) suggest that the analysis of reshoring cannot be conducted independently of re-exploring the offshoring motivation. In response, Di Mauro et al. (2018) conducted a comprehensive literature review of 43 journal papers to explore the drivers of both. 42 individual motivations of reshoring are summarised and categorised into the ubiquitous b-school two by two matrix formed by cost efficiency/customer perceived value and internal/external environment, the same method as that used by Fratocchi et al. (2016). Therefore, the drivers and motivations for reshoring decisions remain more heterogeneous than those for the original offshoring. The drivers and motivation for reshoring are either genuinely more complex than that for offshoring, which is predominantly cost-driven or market seeking or that the research is still in its infancy and trends are yet to emerge.

Other research has begun to explore reshoring drivers from entirely new perspectives. For example, Sayem et al. (2019) demonstrate that the challenges encountered when managing geographically dispersed offshored facilities affect reshoring decisions. While Stentoft, Mikkelsen, et al. (2016) identify the influence of flexicurity on reshoring manufacturing to high-cost countries. By contrast, Nujen et al. (2018) and Nujen et al. (2019) argue that knowledge transfer during offshoring and reshoring, from

the perspective of the home company, is a critical driver. The following discussion of reshoring drivers uses Dunning's Eclectic Paradigm (Dunning, 2000), namely, resource-seeking, efficiency-seeking, marketing-seeking and strategic-asset seeking plus the additional category of external environmental factors, necessary to take into account drivers that would otherwise be missed.

#### *Resource-seeking related drivers*

Resource-seeking factors are largely related to cost reduction. Production costs include all expenses related to the production process, such as labour costs, raw material costs, energy costs, and quality control. The pursuit of lower labour costs was one of the primary reasons for firms to offshore to emerging countries. However, wages in many host countries have risen quickly over the last decade. For example, wages in China have increased 15-20% per year, which has significantly eroded its cost advantage in labour-intensive activities (De Backer et al., 2016; Sirkin et al., 2011). Consequently, the gap in labour costs between China and the United States of America has been shrinking, which resulted in American firms reshoring manufacturing (Pearce II, 2014). Meanwhile, reshoring to the United Kingdom and other European countries from China may be more limited than that to the United States because the wage cost differential is yet to create the same "tipping point" (Sirkin et al., 2012).

In addition to the wage gap, worker productivity is also a significant contributor to the total cost. It has been reported that American workers are almost three times more productive than those in China, possibly due to the high level of manufacturing automation and the availability of skilled labour (Pearce II, 2014). However, automation is also a solution with which to make up for low worker productivity in developing countries. Automation poses the dilemma that while it reduces a product's labour content, it erodes the advantage of low labour costs in the host country (Sirkin et al., 2011). However, the adoption of automation and Industry 4.0 further improve the production efficiency in the home company and turn to be the reshoring drivers.

Energy costs have also been identified as a driver for reshoring amongst U.S. firms (Pearce II, 2014; Tate et al., 2014). Relative to other developed countries, U.S. energy costs have been in decline, especially that of natural gas. American manufacturing

firms dependent on high energy consumption, and natural gas, in particular, have been observed to reshore in pursuit of capturing this advantage (Pearce II, 2014). The evidence is compelling, as reported by the International Energy Agency, the United States has the lowest cost of energy per megawatt (Tate et al., 2014) hour while the cost of electricity, for example, in China, has increased by 15% since 2010 (Sirkin et al., 2011).

Poor service and product quality are also regarded as contributing to production costs offshore. Though the increases in labour and energy costs may lead to reshoring, poor product quality has been regarded as *the* primary reason (Arlbjørn & Mikkelsen, 2014; Kinkel & Maloca, 2009; Zhai et al., 2016) to reshore. In a survey of German manufacturers, flexibility and quality were identified as being the primary motivation to repatriate, rather than labour costs per se (Kinkel & Maloca, 2009). Zhai et al. (2016) also reveal that quality is a primary single factor for reshoring by American manufacturing companies from China.

#### *Efficiency-seeking related drivers*

The common aim of efficiency-seeking drivers is to improve the efficiency of production, logistics, transportation, communication and coordination. Implementation of production automation (Arlbjørn & Mikkelsen, 2014) and Industry 4.0 (Ancarani et al., 2019) make up for the relatively higher labour cost in the home country. Meanwhile, there are many costs related to extended supply chains, including transportation costs, inventory expenses, transportation losses and the threat of supply disruptions due to port closures and/or natural disasters. Geographic distance leads to the emergence of a range of logistics-related reshoring drivers. In addition, purchase order rigidity subsumes the minimum order quantity for suppliers to produce and the minimum capacity for transportation, for example, whole containers (Fratocchi et al., 2015; Yu & Lindsay, 2011). Shipping costs also have kept rising over the last two decades. From 2002 to 2008, shipping costs from China to the United States of America are reported to have increased tenfold (Pearce II, 2014). “Rising oil prices, a falloff in new shipbuilding and a projected shortage in container port capacity in 2015 are expected to boost ocean freight rates” (Sirkin et al., 2011, p. 11).

Offshoring lengthens the firm's supply chain, resulting in longer lead times and planning, higher average levels of inventory, difficulty in implementing some logistics strategies, such as, just-in-time, slower response time to the market, and reduced operational flexibility (Fratocchi et al., 2015). These issues particularly impact short product life cycles or when customers need quick responses (Gylling et al., 2015). Reshoring produces the benefits to be had from moving production closer to the customer, with shorter lead times and quicker response to changing demand. New products can also be delivered at shorter notice, especially in customised and fashion markets (De Backer et al., 2016). While reducing the time-to-market, reshoring firms realise optimal production capacity utilisation and can improve internal collaboration (Pearce II, 2014).

As already observed, coordination and monitoring costs appear to have been widely ignored when firms made their original offshoring decisions. The increasing costs of monitoring, communication, and coordination between firms and their overseas suppliers, despite considerable advances in ICT, can be much higher than expected (De Backer et al., 2016). Geographic distances, cultural differences and time differences all influence work efficiency and problem-solving between the home and host company. Maintaining an effective business relationship under these circumstances often proves more complex than that envisaged. It also involves invisible costs for communication, cooperation and monitoring between employees within each of the two parts. The learning process required to manage a cooperative relationship is challenging and usually requires more significant effort than planned (Gylling et al., 2015). Consequently, a number of specific reshoring drivers emerge in the guise of efficiency seeking.

#### *Market-seeking related drivers*

Firm-level changes often result in the adjustment of corporate and/or business strategy. Two types of strategies are emphasised in previous reshoring research: strategy producing the 'made-in' effect; and, the need to increase customer satisfaction. The made-in effect was ranked as the fourth most important motivation for reshoring (Fratocchi et al., 2016) following their study of 377 reshoring cases, notably amongst medium to high-end segment products (Di Mauro et al., 2018; Martínez-Mora &

Merino, 2014). Grappi et al. (2015) show that consumers typically have positive reactions to buying and paying for what become domestically manufactured products. Firms also tend to respond more quickly to changes in demand and customer preferences (De Backer et al., 2016) and improve customer satisfaction following reshoring. Patriotism (Ashby, 2016) could further improve the corporate image and enhance the brand value.

#### *Strategic-asset seeking related drivers*

Strategic asset seeking refers to the acquisition and ownership processes of innovation and core competence. The home company's lost control of technology and innovation is a significant driver for reshoring (Barbieri et al., 2018). Changes in the top management team (TMT) almost always shifts power and authority. While this particular cause is yet to be studied in reshoring, it has, however, been identified as a motivator in a study of 33 back sourcing cases. In 14 of these cases, reference was made to the influence of a new executive joining the company shortly before outsourcing (Veltri et al., 2008). Changes to an organisational structure may result from changes in TMTs or corporate strategies, such as mergers and acquisitions (M&A) (Robinson & Hsieh, 2016), which too could contribute to the motivation for reshoring.

#### *External environment-related drivers*

Strategies of reshoring firms include adjustment to the external environment as a result of changes to customers, competitors, and upstream and downstream partners in the supply chain. Changes in market size can also force firms to adjust their strategies. Wu and Zhang (2014) use a gaming model to demonstrate firms' strategies and predict that firms will shift from efficient sourcing (offshoring) to responsive sourcing (backshoring). If market size declines, demand becomes more volatile, or sourcing costs rise simultaneously. Competition and the fear of losing customers are expected to stimulate decision-makers into shoring decisions without rational and complete analysis (bandwagon effects) (Wiesmann et al., 2017).

The macroeconomic environment also has an influence on global supply chains. Financial risks from exchange rate fluctuations can affect firms' costs and profits, and financial tools, such as hedging instruments, are used to avoid losses (Gylling et al.,

2015). But even in their present financial risk, unsurprisingly emerges as a driver for reshoring.

Government incentive policies in home countries are also responsible for the reshoring phenomenon. The U.S. government has been helping manufacturers move back since President Obama's government, an outcome measured in terms of job repatriation (Tate et al., 2014). The U.S. Economic Development Administration launched a \$40 million incentive programme called "Make it in America" to support backshoring projects (Stentoft, Olhager, et al., 2016). Various E.U. institutions have also paid much attention to reshoring. The European Parliament identifies backshoring as a goal in the "Renaissance of Industry for a Sustainable Europe Strategy", which is also part of the Europe Strategy 2020 programme to increase the share of manufacturing in terms of EU GDP to 20% (De Backer et al., 2016). Individual E.U. countries are also working on reshoring. The U.K. government launched "Reshore UK" and offered expert strategic and technical advice to firms seeking to backshore. A French survey conducted by their Ministry of Industry Renewal in 2013 found that 60% of firms that had backshored obtained various forms of support from their central government and/or local authorities, including the "Colbert 2.0 tool" (De Backer et al., 2016), a free self-diagnostic that helps calculate the benefits of reshoring.

A summary of the key drivers and motivations for offshoring and reshoring is presented in Table 2.1. The contents of Table 2.1 draw largely on papers by Benstead et al. (2017), Di Mauro et al. (2018), Engström et al. (2018), and Wiesmann et al. (2017) and are categorised by using Dunning's Eclectic Paradigm (Dunning, 2000) with the addition of the external environment discussed above.

**Table 2.1. Common drivers of offshoring and reshoring**

Categories	Drivers of offshoring	Drivers of reshoring
Resource seeking	<ul style="list-style-type: none"> <li>• Gain access to relatively low-cost natural resources, raw material and infrastructure, e.g., minerals, agricultural products, and unskilled labour</li> <li>• Gain bargaining power with global suppliers by aggregating demand from different regions achieving scale advantages</li> <li>• Improve service levels</li> <li>• Access to low energy costs in the host country</li> </ul>	<ul style="list-style-type: none"> <li>• Increasing labour costs in host countries</li> <li>• Decreasing energy costs in the home country, especially the United States</li> <li>• Poor quality of production or service</li> </ul>
Efficiency seeking	<ul style="list-style-type: none"> <li>• Development of communication technologies to decrease telecommunication costs</li> <li>• Government incentive policies and business-friendly environments in emerging countries</li> <li>• Operational flexibility and optimal utilisation rates</li> <li>• Higher usage rate of capital infrastructure through shifts</li> </ul>	<ul style="list-style-type: none"> <li>• Unexpected hidden costs, including high communication and coordination costs, cultural difference and time zone differences</li> <li>• High logistics and inventory costs when offshoring</li> <li>• Development of automation technology</li> <li>• Higher production rate in home countries</li> <li>• Lack of skilled workers in host countries/availability of skilled workers in home countries</li> <li>• Purchase order rigidity (minimum order quantity)</li> <li>• Increase the efficiency of capacity utilisation in the home country</li> <li>• "Made-in" effects</li> </ul>
Market seeking	<ul style="list-style-type: none"> <li>• Enter emerging markets</li> <li>• Serve local and nearby regions with shorter delivery times</li> </ul>	<ul style="list-style-type: none"> <li>• Proximity to customers and quick response to domestic/near market</li> <li>• Convenient to provide customised products or services</li> </ul>
Strategic-asset seeking	<ul style="list-style-type: none"> <li>• Seek global talent, knowledge and unique resources to create or reinforce competitive advantages</li> <li>• Change the 'rules of the game'</li> <li>• Seek new business opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• Pursue more agile supply chains</li> <li>• Focus on core competence</li> <li>• Intellectual property protection</li> <li>• Loss of control over suppliers</li> <li>• Changes of firms' business strategy</li> <li>• Loss of innovation potential</li> </ul>
External environment factors	<ul style="list-style-type: none"> <li>• Pressure from competitors and industry (bandwagon effects)</li> <li>• Government incentive policies in host countries</li> </ul>	<ul style="list-style-type: none"> <li>• Country risk, including political uncertainty and natural disasters in the host country</li> <li>• Financial risks from exchange rate movements</li> <li>• Government incentive policies in home countries</li> <li>• Changes in customer demand</li> </ul>

### ***2.5.3 Reshoring: A Correction of Mistakes or a Strategic Adjustment?***

Offshoring has been identified as being an effective strategy through which a firm may acquire resources, develop capabilities, and gain access to new markets (Ellram et al., 2013; Kinkel & Maloca, 2009). Previous research has implicitly assumed that reshoring is the correct decision from which the home company responds to the appearance of various drivers, such as increasing costs or quality problems. However, that leads to the debate as to whether reshoring results from previous managerial mistakes or the adjustment of a strategic decision caused by changes in the internal and external environment (Boffelli et al., 2021).

Numerous scholars claim that reshoring is actually a correction of previous misjudgements in offshoring (Canham & Hamilton, 2013; Gray et al., 2013; Kinkel, 2014; Kinkel & Maloca, 2009) and regard shoring strategy as a location decision (Ellram et al., 2013; Gray et al., 2013; Wiesmann et al., 2017). Offshoring benefits may not have been met in practice. Firms then correct the mistakes they made earlier to make up for their overestimation of benefits and/or underestimation of costs (Albertoni et al., 2017; Di Mauro et al., 2018; Fratocchi et al., 2015).

Kinkel (2014) analysed German data and found that some 80% of backshoring initiatives are characterised as either a short-term or mid-term correction to unsatisfying earlier offshoring, while only 20% of backshoring decisions are reactions to the changing local environment. Most offshoring decisions are based on per-unit production cost (Gray et al., 2013) or out-of-factory costs (De Backer et al., 2016), and do not consider total cost, including logistics, communications and inventory, resulting in dissatisfaction with the outcome achieved. Consequently, reshoring is invariably labelled as a correction of an earlier mistake, that had the preceding analysis been completed correctly (and more thoroughly), the original offshoring would not have proceeded.

Counter to a correction of previous misjudgements in offshoring, reshoring is also seen as a strategic adjustment closely coupled with the original motivation for offshoring (Albertoni et al., 2017). While offshoring is often solely cost-driven, reshoring is grounded in a more strategic approach (Di Mauro et al., 2018). Firms are thought to be

more rational and experienced when reshoring, especially after experiencing the impulsion to follow earlier industry or global trends of offshoring.

Offshoring is described as a strategic decision with significant impacts on the firm's organisational and cost structure (Verdu et al., 2012). In the research of Di Mauro et al. (2018), four companies in the Textile, Clothing, Leather and Footwear (TCLF) industry all declared that "offshoring was the only possible decision at the moment it was taken, due to the nature of competition and markets at the time" (p. 120). Their reshoring decisions are regarded as a logical adjustment to internal and external conditions instead of a response strategy to failures or the correction of a managerial error because they did not regard offshoring as a failed decision (Di Mauro et al., 2018).

Therefore, these two arguments, a mistake versus a strategic shift, are complementary and not necessarily conflicting. The pressures of the global environment "has generated strategic initiatives that change the regional environment and the market itself" (Verdu et al., 2012, p. 343). Firms need to adjust their strategies and managerial intentions to mitigate environmental pressures. Any strategy should adapt to market dynamics with a certain level of flexibility (Wiesmann et al., 2017). Fratocchi et al. (2016) advise that "reshoring is primarily attributable to changing context conditions" (p. 117). While the home company decides to reshore, the success of a reshoring decision depends more on whether it was correctly implemented rather than why it was taken (Boffelli et al., 2021), which may also be the reason why researchers are shifting the research focus from reshoring motivations, the "Why" to "How" questions.

However, there is still a puzzle here. While reshoring is believed to be a fundamental trend of the early 21<sup>st</sup> Century, more sceptical voices indicate that it may only be happening in a small number of companies (De Backer et al., 2016). Though becoming more and more critical to various countries and firms, reshoring is still treated as a small-scale phenomenon concerning offshoring (Albertoni et al., 2017). Most academic papers on reshoring have appeared after 2013 (Barbieri et al., 2018). The recent quantitative study conducted by Dachs, Kinkel and Jaeger (2019) analyses a large dataset of 1700 manufacturing firms from Austria, Germany, and Switzerland and found that amongst them, reshoring is still rare. Only 4% of the firms in their study

have reshored. Therefore, while many aspects of reshoring are still incomplete and under-researched (Albertoni et al., 2017; Arlbjørn & Mikkelsen, 2014), the phenomenon itself could be comparatively uncommon.

The extant literature seldom questions whether reshoring is a wise decision for the home company and whether other better options are available. Boffelli et al. (2021) investigate mistakes occurring along with the decision-making and implementation processes of offshoring and reshoring and, by extension, the outcomes of relocation decisions. Among their four case companies, two failed at relocation. One of these went into liquidation and, the other ceased their reshoring operations because of an adverse market reaction. While Boffelli et al. (2021) sought the means to successful reshoring (the “How” question), finding another option for the home company to continue offshoring, namely, maintaining the relationship with the host company, was not considered. What emerges as a win-win situation is demonstrated in the cases of Alpha and Gamma in Chapter Five. It is vital to investigate and understand what happens in the host company and country instead of assuming that reshoring is of sole benefit to the home company and country to which the other actor in the dyad is a passive observer.

Research has also found that when offshoring was intense, some suppliers experienced workers and manufacturing stages almost disappeared in western countries (Martínez-Mora & Merino, 2014). Therefore, reshoring may cause obstacles in the home country that then the home company has not expected nor evaluated. McIvor and Bals (2021) develop a framework for reshoring decisions and suggest that the home company conduct an exit and reintegration analysis to decide whether to reshore or remain offshore. However, the whole evaluation and analysis process focuses on the home company and country. The host company and country remain ignored.

In the extant literature, the host company, the other important actor in the offshoring network, is treated as a passive and submissive stakeholder that accepts the decisions of the home company. Baraldi et al. (2018) and Engström et al. (2018) generally mention that the case companies in their research experienced barriers caused by the host company during reshoring. To our knowledge, no studies report on the perspective

of the host company. Reshoring drivers encourage the home company to move back but threaten the survival and development of the host company. The ignorance of the host company may make the research on offshoring and reshoring unilateral and incomplete. The existing studies have not explained why some companies have reshored, but a majority are still offshoring or plan to, even in the same industry, while facing the appearance of the same reshoring drivers, such as, increasing costs in the host country and quality problems. Studies of the host company and country may provide some answers and explanations to these questions. A content-analysis based literature review is presented in Chapter Three, in which published reshoring cases are examined for host company responses to changes to the dyad.

## **2.6 SUMMARY**

A discussion of the core terminological and theoretical foundations of the research have been presented in this chapter. Reshoring in the academic sphere is regarded as a relatively new topic. Consequently, many aspects of reshoring remain under-researched. Reshoring is defined as the voluntary (i.e., not forced by host country governments) decision to relocate partial or totally offshored production or service activities to a firm's home country, or perhaps nearshore countries. The important relationship between sourcing and shoring strategies was identified in Figure 2.1. Shoring captures the location dimension, while sourcing refers to activity ownership. Of significance to this study is that reshoring an activity, which may have been in- or outsourced is suspected of provoking some form of response in the host location, regardless of the ownership (insourced or outsourced) in that location and independent of ownership upon repatriation.

Research on reshoring originated from studies on internationalisation. When IB research extended from national cross-border trade, international trade theory to firm-level strategies, a relatively broad range of theories were developed. Each of which sought to explain sources and or means of creating competitive advantage in an international environment. The most widely used theories in offshoring and reshoring studies are the eclectic paradigm, TCE, and the RBV. Besides these, the theoretical perspectives of KBV, relational mechanisms, resource orchestration and IMP are expected to offer further insight. Early contributions to reshoring research first

focussed on the relevant terminologies before exploring the drivers/motivations of reshoring (the “why” questions). The drivers of offshoring and subsequent reshoring have been explored, the former more comprehensively than the latter. However, it is concluded that reshoring is a complex phenomenon. Its motivations appear to vary among firms, industries and between home countries. Of which the latter has invoked national level policy responses in the form of active encouragement, and in host companies, China in particular, with the aim of creating a competitive response towards recovery.

The most recent contribution is to debate whether reshoring is a correction of a previous mistake or a strategic adjustment. The common hypothesis of these studies is that the original reshoring strategy was right. The expectation that the value of such decisions remains constant over time appears to violate most theoretical assumptions, TCE, the RBV, and RO in particular. However, like most preceding work, it has been conducted almost exclusively from the perspective of the home country, as will emerge from the analysis of published papers in the following chapter, Chapter Three. The second gap to emerge is that the dynamic nature of the shoring environment appears neglected. Exploring reshoring within the dyadic relationship and broader business or social network, notably considering the other actor – the host company may provide a fuller understanding of reshoring and consequently whether or not it is a transitory or more permanent phenomenon.

## CHAPTER THREE: THE HOST COMPANY OMISSION FROM RESHORING

### 3.0 OVERVIEW

**Aim of the chapter:** This chapter aims to explore the host company's response to reshoring through a content-analysis based literature review. Since cases provide detailed descriptions and could still be used to reach disparate conclusions and create cumulative knowledge ignored in earlier research, the researcher identified 34 cases in previously published 17 papers as analysis targets. Offshoring and reshoring involve a dyadic relationship. It is expected that published case-based research would provide analysis from both home and host company perspectives. However, the findings reveal that the previous research focuses on the home company, and the host company's response has been omitted. Meanwhile, the available residual resource bundle left in the host country after reshoring may influence both the home and host companies. Thus, exploring reshoring from the perspective of the host company could bring a fuller understanding to this phenomenon. This paper identifies the research gap and suggests the research direction of the current study.

**Duplication:** Some content of this chapter in 3.4 Contributing Literature is duplicated in Chapter 2 Literature Review to provide the definitions and background theories of reshoring studies.

**Under Review for Publication:** The first draft of this paper was completed and presented by the candidate at the 2<sup>nd</sup> Asia Conference on Business and Economic Studies (ACBES 2019) at the University of Economics Ho Chi Minh City, Vietnam. After that, my supervisors and I made a significant modification and added more content for analysis. Now, the paper "*The Host Company Omission from Reshoring*" was submitted to *The Journal of Supply Chain Management* for review in September 2021, with the co-authors my supervisors Dr. James Lockhart and Dr. Wayne Macpherson. The DRC16 Statement of Contribution form is attached as Appendix J.

### **3.1 ABSTRACT**

Offshoring and subsequent reshoring decisions involve a dyadic relationship between actors, either established or created in both countries. But research contributions to reshoring appear to have largely ignored the host country actor, producing the curious omission of the host company response. The purpose of this paper is to begin the exploration of the host company's response to reshoring through the review of published research. A content analysis of 34 published reshoring cases was conducted. Homogeneous and heterogeneous elements amongst the cases are identified using a cross-case analysis. The findings reveal that published studies focus almost entirely on Western firms' offshoring and subsequent reshoring strategies yet reshoring results in an available residual resource bundle in the host country from which new competition can emerge. Therefore, reshoring is not simply an opposite process to offshoring. The anticipated responses to reshoring in the host country, those currently being omitted, are then presented.

Keywords: International/Global Purchasing, Investment Recovery, Strategy Development

### **3.2 INTRODUCTION**

Offshoring has been a widely used corporate strategy for decades. Cost advantages from offshoring have proven irresistible to Western companies who moved part or all of their production activities to emerging countries, such as China and India; and, those in the former Soviet Bloc. A range of means was used from simple outsourcing, through alliance formation to foreign direct investment (FDI) in order to gain access to abundant resources, low-cost labour, and manufacturing in more business-friendly environments (Ellram, 2013; Kinkel & Maloca, 2009; Li et al., 2008; Tate, 2014; Tate & Bals, 2017; Wiesmann et al., 2017). The corporate's end game has been the reinforcement of competitive advantage in global markets (Di Mauro et al., 2018; Kotabe & Mudambi, 2009).

However, after decades of offshoring activity, some companies have begun moving their operations home. The return of select or all value chain activities to the home location is referred to as reshoring (Ellram, 2013; Ellram et al., 2013; Foerstl et al.,

2016; Gray et al., 2013; Tate, 2014) and the scope of reshoring activities is becoming increasingly broad (Kinkel & Maloca, 2009; Tate, 2014; Tate et al., 2014). Consequently, reshoring as an opposite strategy to offshoring has now emerged as a recognisable location strategy in its own right.

Governments and politicians are paying increasing attention to reshoring, especially in times of global crises (Tate et al., 2014). Some Western governments are actively encouraging their firms to return production home for economic and political reasons (e.g., the German 'Industrie 4.0' programme and the US 'Make it in America' counterpart). Conversely, reshoring is found to be detrimental to economic development in emerging countries, especially China to which a national response has been invoked (Zhai et al., 2016). Transforming the challenge of reshoring into opportunities has become a government-led strategic project known as 'Made in China 2025' (Duan et al., 2017).

While reshoring is considered a trend of the 21<sup>st</sup> Century, scepticism towards it being too wide-spread has also been aired (De Backer et al., 2016). No doubt it is becoming important to select countries and their respective firms. However, it is at risk of being treated as a small-scale phenomenon (Albertoni et al., 2017). Emerging in 2007 (Fratocchi et al., 2016) as one response by companies to the global financial crisis, it subsequently gained momentum in 2013 (Barbieri et al., 2018) following the release of European company survey data by Dachs, Kinkel, Jaeger, et al. (2019) to be further stimulated by the current COVID-19 global pandemic (van Hoek & Dobrzykowski, 2021). Therefore, much about the phenomenon, quite predictably, remains under-researched (Albertoni et al., 2017; Arlbjørn & Mikkelsen, 2014).

Research conducted to date largely pays attention to reshoring drivers and the barriers being encountered (Baraldi et al., 2018; Barbieri et al., 2018; Engström et al., 2018). Studies are typically undertaken in the form of ex-post analyses to understand the motivation behind repatriation (Benstead et al., 2017) of select value chain activities. Bals et al. (2016) acknowledge that additional perspectives are needed and produced a research agenda of four themes, of which no theme embraces the host country response. This research aims to identify the limited orientation or perspective currently being

promoted and through the content analysis of 34 published reshoring cases explore identifiable host company responses. Unsurprisingly, the curious omission of the host company is observed, one that while ignored by researchers is being embraced by host country policy makers.

With the intention of finding the host company response a content analysis of previous cases is conducted using the ‘5W1H’ question framework (What, Why, When, How, Where & Who), an adumbration of Aristotle’s seven circumstances (Sloan, 2010) popularised by Rudyard Kipling (Kipling, 1902). Content analysis is regarded as a sound methodological frame for conducting a rigorous, systematic and reproducible study (Seuring & Gold, 2012) and has been widely used by scholars to analyse the drivers/motivations and barriers to reshoring (e.g., Benstead et al. (2017); Di Mauro et al. (2018); Fratocchi et al. (2016)).

This research re-explores the reshoring phenomenon from the perspective of the omitted party in the dyad, namely the available resource response in the host country. A brief exploration of the theories used to examine offshoring, and subsequent reshoring and their differences follows. Specific attention is paid to the scope of each theory and whether or not it could be expected to encompass assets or activity in the host country. Marketing dyads provide the integration of pre-existing theoretical approaches. The research method, namely, the content analysis of 34 extant cases is then discussed in detail. The results and discussion reveal the systemic omission of the host country by researchers, and an analysis of the cases reveals that residual resources were left in the host country after reshoring. The proposition is offered that this resource bundle may eventually be more competitive than that created by the home company’s offshoring.

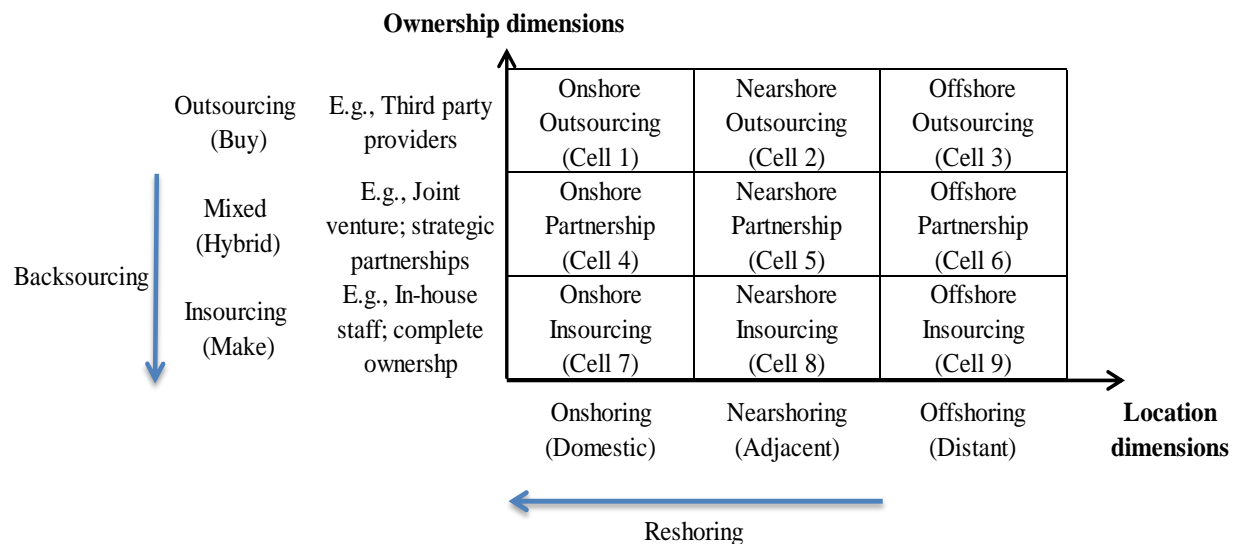
### **3.3 CONTRIBUTING LITERATURE**

#### ***3.3.1 Definitions of Shoring and Sourcing***

Shoring and sourcing represent two categories of strategic decisions. Shoring refers to the location of operations and mainly consists of onshoring, nearshoring, offshoring and latterly reshoring. By contrast, sourcing refers to who it is that completes the operations or activities, largely comprising one of either insourcing (Bals et al., 2016;

Cabral et al., 2014; Foerstl et al., 2016; Gylling et al., 2015; Stentoft et al., 2018) or outsourcing (Jahns et al., 2006). The strategies emerging from known combinations of shoring and sourcing are presented in Figure 3.1.

**Figure 3.1. The classification of shoring and sourcing relationships**



Source: Adapted from Jahns et al. (2006) and Foerstl et al. (2016).

The nature of the contractual mechanism also deserves consideration. Outsourcing is largely a market exchange, while insourcing refers to recovery within the firm's hierarchy. 'Mixed' in Figure 3.1 refers to a hybrid of contracting (Williamson, 2008) and is expected to emerge in the form of joint ventures, alliance formation and strategic partnerships. In the mixed category, the firm may have part ownership or long-term contracts with suppliers.

Backsourcing is defined as bringing formerly outsourced work back in-house (Whitten et al., 2010). However, it is not limited to onshore insourcing only. Backsourcing embraces the shift of strategies from row one (Cell 1 – Cell 3) to rows two and three (Cell 4 – Cell 9). Therefore, outsourcing refers to organisational boundaries, while offshoring refers to the boundaries of nation states (Chakrabarty, 2006). The terms are not interchangeable (Jahns et al., 2006) and quite distinct. All the more so when consideration is applied to the host country available resource response resulting from

some form of strategic reversal – the unintended and as yet largely unexplored consequence of reshoring.

The terms describing the relocation of previously offshored activities are also numerous and include reshoring (Albertoni et al., 2017; Ellram et al., 2013; Foerstl et al., 2016; Gray et al., 2013; Tate, 2014), back sourcing (Bhagwatwar et al., 2011; Solli-Sæther & Gottschalk, 2015; Veltri et al., 2008; Whitten et al., 2010), backshoring (Arlbjørn & Mikkelsen, 2014; Canham & Hamilton, 2013; Kinkel & Maloca, 2009), back-reshoring (Fratocchi et al., 2014), and re-integration (Cabral et al., 2014). Of which the term reshoring is the focus of our attention, acknowledging that an activity could be reshored and subsequently outsourced.

The focus of this study is on the available resource response from the host country, resulting from a home firm's decision to reshore. Therefore, the full gambit of reshoring strategies to relocate incremental, partial or total offshored production or service activities to a firm's home country (back-reshoring or backshoring) or nearshore countries (near-reshoring) (Foerstl et al., 2016; Fratocchi et al., 2014) are within the scope of this study. Consequently, Ellram's (2013) definition of reshoring, namely, to move a firm's offshored activity back to its home country, determines the selection of published cases under review. This definition is then consistent with the term backshoring (Fratocchi et al., 2014), the two terms being interchangeable.

In summary, reshoring is the reverse decision of a previous one that resulted in an activity being offshored. Therefore, it only happens subsequent to offshoring (Fratocchi et al., 2014; Wiesmann et al., 2017). Second, it is a location decision (Gray et al., 2013; Wiesmann et al., 2017) independent of ownership (Fratocchi et al., 2014). For example, the strategy to reshore could include a shift from offshore insourcing (Cell 9) to one of onshore outsourcing (Cell 1) or what Gray et al. (2013) refer to as reshoring for outsourcing. Third, reshoring does not require a firm to repatriate all offshored activities or necessarily decrease its exposure in the global market (De Backer et al., 2016). But as a result of reshoring we hypothesise that some resource is left behind (i.e., buildings, plant, machinery, activities, processes, skills, knowledge, management and/or labour). At the very least, the resource is likely to include intellectual property

(IP) (Burk, 2004; Oxley, 1999), skills and knowledge. Consequently, that reshoring is the opposite strategy of offshoring needs to be reviewed. The firm's intellectual property, skills and knowledge typically enabled offshoring. However, when reshoring, this same resource may be left behind. Because the resource cannot unlearn (Casillas et al., 2010) earlier experiences, we anticipate a response from the available residual resource bundle.

### **3.3.2 *Contributing Theories***

The offshoring and reshoring literature typically draws on one of four common streams of theories. Each of these is now discussed, and the role of the host company during reshoring is identified. The first of the four common streams focuses on ownership (O), location (L), and internalisation (I) (Maskell et al., 2007), to which the Uppsala Model (Johanson & Vahlne, 1977, 2009) contributed significantly. The eclectic paradigm that emerged from OLI (Dunning & Lundan, 2008) and subsequent international expansion theory (Doh, 2005) provides a parsimonious explanation as to why and how offshoring is pursued by the multinational enterprise (MNE) (Wiesmann et al., 2017). Clearly, location advantages, 'where the facility is located, who owns the product, and who employs the productive labour' (Ellram, 2013, p. 4), are central to the offshoring decision and their respective disadvantages to reshoring.

However, when reshoring occurs, in effect the reversal of OLI (Dunning, 2000; McIvor & Bals, 2021; Rahman et al., 2018), it is erroneous to think that nothing is left behind. According to OLI, many of the attributes sought from collaborative channel development would be retained in the host country. The very porosity (Dunning, 2015) inherent in the firm's boundaries that resulted in successful inter-firm transactions is likely to result in less than full asset recovery. Therefore, a latent resource bundle from which a competitive response emerges could well exist in the host country.

The second stream of theory is that offered from strategic management and typically linked to a firm's outsourcing/insourcing strategy. This stream includes contributions as varied as competitive advantage (Porter, 1979); core competence (Quinn, 1999; Raman & Ahmad, 2013); the resource-based view (RBV) (Barney, 1991; McIvor & Bals, 2021); and, industrial network theory (Poppo & Zenger, 2002). Firms are

observed to combine the comparative advantage offered by geographic location with their resources and competencies to maximise competitive advantage (Mudambi & Venzin, 2010). Firms consider the strategic assets necessary to enhance their competitive advantage, not just those purely offering cost advantage (Quinn & Hilmer, 1995). Consequently, an offshoring firm seeking resources or efficiency is more likely to reshore than those seeking new markets (Fratocchi et al., 2014). Offshoring then allows firms to access and exploit the host country's resources (Canham & Hamilton, 2013; Kazmer, 2014). By combining the comparative advantages of geographic location with their resources and competencies, firms create their relative competitive advantage (McCann & Mudambi, 2005). The RBV helps to analyse manufacturing capabilities and links the location decision with firm performance and competitive position in the industry (McIvor, 2013).

The theoretical response to reshoring emerges from the residual intellectual property and/or perhaps core competence stranded offshore. Again it is reasonable to assume a response emerging from this capability and or what was a previously enabled resource remaining offshore. In some circumstances, the resource could be depleted (Magdoff, 2013), in which case its residual value and hence competitive threat are minor. In others, the opposite case may apply, and a direct competitor to the home company may inadvertently be created in the host country.

The third stream focuses on the boundaries of the firm and the source and consequences of the make-or-buy decision. It predominantly draws on internalisation theory (Casson, 2013) and/or transaction cost economics (TCE) (Williamson, 1979). TCE emphasises the contractual mechanism and considers asset specificity, purchasing frequency, and uncertainty when firms select between market exchange, hybrid contracting and that offered by their own hierarchies (Williamson, 2008). Its roots lie with Coase's (1937) theory of the firm, and to some extent, the geographical boundaries of nation-states are subsumed by transaction costs. TCE suggests that firms will choose to move their manufacturing away from high-cost to low-cost regions, *ceteris paribus* (Ellram et al., 2013), which is consistent with the primary motivation for offshoring (Di Mauro et al., 2018).

Most offshoring decisions have been found to be made on per-unit production costs (Gray et al., 2013) or out-of-factory costs (De Backer et al., 2016) and seldom consider the total cost. Cost estimation errors have been found to have a negative impact on the performance of offshoring activities (Larsen, 2016). But the aim of minimising labour costs may not be the only criteria for deciding on offshoring (Wiesmann et al., 2017). Ellram (1995) suggests that the total cost of ownership (TCO), ‘different risk factors and the potential and realised impact’ (Tate, 2014, p. 67) need to be considered. The significance of these supposed hidden costs (Gylling et al., 2015) has gradually been revealed. Unsurprisingly, current reshoring research emphasises the benefit of per-unit cost reduction upon reshoring. But the total costs to reshore again appear to be being ignored, such as the costs of searching for new suppliers; training new staff; establishing new facilities; and, constructing new supply and distribution chains.

Therefore, the retraction of firm boundaries due to reshoring is suspected to result in subsequent reductions in both fixed and/or variable costs. However, those activities that were within the firm’s boundaries only to emerge outside of them will have their own inherent cost – and potentially revenue - structures. Depending on the nature of the activity, an entirely new cost structure, one that is more cost-competitive could well emerge within the host country.

The final common stream of literature used to explain offshoring is that from the perspective of supply chain management and largely focuses on global distribution and logistics (Maskell et al., 2007). This contribution draws on select aspects of either TCE, the RBV, or both. For example, Ashby (2016) used social network theory (SNT) to analyse how reshoring creates sustainability in the UK clothing industry – those sticky aspects of exchange encountered in all but the highly idealised perfect market. Other contributions, for example, include that from Bals et al. (2016) on contingency factors; Benstead et al. (2017), a contingency-based conceptual framework; bounded rationality (Cyert & March, 1963); and, risk (Gylling et al., 2015). Hence, organisational buying behaviour (OBB) complements TCE in the reshoring literature (Foerstl et al., 2016). These contributions to offshoring also acknowledge home and host country firms. As was the case with OLI; strategic management; and, TCE in either SNT or OBB it

appears reasonable for reshoring to invoke a response from the latent/residual host country resource bundle.

In all four streams of literature, a dyadic relationship between the home country firm and its offshored activity emerges, regardless of whether that activity is insourced in the form of a hierarchy, outsourced by way of a market transaction or achieved by way of a hybrid form in between (Williamson, 1979). The dyad (Achrol et al., 1983; Arndt, 1979, 1983; Reve & Stern, 1979; Stern & Reve, 1980) could also extend beyond the focal pair to other firms in the broader task environment, namely, the host country network. An unintended consequence of reshoring is, therefore, the response from the resource(s) left in the host country. The dissolution of the dyad (Dwyer et al., 1987) as a result of reshoring, irrespective of its previous form, is anticipated to provoke some form of response from what was the host country firm or whatever available resource bundle is left behind.

### **3.4 RESEARCH METHODOLOGY**

#### **3.4.1 *Content Analysis***

Despite reshoring research being in its infancy (Wiesmann et al., 2017), content-analysis has emerged as a technique through which to identify and analyse drivers and motivation (e.g., Fratocchi et al. (2016); Benstead et al. (2017); Stentoft, Olhager, et al. (2016); Wiesmann et al. (2017); Di Mauro et al. (2018)) from primary, secondary and tertiary data sources. Regarded as a sound methodological framework for conducting rigorous, systematic and reproducible research (Seuring & Gold, 2012), the content analysis provides an effective technique (Gummesson, 1991) through which to understand the phenomena, and hence the opportunity to advance theory. Consequently, the content analysis of empirical papers on reshoring was conducted with the intention of exploring the host company response. We anticipated that published case-based research would yield rich descriptions from both home and host company perspectives, addressing the thematic novelty (Paul & Criado, 2020) of the host company response.

A case study focuses on the unit of analysis (Merriam & Tisdell, 2015) necessary to ‘facilitate an understanding of the context’ (Gray et al., 2013, p. 31). Therefore, case studies are anticipated to provide the answers to Yin’s (2009) classic ‘how’ or ‘why’

questions in which little or no control exists over events, the focus being on ‘a contemporary phenomenon within a real-life context’ (p. 2). Consequently, the predominance of case study research reflects the immaturity of reshoring research: an under-researched phenomenon in contrast to the numerous quantitative studies now dominating international business research. The prescriptive guidelines provided by Seuring and Gold (2012) and Mayring (2000) of material collection, descriptive analysis, category selection and material evaluation were followed.

Instead of conducting a content-analysis based literature review of all published papers related to reshoring as did Barbieri et al. (2018) and Wiesmann et al. (2017), an analysis of those published cases in peer-reviewed academic journals was completed because it ought to provide a rich description and is expected to reach disparate conclusions. Boffelli and Johansson (2020) used the same method to present a comprehensive framework for future research. The anticipated effect was accumulating the various intends of cumulative knowledge neglected in earlier research. Moreover, this research intends to explore interactions between the home and host companies. Quantitative research is not expected to provide such detail amidst complex information.

### **3.4.2 *Material Collection***

Material relevant to this research was defined by the unit of analysis (Wiesmann et al., 2017), namely, peer-reviewed academic journal papers written in English in which the phenomena of reshoring has been studied using a case study (either single or multiple) method. Hence, it excludes the ‘grey’ literature of newsletters, reports, conference papers, and government reports (Stentoft, Olhager, et al., 2016). Published papers were expected to reveal the response, if any, to emerge from the host company and allow a cross-case analysis to be completed.

The papers used in the review were identified by searching the title, abstract and keywords in Scopus and Web of Science databases using the terms ‘reshoring’, ‘backshoring’ and ‘back-reshoring’. Following the removal of duplicates and other multiple entries, 291 unique papers were identified. Each abstract was then read and of these 269 papers were excluded due to their content not being on reshoring; their presence solely in the ‘grey’ literature; being written in a language other than English;

being quantitative studies on reshoring; or, other types (non-case-study) of qualitative research.

The quantitative papers identified through the material collection were typically dependent on data in the home country. Dachs, Kinkel, Jaeger, et al. (2019) provided a detailed summary of studies using quantitative methods, including surveys and secondary data. The home countries include Germany (Kinkel & Maloca, 2009), New Zealand (Canham & Hamilton, 2013), the United States (Ellram et al., 2013; Tate, 2014; Zhai et al., 2016), the U.K. (Bailey & De Propris, 2014), Denmark (Stentoft et al., 2018; Stentoft et al., 2015), France (Fel & Griette, 2017), Sweden (Gadde & Jonsson, 2019; Johansson & Olhager, 2018), Finland (Heikkilä et al., 2018) and multiple countries (Ancarani et al., 2021; Barbieri et al., 2019; Dachs, Kinkel, & Jaeger, 2019; Dachs, Kinkel, Jaeger, et al., 2019; Fratocchi et al., 2016; Johansson et al., 2018; Wan, Orzes, Sartor, Di Mauro, et al., 2019; Wan, Orzes, Sartor, & Nassimbeni, 2019). Almost all quantitative papers discuss the reshoring decision from the perspective of the home company and country. Only Ancarani et al. (2021) analyse the data of Chinese foreign direct investment. However, in this paper, Chinese companies are treated as being home.

It is assumed that the case-based studies may provide detailed information about the interactions between the host and home companies. Thus, papers were selected and then examined in detail. Of these, those by Bailey and De Propris (2014); Bye and Erickson (2017); Gray et al. (2017); Hartman et al. (2017); Martínez-Mora and Merino (2014) were then excluded due to the lack of detailed description of a case. The final list of 17 papers included: Grandinetti and Tabacco (2015); Gylling et al. (2015); Ashby (2016); Robinson and Hsieh (2016); Stentoft, Mikkelsen, et al. (2016); Benstead et al. (2017); Baraldi et al. (2018); Di Mauro et al. (2018); Engström et al. (2018); Nujen et al. (2018); Fjellstrom, Fang, and Chimenson, (2019); Nujen et al. (2019); Sayem et al. (2019); Boffelli et al. (2020); Martinez-Mora and Merino (2020); Boffelli et al. (2021); and, Eriksson et al. (2021).

### ***3.4.3 Descriptive Analysis***

Each paper was assessed for the formal characteristics required for content analysis (Seuring & Gold, 2012). This first level descriptive analysis included the publication,

year and whether it was a single or multiple case study the results of which are presented in Table 3.1.

**Table 3.1. Descriptive analysis of the 17 papers used for content analysis**

<b>Case</b>	<b>Paper</b>	<b>Year of publication</b>	<b>Journal</b>	<b>Single or multiple* case</b>
c.1	Grandinetti and Tabacco	2015	Journal of Globalisation and Small Business	Single
c.2	Gylling et al.	2015	International Journal of Production Economics	Single
c.3	Ashby	2016	Operations Management Research	Single
c.4	Robinson and Hsieh	2016	Operations Management Research	Single
c.5, c.6	Stentoft et al.	2016a	Operations Management Research	Multiple (2)
c.7	Benstead et al.	2017	Operations Management Research	Single
c.8	Baraldi et al.	2018	Industrial Marketing Management	Single
c.8-11	Di Mauro et al.	2018	Journal of Purchasing and Supply Management	Multiple (4)
c.12-15	Engström et al.	2018	Journal of Global Operations and Strategic Sourcing	Multiple (4)
c.16-20	Nujen et al.	2018	Journal of Manufacturing Technology Management	Multiple (5)
c.20, c.21	Nujen et al.	2019	Journal of Global Operations and Strategic Sourcing	Multiple (2)
c.22	Fjellstrom et al.	2019	Journal of Asia Business Studies	Single
c.23-25	Sayem et al.	2019	BRQ Business Research Quarterly	Multiple (3)
c.26-29	Boffelli et al.	2020	Journal of Purchasing and Supply Management	Multiple (4)
c.30	Martinez-Mora and Merino	2020	Journal of Manufacturing Technology Management	Single
c.8, 26, 29, 31	Boffelli et al.	2021	Operations Management Research	Multiple (4)
c.32-34	Eriksson et al.	2021	Operations and Supply Chain Management	Multiple (4)

\*The number in brackets refers to the number of cases.

The papers identified for this research were all published since 2015. They were published in eleven journals: five in *Operations Management Research*; two in the *Journal of Global Operations and Strategic Sourcing*; two in the *Journal of Manufacturing Technology Management*; two in *Journal of Purchasing and Supply Management* and, the remaining six papers in different journals. Eight of the papers present a single case, the rest present multiple cases (two to five), contributing a total of 40 cases. However, of these, five (5) cases were found to be duplicated (c.8, c.20, c.26 and c.29; with c.8 appearing in three papers) and one case in Eriksson et al. (2021) had no detailed information, leaving 34 unique published cases.

#### **3.4.4 Category Selection**

The extant research pays nearly exclusive attention to the motivation for reshoring (Barbieri et al., 2018), typically produced in the form of ex-post analyses (Benstead et al., 2017). Barbieri et al.'s (2018) technique of identifying the structural dimensions of each of the 34 cases, namely, the '5W1H' (What, Why, When, How, Where & Who) rhetorical device, was used. However, Barbieri et al. (2018) included research across a wide range of research methodologies, namely, conceptual, case research, survey research, mathematical modelling, mixed methods, secondary data research and empirical experiment research. By contrast, this research focuses solely on published case studies, which were expected to reveal more detailed information about the actual offshoring and subsequent reshoring strategy of the home country firm, and whether or not any consideration of the available residual resource left in the host country had actually occurred.

#### **3.4.5 Material Evaluation**

All papers were read, analysed, and their content coded. Detailed information on the seven (7) relevant cases, those with some mention of the host, is presented in Table 3.2. The findings are discussed in the next section, of which the reliability was improved by debate amongst the researchers (Di Mauro et al., 2018), all of whom span the academic-practitioner divide.

**Table 3.2. Host company recognition amongst published case studies.**

<b>Case No.</b>	<b>Paper</b>	<b>Focal firm</b>	<b>Home company effects</b>	<b>Host company effects</b>
c7	Benstead et al. (2017)	Home company	The home company increased its UK operation and UK workforce.	Host company premises were sold. The wholly-owned offshore company was then moved to a smaller rented factory to serve the Eastern market.
c8	Baraldi et al. (2018); Di Mauro et al. (2018); Boffelli et al. (2021)	Home company	The home company found a new offshoring supplier. Turnover showed a rising trend and the home company opened new product niches.	The original supplier was not interested in continuing the relationship with the home company because of the substantial reduction of orders.
c12	Engström et al. (2018)	Home company	The home company let domestic manufacturing facilities focus on different products and improve efficiency.	Some host company employees lost jobs.
c15	Engström et al. (2018)	Home company	The home company encountered barriers to reshore, such as the collection and evaluation of information and intellectual property rights.	When the home company partially reshored the host had a strong position at the negotiation table cancelling all contracts, because the host had control over product blueprints.
c22	Fjellstrom et al. (2019)	Home company	The home company improved its logistics, supply chain and sourcing strategies.	The host sought new customers.
c30	Martinez-Mora and Merino (2020)	Home company	The home company reduced production time, increased productivity, decreased lead time, and generated improvements to distribution.	The host company reduced environmental pollution by eliminating dangerous chemical-laden discharge and reduced water usage.
c31	Boffelli et al. (2021)	Home company	Despite the home company having growth in sales it was eventually liquidated.	The host country factory was closed.

### 3.5 RESULTS

The ‘5W1H’ questions, presented in Kipling’s (1902) preferred order, sought to answer What (value chain activities involved); Why (motivations for reshoring); When (time-related aspects); How (modes of entry and exit from the host); Where (the home/host

countries determining reshoring decisions); and, Who (firm characteristics) from the perspective of whatever resource was stranded due to reshoring.

However, comments on the host company were only included in seven of the 34 cases (Baraldi et al., 2018; Benstead et al., 2017; Boffelli et al., 2021; Di Mauro et al., 2018; Engström et al., 2018; Fjellstrom et al., 2019; Martinez-Mora & Merino, 2020), namely, cases 7, 8, 12, 15, 22, 30, and 31. And, on only two occasions (cases 8 and 22) was the host company response reported. Interestingly, in both the response was provided by home company informants. In the remaining five cases, a description of the impact on the host company (but not its response) was noted by the researchers. Consequently, the analysis largely focusses on these seven papers, broader inferences being drawn from the complete data set and theories being applied.

### **3.5.1 What?**

Fratocchi et al. (2014) define the What question as being the value chain activities involved, related to industry characterisation and offshoring motivation. What products or activities offshored that have an impact on what to reshore? 13 of the 34 cases are in the textiles, clothing, leather and footwear (TCLF) sector noted as being highly competitive, with short product life cycles and high labour intensity (Benstead et al., 2017). These case companies offshored to low-cost countries in the pursuit of cost advantages, namely, motivated by the bandwagon effect and subsequently all or partially reshored in an attempt to reduce per-unit costs. Of the 34 case firms, 20 chose partial backshoring, or ‘selective reshoring’ (Baraldi et al., 2018), re-embedding these activities in their home locations.

Little knowledge transfer is needed for standardised products (Di Mauro et al., 2018), but specialised, short-run or niche products are also amongst the 34 published cases. These findings are consistent with Ancarani et al.’s (2021) quantitative study comparing manufacturing reshoring from China by companies headquartered in developed economies. Relocation decisions of both types of companies share some common motivations, such as exploiting the ‘country of origin’ (COO) effect and innovation opportunities. However, the lack of commentary on what is left behind the following reshoring, even amidst the seven cases with some description of the host is perplexing.

Two What questions emerge. Firstly, what activity adaptation, if any, is conducted by the host company during reshoring in an attempt to better meet the requirements of the home company? And, secondly what activities are developed or redeveloped by the host company post reshoring? In the cases of partial reshoring, largely unknown value chain activities or part thereof are being retained by the host. But across the seven cases, a response to reshoring, competitive or otherwise, can be seen to emerge. For example, knowledge sharing between the home and host companies results in intellectual property being retained (c.15) and new or different markets being sought (c.8 & 22).

### **3.5.2 Why?**

The 34 cases demonstrate a range of motivations for the original offshoring. The most common reason stated being cost, especially wage advantages in host countries (in 21 cases). Other reasons for offshoring included the bandwagon effect (the imitation of competitors because of pressure) in 10 cases; and, access to a new market (market seeking) in four. Seven cases provided no specific reason. Reasons for subsequent reshoring followed the patterns emerging in the literature, such as unsatisfactory product quality; long lead time; high coordination costs; the change of companies' business strategy; and, 'Made-in' effects. On this basis the residual resource bundle, relative to that in the home country appears to be operating at a competitive disadvantage. Assuming of course that the financial analysis (invariably reported as being incomplete during offshoring) is accurate. The reasons stated for reshoring amongst the 34 cases can be summarised as the host company being uncompetitive in terms of the home company's market expectations. Amongst the seven cases where a response from the host company is acknowledged, retrenchment occurred on four occasions (c.7, 12, 30 & 31) and some form of effective strategic response, while not being elaborated upon, emerged in three (c.8, 15 & 22).

However, considering the dynamic external environment, reshoring decisions are neither ultimate nor necessarily permanent. In c.7, the home company rented a factory to maintain manufacturing in China after partial reshoring. Therefore, as new offshoring drivers appear, as a result of some form of competitive response in the host country, the home company may again offshore.

### 3.5.3 When?

The When question refers to time-related aspects of offshoring and reshoring. Most cases provided information about when firms offshored and reshored. Nujen et al. (2018) report when firms typically repatriate to their home countries, a period was between months and a decade or more after offshoring. Meanwhile, continuously increasing costs in the host country, especially labour costs, emerge. Wages in China have increased 15-20% per year, significantly eroding its cost advantage in labour-intensive industries (De Backer et al., 2016; Sirkin et al., 2011). With technology development and innovation, the increasing use of automation and robotics improves productivity in the home company and further shrinks cost differences between the home and host. However, the host company could also adopt such technological innovation and develop new competitive advantages in the market, even competing with the home company. In c.30, it was reported that the new technology implemented by the home company *'could be used in Southeast Asian countries too.....Nevertheless, Jeanologia has clients in China and other Asian countries and has trained technicians to maintain the machinery'* (Martinez-Mora & Merino, 2020, p. 1381). Therefore, dimensions of time and the consequences of investment affect both home and host, and not the home company alone.

### 3.5.4 How?

The How question is related to the sourcing strategies for firms' ownership decisions. Location and ownership decisions being interwoven during the firms' reshoring decision-making. As expected, they need to be considered simultaneously (Di Mauro et al., 2018) and may be frequently re-evaluated and adapted (Mudambi & Venzin, 2010). Because it is easier for firms to reshore when they have not built factories offshore (Di Mauro et al., 2018), reshoring an outsourced, rather than insourced value chain activity is expected to be more common. The analysis of the 34 cases reveals that firms prefer to insource activities after reshoring, which may lead to the importance of retaining a domestic supply chain and workforce (Benstead et al., 2017). This leaves the How question on behalf of the host company all the more intriguing. An offshored and outsourced value chain capability reshored and insourced would leave an available residual resource in the host country, as is implicit in cases 8, 15 and 30.

How then does the available residual resource respond to reshoring? If the sourcing preference from reshoring is to insource the host company remains extant. Again, the cases are curiously silent on the host country resource bundle.

### **3.5.5 *Where?***

Where refers to location choices of offshoring (host countries) and reshoring (home countries or other nearby countries). Among the 34 cases, firms in 32 cases were located in Europe (Portugal, 1; Spain, 2; U.K., 3; Italy, 9; and, Scandinavia, 17). The location choices for offshoring are diversified. Among them, 11 firms offshored to multiple locations, 15 firms offshored to Asian countries, such as China and Vietnam, and 16 firms offshored to other comparatively low-cost European countries. The unusual choices of offshoring locations appear in c.5 to Germany; c.16 to the USA; and, c.23 to Mexico. However, given the duration of offshoring (months to decades), the advantages and or disadvantages of the host country are likely to have changed between offshoring and subsequent reshoring. Of note is that no host country appears to be impervious to reshoring (Germany and the USA included), suggesting that the implications of the current omission are geographically broader than that first anticipated.

### **3.5.6 *Who?***

The Who question asks whether the reshoring decisions are related to the characteristics of firms, including firm size, industry, export intensity and earlier experience (Barbieri et al., 2018). Some quantitative research has tried to respond to these questions. The findings suggest that firm size has no significant influence on reshoring decisions (Barbieri et al., 2018). Both large firms and small and medium enterprises (SMEs) consider reshoring when motivated.

Definitions of SMEs vary between countries and industries using different criteria, such as the number of employees, sales volume or worth of assets (Baba et al., 2006). For example, in the Australian manufacturing sector, firms with less than 100 employees are characterised as being SMEs, while this figure is 500 in Canada. Ten of the 34 case firms were identified as being SMEs by their respective authors. Therefore, it appears that the reshoring decision is invariant to firm size, as is the case with offshoring (Roza

et al., 2011). Neither export intensity nor earlier experience was mentioned in any of the cases. Could asymmetry between the home company and host company produce different host responses to reshoring?

Earlier research on the Who question focuses nearly exclusively on the home company. As noted above, in only two of the 34 cases reviewed was any consideration of the host company reported, while a further five cases mentioned the impact of reshoring effects on the host company (all from home country informants). The host company response to reshoring is, for the time being ignored.

### **3.6 DISCUSSION**

#### **3.6.1 *The Curious Omission***

The most frequently used theories in the 17 papers are related to international business and supply chain management, though some researchers studied reshoring from new perspectives, such as social network theory (SNT); industrial marketing and purchasing (IMP); and, knowledge transferring theory. In c.3, Ashby (2016) adopts SNT and shows ‘the importance of socially complex, long-term relationships in managing a sustainable supply network’ (p. 75). To realise its reshoring strategy, the case company helped new local suppliers develop products and establish collaborative relationships. Similarly, in c.8, Baraldi et al. (2018) acknowledge the micro-interactions and inter-dependencies using the ARA (Activities, Resources and Actors) model in both the home and host countries.

Though most theories involved dyadic or multiple actors in a supply network, the case research largely ignored the importance of the host company and host country. In 27 cases, there is simply no mention of the host company. Only in seven cases are select impacts on the host noted. Yet, reshoring appears to have a significant impact on the host company, its subsequent decision making and hence response. For example, in c.8 (Baraldi et al., 2018), the response to the home company’s partial reshoring was met by cessation of the entire contract by the host. The home firm had to then change suppliers because it did not have the capacity to fully reshore. Only on two occasions, cases 8 and 22, did the analysis include a perspective from the host company, but that too was provided by home company interviewees. The neglect of the host company appears to

be due to the researchers' omission as opposed to one of theoretical neglect. For without exception, all contributing theories give rise to two actors in a dyadic relationship, regardless of it being a market, hierarchy or something between.

### ***3.6.2 The Available Residual Resource***

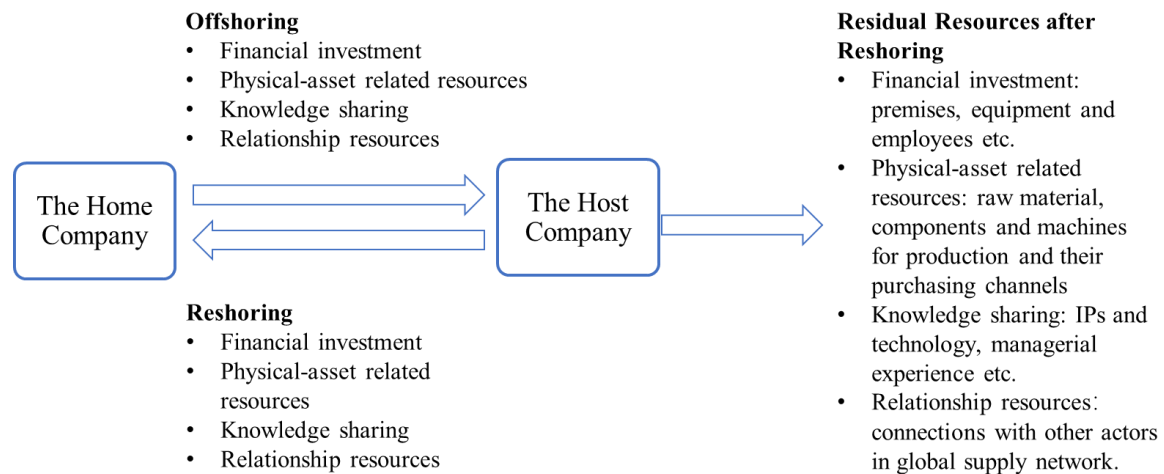
The dyadic relationship between the home company and the host company is both dynamic and interactive. During the process, trust and commitment (Morgan & Hunt, 1999; Morgan & Hunt, 1994) are built and developed over time. The reshoring decision is expected to have a negative impact on the host company from which a range of responses could emerge, including the host company terminating the relationship. In c.8, Engström et al. (2018) mention that employees in the host country sabotaged equipment. Interestingly, in most of the cases, the home company only partially reshored, meaning that the existing financial flow, physical assets, knowledge exchange, and relationship development between the home company and the host company would, to some extent, continue and suggests either some sort of competitive response on behalf of the host or that the home company did not have the capacity or capability to fully reshore.

The study of the dyadic relationship between the home and host company now appears necessary. For example, what strategies does the host company use to defend against reshoring that influences the home company? In c.6, when the home company decided to consolidate and merge manufacturing sites, the Danish site (host country) was eventually kept due to its high level of automation and productivity. Whether or not enhanced capability emerged as a defensive strategy to reshoring remains unknown. If the host company responds effectively to the drivers of reshoring, such as cost control and technological development, the home company may recant on its decision to reshore. Further, despite reshoring, in case 26 (Boffelli et al., 2020), the home company offshored again because anticipated 'Made-in' effects did not reach earlier expectations.

The dyadic relationship created through offshoring contributes to financial investment, physical assets, knowledge exchange and relationship development, attributes held by the host company. These residual resources left by the home company may be valuable assets for the host through which to restore its competitive advantage in the global

network. A diagram depicting asset and activity flows, identifying the host company's available residual resource following reshoring is presented in Figure 3.2. A brief summary of each of the host country resources that we have identified as being residual now follows.

**Figure 3.2. The host company available residual resource following reshoring**



**Financial investment.** The original offshoring process involves significant financial flows. The home company typically invests in subsidiaries or manufacturing capability for outsourcing in the host country. When reshoring, it must then either recover or sell these assets, equipment or other previous investment to local companies – at sunk or market cost? Previous local partners or competitors have an opportunity to purchase these assets and may emerge as competitors in the global market.

**Physical-asset related resources.** Physical assets refer to raw material, components, plant and machinery or the purchasing channels provided by the home company to the host for production and manufacturing. When reshoring, the home company appears to either sell these or attempts to return them to the home country. However, it is inevitable that the host company gets access to these physical assets and may be capable of purchasing them to replicate various production and manufacturing processes.

**Knowledge sharing.** The sharing of technology and intellectual property (IP) is unavoidable during offshoring. IP leakage is identified as one of the drivers for firms to reshore (Di Mauro et al., 2018). While the home company may constrain the host

from using specific technology, potential risks remain, especially in jurisdictions where little value is attributed to proprietary knowledge. In case 16 (Nujen et al., 2018), the home company actually paid the host for the recovery of knowledge and technology when reshoring. The host company may then develop similar technology based on the knowledge and technical skills obtained from the location-bound knowledge bundle.

The Chinese government's 'Made in China 2025' project is a policy with funding to adjust and reform manufacturing and enhance industry competition, encouraging host technological developments (Duan et al., 2017) created in direct response to reshoring. But besides sharing technology, the home company may share its managerial experience, including regulations and operational processes with the host company, especially in a hierarchy/subsidiary or joint venture. These valuable resources are unlikely to be fully recovered during reshoring.

***Relationship resources.*** Assets left by home company reshoring also include the experience of international business and the creation of relationships with other actors in the host company's domestic and global network. Through cooperation with offshoring, the host company learns how to work with foreign companies and establish itself in global supply chains. While reshoring may cause temporary difficulties, it may force the host company to find new clients, who may even be competitors of the home company.

### **3.7 SUMMARY**

Offshoring has been studied for decades. It is a phenomenon whose research is now mature (Buckley et al., 2017). By contrast, research on reshoring, something akin to the reverse process of offshoring, is relatively new. The extant literature on reshoring concentrates on defining relevant terminology and analysing reshoring drivers, with particular attention to the home firm's benefits from repatriation. While offshoring is found to be primarily motivated by cost reduction, reshoring is regarded as either the correction of previous decisions, mainly due to increasing cost, poor quality or delivery problems from offshoring (Ashby, 2016; Ellram et al., 2013; Kinkel & Maloca, 2009) or a strategic adjustment of business strategies (Albertoni et al., 2017; Grandinetti & Tabacco, 2015). However, while decision errors are identified as one reason to reshore,

it was unreasonable to expect the early cost advantages of offshoring to remain constant over time. Other dynamics also appear to be at play, creating a groundswell of interest in reshoring – which is for the time being considered a somewhat cautious process anticipated to be conducted in a gradual and incremental (Benstead et al., 2017) manner.

A content analysis of 34 published cases drawn from 17 papers on reshoring was conducted. Each case was re-analysed, identifying the ‘5W1H’ questions. Homogeneous patterns and heterogeneous influential elements were identified. The ‘Why’ question, cost-driven was still found to be the primary reason for reshoring, but the bandwagon effect and market seeking were also frequently mentioned. The other drivers of reshoring, by contrast, are heterogeneous, including unsatisfied product quality; long lead times; high coordination costs; changes to companies’ corporate and business strategy; and, ‘made-in’ effects – whether they be COO or BO related.

Of significance is the nearly complete omission of the host country's response. Of the 34 cases reviewed in this study, only seven (21%) included any narrative of the host company, all of which were contributed by a home company respondent or sources. Of these, two (6% of the original cases) researchers reported on the host company’s broad response to reshoring. We could find no instance of the host company being central to reshoring research. Nor could we find tacit recognition that offshoring resulted in the dyadic relationship that was either ceasing or being disrupted by reshoring. Therefore, on 32 of 34 occasions, the host company response or response from the residual resource bundle was simply not considered, and at no point could we discern any deliberate exploration of the host country's response. Yet the theoretical perspectives applied to recognise the firm’s boundary, transaction cost economics explicitly so. What then emerges as a result of this curious omission is the unknown response from the available resource bundle. While reshoring research may still be in its infancy, its conduct to date has created an omission necessary to fill. The assumption appears that the host country response will be something other than competitive, that the residual resource bundle can only retrench and, therefore, further research is perhaps unwarranted.

Yet, in some of the cases reviewed, there appears to remain an available residual resource. This resource bundle comprises a combination of financial, physical assets, knowledge and relationships, which appear to provide an opportunity for the recreation of business strategy. Therefore, the consequences of reshoring are confined to the home company and not also the host needs reconsideration and the pursuit of empirical evidence exploring the host company's response. Under what circumstances does the pursuit of reshoring result in greater rather than less competition? Does more, not less competition eventually emerge?

The main limitation of the paper is that the cases were originally presented from the perspective of the home company. As observed, the material on the host company was extremely limited, inferences on the available resource bundle had to be made. Only on two occasions was mention of the response shared in the original case study. The need for empirical research on the consequences of reshoring is important. That this has been conducted almost exclusively from the home company/home country perspective is, arguably, predictable but far from enlightening, leaving respective communities from scholars to practitioners, politicians to media in the unenviable position of simply not knowing.

## **CHAPTER FOUR: RESEARCH METHODOLOGY**

### **4.0 INTRODUCTION**

The assumed epistemological position, research design and research methods, including data gathering techniques, are discussed in this chapter. Given the research aim and questions, the research was conducted using the ontology of realism and the epistemology of pragmatism. A discussion of the study's epistemological considerations is provided in Section 4.1. Research methods used in previous reshoring studies are reviewed in Section 4.2, and the research design of the current study, including the content-analysis based literature review; a single case study; and, a multiple case study is presented in Section 4.3. The procedure of the content-analysis based literature review, whose detailed information has been provided in Chapter Three is then discussed in more detail in Section 4.4. A brief comparison of the influential case methodologies is presented in Section 4.5. Being a synthesis of contributions from Eisenhardt (1989), Yin (2009) and Pan and Tan (2011), the method used embraces the epistemological position adopted, specifically the research aim and research questions. The quality of the case method and specific tactics are introduced in Section 4.6, including a discussion of the research ethics. A chapter summary is again included.

### **4.1 EPISTEMOLOGICAL CONSIDERATIONS OF THE INQUIRY**

The philosophical position of academic inquiry, including ontology (what one believes about the nature of reality) and epistemology (the nature of knowledge) (Guba & Lincoln, 1994; Merriam & Tisdell, 2015), should reflect the dominant research technique. The traditional ontologies include realism and relativism. Correspondingly, realism widely considers the epistemology of positivism and postpositivism. Relativism, by contrast, typically results in the epistemologies of constructivism and interpretivism (Braun & Clarke, 2013; Guba & Lincoln, 1994). Advocates of methodological purity argue that research methodologies are linked to certain epistemological commitments and, therefore, oppose the methodological mixing of different inquiries (Patton, 2002). Positivism mainly uses quantitative methods, whereas the pursuit of constructivism largely employs qualitative methods. However, both qualitative and quantitative methods could be used appropriately with any ontological and epistemological consideration (Guba & Lincoln, 1994). There is no

need to treat epistemology and research method as being synonymous simply because the logic of epistemological justification does not dictate what data collection and analytical methods researchers should use (Johnson & Onwuegbuzie, 2004). Johnson and Onwuegbuzie (2004) suggest that researchers consider pragmatism and take a non-purist, compatibilist, mixed-methods position allowing researchers to mix and match design components that offer the best means of answering their research questions. Thus, pragmatism emphasises both methodological appropriateness and pragmatic utilitarianism (Patton, 2002).

The current study was conducted within the ontology of realism and the epistemology of pragmatism. Instead of theory testing, the aim of the study is an inductive exploration of a largely unknown phenomenon (Gammelgaard, 2017): to understand reshoring from the perspective of the host company. The study assumes the possibility of obtaining the truth through valid knowledge production and a single, pre-social reality or mind-independent truth (Braun & Clarke, 2013) by selecting research methods using a pragmatic approach based on the research aim and research questions.

As a result of being largely explorative, a qualitative research method was adopted where appropriate. Qualitative research is “a situated activity that located the observer in the world” and “consists of a set of interpretive, material practices that make the world visible” (Denzin & Lincoln, 2011, p. 6). It is widely used when a lack of theory or an existing theory fails to explain a phenomenon with the aim of understanding or exploring meaning rather than proving a theory or testing a causal relationship between factors (Braun & Clarke, 2013). Consequently, a qualitative methodology is supportive of the research aim and research questions.

## **4.2 RESEARCH METHODS USED IN RESHORING STUDIES**

To date, scholars have used conceptual analysis, surveys, case research and statistical modelling to study reshoring. But because reshoring is a relatively new research topic, it remains under-researched, and with that emerges the lack of a coherent paradigm (Kuhn, 1962). Some papers published in the early phase were largely theoretical or conceptual. About ten of these are in this category because they do not provide any empirical evidence (Dachs, Kinkel, Jaeger, et al., 2019) and mainly focus on defining

relevant terminology, clarifying the understanding of the phenomenon and suggesting future research directions.

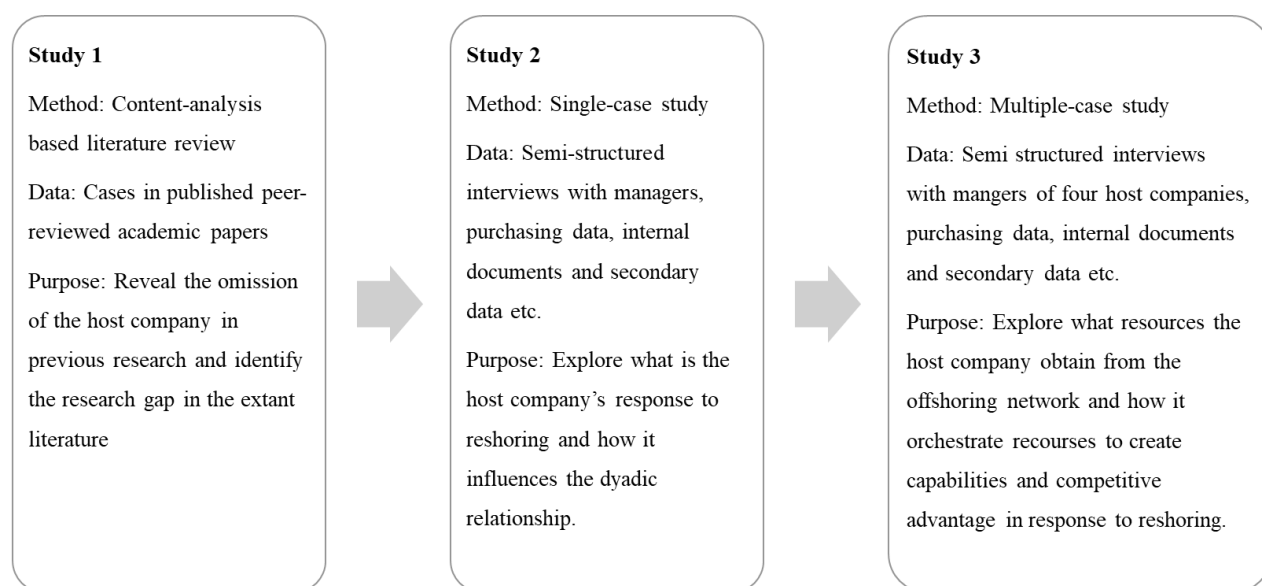
Previous quantitative reshoring research typically uses two types of data gathered from tertiary data sources and managers' surveys. Some research has used tertiary data from newspapers, magazines and websites to establish a database for analysis, such as that by Wan, Orzes, Sartor, Di Mauro, et al. (2019); Wan, Orzes, Sartor and Nassimbeni (2019); Zhai et al. (2016). Whereas most surveys resulted in the collection of data on firms' shoring strategies, including offshoring and reshoring information, instead of pure reshoring projects, e.g., Canham and Hamilton (2013); Ellram et al. (2013); Gadde and Jonsson (2019).

The qualitative research method, especially the case study method, has also been widely used in previous research on reshoring. To systematically analyse the contribution of previous qualitative research, a content-analysis based literature review focusing on case-based reshoring studies (Chapter Three) was conducted in which case-based studies published up to May 2021 were reviewed.

### **4.3 RESEARCH DESIGN**

This research primarily uses two research methods: a content-analysis based literature review, as presented in Chapter Three, and the case study method, including a single-case study in Chapter Five and a multiple-case in Chapter Six. Researchers have used similar methods in both offshoring and reshoring, such as that by Barbieri et al. (2018); Benstead et al. (2017); Di Mauro et al. (2018); Fratocchi et al. (2016). The integration of these two techniques is illustrated schematically in Figure 4.1.

**Figure 4.1. Schematic diagram of the research process**



Study 1 is a content-analysis based literature review to map, consolidate and evaluate the intellectual territory of a certain field and identify knowledge gaps for further development (Seuring & Gold, 2012). The detailed information of this method has been demonstrated in Chapter Three. Cases in published peer-reviewed academic papers provide the rich description. Though having made a substantial contribution to the reshoring study, they could still reach disparate conclusions and create cumulative knowledge ignored in earlier research (Boffelli & Johansson, 2020). The purpose of the content-analysis based literature review was to explore previous studies on reshoring within the dyadic relationship. The findings reveal that all of these cases are conducted from the perspective of the home company and country. The other vital actor, the host company, is widely ignored. It is here that the research gap was also confirmed.

The case study method was adopted for Study 2 and Study 3. Without sufficient data support, in-depth case studies are vital to facilitate an understanding of the context and both the previous offshoring and reshoring decisions (Gray et al., 2013). The case study is the preferred organisational studies research method “when ‘how’ or ‘why’ questions are being posed, [where] the investigator has little control over events, and the focus is on a contemporary phenomenon within a real-life context” (Yin, 2018, p. 2).

Study 2 emerges as a single case study (Chapter Five), and Study 3 follows as a multiple case study (Chapter Six). The relationship between these two studies is largely parallel and not sequential, which means these two studies, independently of each other, lead to two papers. Study 3 is not conducted on the process and findings of Study 2, despite both studies having a case in common (Company Alpha). Company Alpha is also the primary case company in this study because it has experienced the full gamut of its two home companies' decision processes of offshoring, reshoring and offshoring again and provided the richest information on the topic discussed.

As qualitative research is context-bound (Merriam & Tisdell, 2015), the contexts are critical to the case study, including the social, economic, political and ethical contexts (Stake, 2013). This study was conducted in the context of China. The researcher's background, personal and business connections in China was vital in accessing (Gummesson, 1991) the case companies. Furthermore, the researcher's language advantages of Chinese enabled appropriate data gathering and analysis. China is one of the most important countries to which western companies offshore and has recently suffered from the reshoring trend. However, while the context may be China, the research was not conducted with the sole intention of examining reshoring in China. China, simply provided a suitable context for the research, one in which access (Gummesson, 1991) was somewhat assured.

#### **4.4 CONTENT-ANALYSIS BASED LITERATURE REVIEW**

Review articles provide a state-of-the-art understanding of research topics, identify research gaps and suggest future research avenues. By synthesising prior research, a literature review strengthens the foundation of knowledge (Paul & Criado, 2020). "Inconsistent research output makes critical literature reviews crucial tools for assessing and developing the knowledge base within a research field" (Seuring & Gold, 2012, p. 544). The content-analysis based literature review method has been widely used in previous studies on reshoring, mainly exploring the drivers, motivation and barriers of offshoring and reshoring, such as those by Barbieri et al. (2018); Benstead et al. (2017); Di Mauro et al. (2018); Fratocchi et al. (2016). In each of these, the authors sought to categorise reshoring drivers, searching for answers to the "Why" question.

The content-analysis based literature review (Chapter Three) was conducted with a similar intent to those above, with the exception of re-exploring the data set from the perspective of the host company, and country. From the outset, the research gap quickly emerged because the host company has been ignored. Instead of a literature review of all relevant papers, an analysis was completed of published cases in peer-reviewed academic journals because they ought to provide a rich description and were expected to reach disparate conclusions. The anticipated effect was creating cumulative knowledge ignored in earlier research (Boffelli & Johansson, 2020). Moreover, this literature review used the “5W1H” questions (What, Why, When, How, Where & Who) to analyse qualitative data and try to identify the host company’s responses to reshoring in previous cases, classified as a framework-based review by Paul and Criado (2020). The answers to “5W1H” questions are not provided in any of the earlier conceptual or quantitative papers.

A content-analysis based literature review is described as being semi-systematic through which themes may be detected (Snyder, 2019), including the emergence of a research agenda and construction of a theoretical model. It mainly followed the guidelines provided by Seuring and Gold (2012) with four steps as follows:

1. *Material collection* to delimit the material to be analysed and define the unit of analysis;
2. *Descriptive analysis* to assess formal characteristics of the material and provide the background for subsequent content analysis;
3. *Category selection* to select structural dimensions and related analytic categories to be applied to the collected material; and
4. *Material evaluation* to analyse the material according to the (analytic) dimensions.

The detailed content, procedure and findings have been provided in Chapter Three.

## **4.5 CASE STUDY METHOD**

### **4.5.1 *A Comparison of Approaches***

There are various epistemological views and approaches to case research. Selecting suitable and practical cases being a requisite of this research. Yazan (2015) states that the three prominent methodologists of case study research are Robert Yin (Yin, 2009); Sharan Merriam (Merriam & Tisdell, 2015); and, Robert Stake (Stake, 1995). But within the discipline of organisational studies, it is Kathleen Eisenhardt (Eisenhardt, 1989; Eisenhardt & Graebner, 2007) who is the significant and outstanding proponent of the case method. Her Academy of Management Review paper being cited some 65,000 times. This paper, and her second co-authored with Graebner (2007) (Eisenhardt & Graebner, 2007) – cited 18,000 times - have had a significant influence over the development of the method.

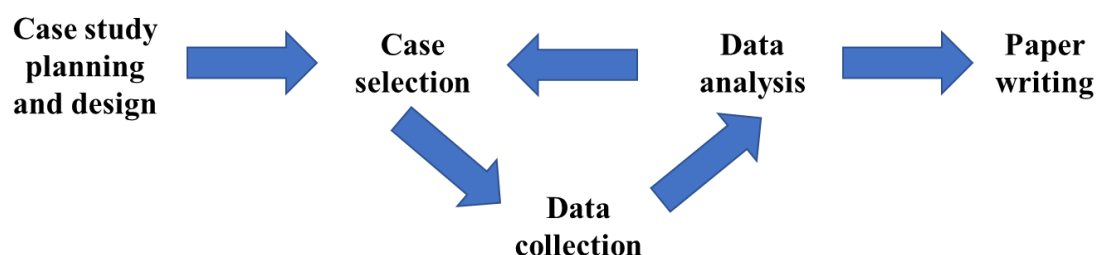
Differences emerge between the more influential case study methods. From the perspective of epistemological commitment, Eisenhardt and Yin demonstrate a positivist position, supporting the combination of both quantitative and qualitative data sources. On the other hand, Stake and Merriam present a strong constructivist position and promote the sole use of qualitative data sources (Yazan, 2015). To some extent, these four scholars' definitions of the case study also illustrate their respective epistemological positions. Yin (2009) defines the case study as a research strategy, “when ‘how’ or ‘why’ questions are being posed, the investigator has little control over events and the focus is on a contemporary phenomenon within a real-life context” (Yin, 2009, p. 2). Eisenhardt (1989) extends the concept of the case study to “a research strategy which focuses on understanding the dynamics present within single settings” (p. 534). Stake (1995) emphasises that a case is a bounded system and an object rather than a process. Whereas, Merriam and Tisdell (2015) define the case study as an in-depth description and analysis of a bounded system, focusing on the unit of analysis instead of the study so that the case could be a person, a programme, a group, or a specific policy and so on. Therefore, the ‘case’ as defined by Merriam and Tisdall is considerably more comprehensive than that of the others (Yazan, 2015).

Pan and Tan (2011) develop a structured-pragmatic-situational (SPS) approach to case study research, emphasising practical and workable steps. Some research steps of the

case method “do not translate easily into specific, actionable steps” (Pan & Tan, 2011, p. 162), being impractical or unworkable in a real research context because idealised assumptions are often held in a research setting. Consequently, the SPS approach is structured (dividing the process into eight systematic, specific, detailed and easily replicated steps), pragmatic (simplifying the techniques and workarounds with required rigour) and situational (facilitating flexibility and adaptiveness during the research) (Pan & Tan, 2011). For example, both Eisenhardt (1989) and Yin (2009) suggest selecting cases from readily available organisations. However, case researchers may lack the credibility or business connections to persuade an organisation to grant access, especially less-experienced researchers. Hence, the SPS approach emphasises that getting access (Gummesson, 2000) to the company is the first step.

The data collection technique and the development of the cases and their subsequent analysis draws on the case study methods advocated by Eisenhardt (1989), Yin (2009), and Pan and Tan (2011). However, that does not mean that techniques and suggestions from other researchers are excluded. As Yazan (2015) suggests, the diverse views regarding case research “lead to a vast array of techniques and strategies, out of which they (researchers) can come up with a combined perspective which best services their research purpose” (p. 134). For example, Merriam and Tisdell (2015) emphasise that literature review is necessary for theory development, despite being exploratory. Research design in qualitative research, especially for constructing a theoretical framework, should focus on specific research questions and the subsequent interpretation. Hence the significance of the quantitative content-analysis based literature review presented in Chapter Three, from which the host company omission emerged.

**Figure 4.2. The case study process**



The case method developed in this research largely emerged through the synthesis of Eisenhardt (1989), Yin (2009) and Pan and Tan (2011) and is depicted in Figure 4.2. While acknowledging that the steps as depicted are far from discrete and that multiple iterations occurred at stages, the process followed was:

*Case study planning and design.* The researcher made full preparation for the current study, including identifying research aims and research questions, getting full ethics approval, gaining access to the first case company and preparing relevant documents.

*Case selection.* The researcher got the approval of the first case company to participate in this research. While then dependent on referrals from the first case company, the desired “snowball” effects, access to the other three case companies followed.

*Data collection.* The data collection process was completed mainly in Shanghai, China, including direct observation (premise visits), semi-structured interviews with managers, the gathering of various internal documents, and tertiary data collection.

*Data analysis.* Thematic analysis and pattern matching methods were adopted. NVivo software was used for coding.

*Paper writing.* Based on the data collected, two papers (Chapter Five & Chapter Six) were written and submitted to academic journals.

#### **4.5.2 Case Study Planning and Design**

Yin (2009) prescribes case study designing as five sequential components: study questions; study propositions; unit of analysis; linking the data to propositions; and, criteria for interpreting the findings. Yin also emphasises the need for quality control of case research, achieved in the form of construct validity, internal validity, external validity and reliability. By contrast, neither Pan and Tan (2011) nor Eisenhardt (1989) include a specific research design step in their respective methods. Eisenhardt (1989) suggests crafting instruments and protocols after selecting cases. The SPS (Pan & Tan,

2011) approach begins with access negotiation. The synthesis of these three approaches resulted in the following step-wise process:

1. After the content-analysis based literature review, the research direction, including a refined objective and specific research questions, were developed from the perspective of the host company, and country.
2. A full ethics application was approved by Massey University, New Zealand (see Appendix A).
3. Permission was sought from and granted by the first Chinese host company to participate in this research.
4. The relevant documents for the case study, including Request Letter (Appendix B and C), Information Sheet (Appendix D and E), Participant Consent Form (Appendix F and G), and Interview Question List (Appendix H and I), were prepared in both English and Chinese.

#### ***4.5.3 Case Selection***

Different qualitative researchers offer different criteria for case selection. Yin (2009) suggests that the goal of case selection should be “to expand and generalise theories (analytic generalisation) and not to enumerate frequencies (statistical generalisation)” (p. 15). Because of his emphasis on research design and preparation, the chosen case, which could be extreme or unique, needs to be used to test a well-formulated theory. Eisenhardt (1989) also argues that choosing cases randomly is neither necessary nor preferable because the available cases are always limited. The goal of theoretical sampling is to “choose cases which are likely to replicate or extend the emergent theory” (Eisenhardt, 1989, p. 537).

In the SPS approach, gaining access to an organisation is the first step of the research, described as planned opportunism, which lets research interests, funding strategies, and explicit opportunities for network building shape the long-term plan for case selection (Pan & Tan, 2011; Pettigrew, 1990). Meanwhile, an endorsement or referral from an influential benefactor is considered vital to get the case organisation’s approval for access (Pan & Tan, 2011). These points are consistent with Stake’s (1995) view that the researcher needs to pick cases easy to get to and hospitable to the inquiry, perhaps

with a prospective informant. Hence, the case could be unique and provide information different from others had they been sought.

The case selection used the criteria above and emphasised the importance of access to (Gummeson, 1991; Pan & Tan, 2011) the case companies. Access to a potential host company was sought through the researcher's social and business networks, drawing on knowledge of Chinese businesses that had experienced reshoring by a home company. It was then through that sole inquiry to the first case company (Company Alpha), the researcher got the two managers' referrals to other host companies. Approval and access to the other three host companies (Delta, Epsilon and Eta) was then gained. Note that they all agreed to participate in this research at a first request. Such "snowball" or "chain referral" sampling (Biernacki & Waldorf, 1981) is a feasible means through which to get contact with informants of potential case companies (Pan & Tan, 2011). Detailed information on these four companies is provided in Chapters Five and Six. Background information is provided in Table 4.1 below. The names of the firms and key participants are kept anonymous during the research and in relevant publications, as required by the participants, the case companies, and anticipated in the research ethics application.

**Table 4.1. Background information to the case companies**

<b>Host company in China (Case Company)</b>	<b>The home company</b>	<b>Ownership</b>	<b>Industry</b>	<b>Employees in China (2019)</b>	<b>Commenced working with the home company</b>
Alpha	Beta, Japan	Insourcing (40% shares of Alpha)	Manufacturer of electronic equipment	150	1995
Alpha	Gamma, Japan	Insourcing (60% shares of Alpha)	Manufacturer of electronic equipment	150	1995
Delta	Delta, Japan	Insourcing (wholly owned subsidiary)	Manufacturer of precision and electronic products	220	1995
Epsilon	Zeta, USA	Outsourcing	Manufacture of electronic equipment	1000+	2007
Eta	Eta, Japan	Insourcing (wholly owned subsidiary)	Business service (trading company)	20+	1999

#### **4.5.4 Data Collection**

Eisenhardt (1989), Yin (2009) and Pan and Tan (2011) all support the use of both quantitative and qualitative evidentiary sources in the case study. Primary data was collected by direct observation (premise visits) and semi-structured interviews. Secondary data was provided in the form of numerous internal documents and company reports, while tertiary data from media releases were also gathered.

Two company visits were made to Alpha and once to Delta for direct observation of local headquarters and their respective factories. Constraints were encountered with field visits to Epsilon and Eta. Epsilon is located in another distant Chinese city, and the key participant at Eta is the Sales Department Manager, travelling all the time. Constrained by the financial budget and time, these interviews and all follow-up correspondence were completed by audio calls on WeChat.

Semi-structured interviews were conducted with each of the company respondents. Each of the interviewees was a member of the firms' managerial staff with over ten-year working experience in the industry and overall knowledge and understanding – firm-level - of their respective firms' operations, development and business strategies. The interviews with company Alpha and Delta were conducted face-to-face. Their companies provided meeting rooms and sufficient time for the interviews. The interviews with Epsilon and Eta were conducted by audio calls on WeChat. All interviews were conducted in Chinese to eliminate language barriers and allow the participants to express themselves freely. A summary of interviews is provided in Table 4.2.

**Table 4.2. Summary of case study respondent interviews**

<b>The host company</b>	<b>Participants</b>	<b>Type of data collection</b>	<b>Duration</b>	<b>Data Collection Method</b>
Alpha	Purchasing Manager	Direct observation	30mins	Premise visit
		Face-to-face interview	1hr15mins	Voice recording
		Audio chat interview	15mins	Voice recording
	Manager of Production Equipment Department	Face-to-face interview	45mins	Voice recording
Delta	Deputy General Manager	Direct observation	30mins	Premise visit
		Face-to-face interview	1hr	Voice recording
Epsilon	Production Section Manager	Audio chat interview	1hr	Voice recording
Eta	Sales Department Manager	Audio chat interview	1hr5mins	Voice recording

Before the interviews, the relevant documents, including the Request Letter (Chinese version, Appendix C); the Information Sheet (Chinese version, Appendix E); the Participant Consent Form (Chinese version, Appendix G); and, the Interview Question List (Chinese version, Appendix I) were sent to the respondents by email. Meanwhile, the secondary and tertiary data was collected online, such as everything from each of the case companies' websites, to develop a general idea of the company and its contextual business conditions. Confirmation was sought from all participants that they had received the introductory email, and they were reminded to read these documents before the formal interviews. On the day of the face-to-face interviews, the respondents effectively hosted the researcher as anticipated. The interviews were conducted in the businesses' board rooms, recorded and later transcribed. Confirmation was again sought and received, the content of the Information Sheet discussed, the research background explained, and a project summary and interview process shared. The management of data, to protect the participant and the case company's privacy, was discussed in detail. The interviewee then signed the Consent Form, and the interview began. The only difference for the interviews conducted by audio calls was that the interviewees signed the Consent Form and sent the scanned copy back to the researcher by email before the interviews began.

The basic Interview Question List is provided as Appendix H for the English version and Appendix I for that in Chinese. All interviews were conducted in Chinese to eliminate any language barriers. The interview questions were semi-structured to provide an opportunity for the respondent managers to elaborate on their answers (Merriam & Tisdell, 2015). The sequence of interview questions was adjusted according to the conditions and answers of participants on each scene. All post-interview transcriptions were checked twice. Preliminary case study reports were completed and sent to the respective interviewees to verify the accuracy of information before the coding process began.

Internal documents, including financial and purchasing data, product brochures, internal communication files, and commercial documents, were provided by the firms. Tertiary data referring to the relevant information, news and public financial data were collected online and provided useful and confirmatory information. A case study database of the four companies was created during data collection to increase the reliability of the entire case study (Yin, 2009). All relevant documents and information were organised, categorised and made accessible for future analysis.

#### ***4.5.5 Data Analysis***

The SPS approach (Pan & Tan, 2011) was followed through data was organised after the first interview and preparation were made for analysis and theory building. After the interviews with Company Alpha, the primary case company, transcription was completed, a draft case report written, and preliminary data analysis conducted. This process helped conceptualise the phenomenon and construct and extend the theoretical lens (Pan & Tan, 2011).

A thematic analysis (Braun & Clarke, 2006, 2013) was used for data analysis in Study 2 and 3. Thematic analysis is a flexible method to identify, analyse and report patterns (themes) across data and is independent of epistemological positions (Braun & Clarke, 2006; Crowe et al., 2015). The importance of a theme is not related to the number of its instances it appears in the data but whether or not it captures something relevant to the research questions. Themes do not passively emerge from the data but are actively

generated by the researcher (Braun & Clarke, 2006) in pursuit of an answer to the research question.

The process of thematic analysis includes familiarisation with data, generating initial codes, searching for themes, reviewing themes, defining and naming themes and producing each of the case reports. The software NVivo was used for coding. Thematic analysis was used to generate the themes of the host companies' responses to reshoring in Study 2 (Chapter Five) and four dimensions of resources the host company obtained in the offshoring network in Study 3 (Chapter Six).

An explanatory building approach, a special type of pattern matching, was used in Study 3 to examine similarities coupled with differences across cases (Eisenhardt, 1989; Yin, 2009). It focuses on the interrelationships among empirical evidence (Santos et al., 2001). The aim here was to analyse the host company's resource management and strategies responding to reshoring signals in the cross-case analysis.

#### **4.5.6 Data Management**

The data management followed conventional ethical requirements. The data collected from the interviewees were in hardcopy, electronic and audio formats. All data, including backup copies, was kept securely to protect the interviewees and case companies' privacy and destroyed at the completion of the research. The notification will be sent to the respondent managers of complete document destruction.

### **4.6 QUALITY OF THE RESEARCH**

The case study method has been challenged for its lack of rigour (Gibbert et al., 2008). Within a positivist epistemology, Yin (2009) identifies four tests for judging the validity and reliability of case research. The four tests are: *Construct validity*, that is identifying the correct operational measures for the concepts being studied; *Internal validity*, seeking to establish a causal relationship for explanatory or causal studies; *External validity*, which refers to defining the domain to which a study's findings can be generalised; and, *Reliability*, namely, demonstrating that the operations of a study can be repeated using the same methods. Yin (2009) also emphasises the importance of

validity and reliability in every step of case research and provides the detailed tactics, followed in this research.

On the other hand, da Mota Pedrosa et al. (2012) suggests that the case study should make the entire research process more transparent, especially in terms of three dimensions: transferability; truth value; and, traceability. Transferability refers to the extent to which the findings could be applied to other contexts. It is similar to external validity (generalization) (Ketokivi & Choi, 2014; Yin, 2009). The unit of analysis, case selection, and the number of cases belong to this criterion (da Mota Pedrosa et al., 2012). The case study could be “central to the scientific development via generalisation as supplement or alternative to other methods” (Flyvbjerg, 2006, p. 12) by falsification (Popper, 2005). Its generalisation could also be achieved by replication logic (Yin, 2009). The multiple case study (Chapter Six) has adopted replication logic by comparing the four case companies, and developing a synthesis of the host company response.

Truth value is related to coding procedures, comparisons, integration, iteration and refutation and emphasises the necessary congruency between the informants’ realities and the researcher’s interpretation (da Mota Pedrosa et al., 2012; Gammelgaard, 2017; Guba & Lincoln, 1994). A thematic analysis was used in both the single case study and multiple case study, through which the criteria of truth-value was met. The coding procedures follow the steps suggested by (Braun & Clarke, 2013) strictly, which are closely aligned to Yin’s (2009) practical tactics.

Traceability refers to the documentation openness of the research process and data sources (da Mota Pedrosa et al., 2012). The documents relevant to traceability may include data collection guidelines, data sources, types, and information about interviewees (Yin, 2009). Subsequently, triangulation (Stake, 1995) between data sources (primary, secondary and tertiary) and theory (in this research largely unknown) is central to traceability. Stake (1995) treats triangulation as the key protocol through which to minimise misperception and avoid invalidity of conclusions. Stake offers four strategies: data source triangulation, investigator triangulation, theory triangulation and methodological triangulation.

The following triangulation strategies were used. First, the data was collected from multiple sources, including semi-structured interviews, observation, secondary data and internal documents, and found to be remarkably well-aligned. On no occasion was there a misrepresentation of strategy from that reported elsewhere. Meanwhile, the frequent discussion and communication between the researcher and two supervisors ensured that personal biases and misunderstandings were challenged. Furthermore, multiple theories of shoring and sequential research methods have been adopted, producing a coherent whole.

The sole remaining limitation of case research is the lack of generalisability, extrapolating the results from a case or multiple cases to a broader population, with the same certainty of quantitative theory testing (hypothetico-deductive) research. In this research, that population of businesses would include every host company from which a home country has either reshored, fully or partially, or begun discussions on reshoring, or even considered reshoring to which the host company has responded. This limitation is addressed in Chapter Seven, where the discussion is presented in two stages. The first stage draws entirely on the analysis of the four cases. The second stage is an elaboration beyond the cases to the hypothetical broader population.

Risk analysis revealed the following risks to this research. Firstly, as the research involves human participants and interviews, ethical risks should be treated seriously. Research ethics is a kind of applied or practical ethic and intends to resolve not merely general issues but also specific problems that arise in the conduct of research. Hence, its goal is to determine the moral acceptability or appropriateness of specific conduct and to establish relevant actions that moral researchers should consider and follow in a particular situation (Penslar, 1995). A full research ethics application was submitted to Massey University to avoid any ethical risks and protect human participants and the firms. The application was considered and approved by the Massey University Human Ethics Committee: Human Ethics Southern A Committee at their meeting held on 3<sup>rd</sup> December 2018 (See Appendix A). The code of ethical conduct for research, teaching and evaluations provided by Massey University was followed during the research. The ethics principles include but are not limited to:

1. Obtaining informed consent from the selected firms and interviewees by letting them know about the nature and content of this research;
2. Protecting the participants from any harm;
3. Protecting the privacy and confidentiality of those participants and not revealing any personal or confidential information in the final research report;
4. Avoiding misconduct of research, such as judgmental biases and falsification;
5. No vulnerable group, such as children or patients, will be included in the research.

The following action was taken to avoid risks in research ethics. All emails, including the purpose and content of this research, were sent to the selected host companies and interviewees to obtain their permission to participate. Before the interviews, the question list was sent to the interviewees, who then had the right to refuse to answer any questions. At the beginning of the interviews, the research purpose was again explained, and the Information Sheet and Participant Consent Form introduced, and the latter signed. All participants understood their rights, including the risks, research procedure, data management and their rights. The names of the firms and the participants have been kept anonymous during the research and in relevant publications.

#### **4.7 SUMMARY**

The current study was based on the ontology of realism and the epistemology of pragmatism, which allowed for the mixing and matching of design components that offered the best chance of answering the research questions. The qualitative research eventually emerged as being consistent with the broad research aim and research questions.

The research design consists of a content-analysis based literature review (Chapter Three); a single case study (Chapter Five); and, a multiple case study (Chapter Six) brought together in a coherent thesis. The content-analysis based literature review contributes to the understanding of the reshoring phenomenon and recognition that prior to this research reshoring studies have been conducted at the exclusion of the host company. Following a detailed comparison of case study methods, a synthesis of those offered by Eisenhardt (1989), Yin (2009) and Pan and Tan (2011) was followed. The

research process, including case study planning and design, case selection, data collection, data analysis and paper writing, considered the validity and reliability tactics presenting a rigorous approach to case research. The remaining limitation of generalisability to other host companies is explored in Chapter Seven.

## CHAPTER FIVE: AN EXPLORATION OF THE HOST COMPANY'S RESPONSE TO RESHORING

### 5.0 OVERVIEW

**Aim of the chapter:** Previous research on offshoring and reshoring largely focuses on the home company and country. However, an interactive dyadic relationship exists during these processes. This research explores the host company's competitive response to reshoring within the dyadic relationship. A single case study method was adopted to analyse strategies conducted by a host company in China. The thematic analysis method was used to identify the host company's four strategies in response to reshoring, which proved to be effective. The findings reveal the host company's active and even ambitious image and its influence on the dyadic relationship. Reshoring is no longer a unilateral decision but is affected by both actors.

**Under Review for Publication:** The paper "*An Exploration of the Host Company's Response to Reshoring*" was submitted to *the Journal of International Logistics Management* for review in June 2021, with the co-authors of my supervisors Dr. James Lockhart and Dr. Wayne Macpherson. The DRC16 Statement of Contribution form is attached as Appendix K.

## 5.1 ABSTRACT

**Purpose:** Most research on the home company's manufacturing location decision, referring to offshoring and reshoring, widely ignores the host company's influence and contribution. The purpose of this paper is to explore how the host company responds to the home's relocation decision (reshoring or continuing to offshore) caused by the emergence of reshoring drivers.

**Design/methodology/approach:** This research adopts an exploratory case study of a host company in China. The case company has two home company parents, each of which makes different decisions in the face of reshoring drivers. Semi-structured interviews with managers were conducted on-site, and secondary information was analysed, including internal documents, public information, and firm financial data. A thematic analysis of the data was undertaken through which the host company's responsive strategies to reshoring emerged.

**Findings:** Four responsive strategies were implemented by the host company and have subsequently been demonstrated to be effective. The findings emphasise the importance of cost control, market expansion, knowledge sharing and innovation, and maintaining a good relationship with the home company to enhance the host's unique position in the respective business networks.

**Practical implications:** This research identifies successful and practical responsive strategies for the host company through which to maintain a cooperative relationship with the home company. These measures may then influence the home company's location decisions or effectively prevent it from reshoring. Instead of encountering a passive response to reshoring, the home company may consider working with the host company to overcome difficulties caused by emerging reshoring drivers and create an outcome beneficial to both.

**Originality:** To our knowledge, this is the first research to study manufacturing reshoring from the perspective of the host company. It provides a new perspective and understanding of this phenomenon.

**Keywords:** Supplier management, supply chain re-design, supply chain strategy, decision-making

## 5.2 INTRODUCTION

Offshoring and its subsequent reshoring have been widely studied (Ellram et al., 2013). The key contribution emerging from the research is the reconsideration of a firm's manufacturing location decision. Offshoring has been one of the most crucial international expansion strategies for firms seeking access to low-cost resources, abundant labour pools and new markets (Ellram et al., 2013; Kinkel & Maloca, 2009; Wiesmann et al., 2017). It is a strategic decision that significantly impacts a firm's cost and organisational structures (Verdu et al., 2012) related to supply chain management, global distribution, and logistics (Maskell et al., 2007). However, the comparatively recent appearance of reshoring, loosely described as the reverse of offshoring, has attracted attention from scholars, policymakers, and the media, and caused new challenges for researchers. Some companies are now considering, implementing or have implemented repatriation either in part or in full. For example, a survey of 1700 manufacturing firms from Austria, Germany and Switzerland revealed that 4% of the respondent companies have recently conducted reshoring (Dachs, Kinkel, & Jaeger, 2019), suggesting that the phenomenon is no longer rare.

Reshoring in this paper is defined as “a voluntary corporate strategy regarding the home-country's partial or total relocation of (insourced or outsourced) production to serve local, regional, or global demands” (Fratocchi et al., 2014, p. 56). Though becoming critical to specific countries and firms, reshoring is still treated as a small-scale phenomenon of concern to offshoring researchers (Albertoni et al., 2017). The topic emerged as recently as 2007 (Fratocchi et al., 2016), and an increase in its significance is widely expected. In addition to this activity, the COVID-19 pandemic has created vulnerability in international supply chains, triggering yet more reshoring. The pandemic alone is expected to foster and accelerate reshoring decisions (Barbieri et al., 2020) yet to be implemented.

Existing research pays near-exclusive attention to reshoring motivations and drivers (Barbieri et al., 2018) from the perspective of the home company and country. While

the primary motivation of offshoring is to pursue lower costs, reshoring appears to be a more complex phenomenon whereby motivations vary among firms, industries, and countries (Di Mauro et al., 2018). Research to date has largely been conducted in the form of ex-post analyses of decisions to understand what motivates firms to repatriate (Benstead et al., 2017). It is suggested that additional perspectives need to be taken into account to develop a fuller understanding of the reshoring phenomenon (Bals et al., 2016).

The processes of offshoring and reshoring exist in a dyadic relationship involving at least two actors – the home and host companies. Previous research has, at best, only implied the influence of the host company on the home company's reshoring decisions (Baraldi et al. (2018); Engström et al. (2018); Nujen et al. (2018). To our knowledge, the existing literature has not reported on host company influences. The host company could be a supplier to; a subsidiary of; or a joint venture between the home company. Though the reshoring motivations and barriers related to the host country have been considered (Wiesmann et al., 2017), the host company's response to reshoring, or the risk thereof has not been the subject of examination.

The home company's reshoring may lead to the loss of contracts, jobs and even closure of the host company. Facing the growing trend of reshoring, the host company is expected to make efforts to survive and pursue its continuous development. Based on the reshoring decision framework suggested by McIvor (2013), and after considering reshoring drivers and conducting an exit analysis, the home company may choose to reshore or increase investment, thereby improving the offshoring operation. Clearly, the home company's manufacturing location decisions are not limited to reshoring drivers but the value to be had from the extant relationship. Thus, the research questions emerge as follows:

*RQ1: How does the host company respond to the home company's manufacturing location decisions resulting from reshoring drivers?*

*RQ2: How does this response influence the dyadic relationship?*

The manufacturing location decision refers to a company's offshoring and reshoring

decisions regardless of it being insourced or in-house (Ellram et al., 2013; Foerstl et al., 2016). The manufacturing location decision is used here instead of reshoring because the home company may continue to offshore after analysing and evaluating reshoring (McIvor & Bals, 2021). The dyadic relationship refers to the specific relationship between the home and host companies, irrespective of ownership.

Consistent with the research aim of inductive exploration, a rich descriptive case study was used to explore the response of a host company within two existing dyadic relationships. While the reshoring drivers appeared, the two home companies made different decisions. One decided to partially reshore, and the other actually increased investment offshore. A thematic analysis of data obtained from interviews, secondary company data and internal documents was used to identify four themes that emerged as responsive strategies: cost-related, market-related, knowledge-related, and relationship-related.

This study starts the process of filling a specific research gap and reports on the reshoring phenomenon through the new perspective of the host company. It reveals the importance of the host company in the home company's manufacturing location decision. The rest of the paper is organised as follows. Background theories are presented, and the research gap is identified. The research methodology is then discussed. A description of the relevant and exemplary information concerning the case is provided. The findings of the host company's responsive strategies subsequently emerge through the analysis of that empirical evidence. An analysis of the dyadic relationship, from development through retrenchment, to resurgence is presented. Conclusions are drawn, practical implications are offered, and limitations identified.

## **5.3 BACKGROUND THEORIES**

### ***5.3.1 Shoring Strategies and the Manufacturing Location Decision***

The concepts of shoring and sourcing are always interwoven. This paper mainly focuses on shoring as opposed to sourcing, but invariably the nature of sourcing in the dyad will emerge. Shoring refers to the location of operations and consists of either or combinations of onshoring, nearshoring and offshoring. In contrast, sourcing indicates who it is that completes the operations or activities and comprises insourcing and

outsourcing, being related to ownership and control (Jahns et al., 2006). Hence, offshoring and reshoring are regarded as location decisions (Gray et al., 2013) and part of global manufacturing location strategies (Ellram et al., 2013). The relationship between the host company and the home company could either be primarily contractual or entirely hierarchical (Williamson, 1979).

The manufacturing location decision implies that the company's activities are conducted within the organisation and not by a supplier. The latter being the supplier location decision (Ellram et al., 2013). When these activities are completed within an organisation in a foreign country, the decision is referred to as "captive offshoring". A company may also purchase products from an overseas supplier directly, referred to as "offshore outsourcing" (Jahns et al., 2006). Figure 5.1 depicts the outcome of location decisions result of shoring and sourcing strategies as based on Ellram et al. (2013) and Jahns et al. (2006).

**Figure 5.1. Relationships between manufacturing location decisions, shoring strategies and sourcing strategies**

	<i>In-house/Insourcing</i>	<i>Outsourcing</i>
<i>Onshoring</i>	Manufacturing location decision in the home country – <b>Internal Delivery</b>	Supplier location decision in the home country – <b>Onshore Outsourcing</b>
<i>Offshoring</i>	Manufacturing location decision in the host country - <b>Captive Offshoring</b>	Supplier location decision in the host country - <b>Offshore Outsourcing</b>

Extensive studies on offshoring have been conducted. The location decision-making process has been identified as being complex but is typically related to either country-specific advantages (CSA) and/or firm-specific advantages (FSA) (Mihalache & Mihalache, 2016; Rugman, 2006). The appearance of reshoring in the last decade has raised new challenges for researchers. Reshoring is a specific relocation decision being defined as "a voluntary corporate strategy regarding the home-country's partial or total

relocation of (insourced or outsourced) production to serve local, regional, or global demands” (Fratocchi et al., 2014, p. 56). The home company can choose to move back to the home country (backshoring) or a foreign country in the same region of the home company (near-reshoring) (Fratocchi et al., 2014). This research considers the former situation in the same manner as both Ellram et al. (2013) and Boffelli et al. (2021). Therefore, offshoring and reshoring are strategies a company adopts to make the ‘right’ manufacturing location choices within a global context.

Research has been conducted to understand the home company’s manufacturing location choices concerning offshoring and reshoring. For example, Ellram et al. (2013) discussed the factors affecting US companies’ perspectives of the attractiveness of various regions for owned manufacturing facilities. Tate et al. (2014) analysed the drivers and risks associated with the trend of reshoring to the United States of America. Similarly, Canham and Hamilton (2013) surveyed 151 New Zealand manufacturers and identified why and how these firms make onshore, offshoring and reshoring decisions. Likewise, Theyel et al. (2018) identified key contributions to the manufacturing location choice of 50 UK manufacturers across the home country, offshoring, reshoring and hybrid approaches to the location decision. The result is that much is now known about the manufacturing location decision, but almost all from the perspective of the homeward bound (host) company and surprisingly little about the host company response.

### ***5.3.2 Studies on Offshoring and Reshoring***

The current literature focuses on the drivers of offshoring and reshoring to help further understand home companies’ decision-making processes. The primary driver for offshoring is widely regarded as being cost savings (Farrell, 2005; Kinkel & Maloca, 2009; Lewin & Peeters, 2006). Emerging countries provide low-cost labour and resources, further enabled by national incentive policies, such as lower tax rates (Farrell, 2005). Offshoring enables firms to aggregate demand from different regions, providing bargaining power by creating economies of scale (Kotabe & Mudambi, 2009). It can also provide operational flexibility and optimal utilisation rates of fixed assets. Firms can benefit from the higher usage of capital infrastructure through round-the-clock shifts (Farrell, 2005). They face less restrictive laws and regulations in emerging

countries and can conduct production activities often restricted in their own home country. Offshoring enables the home company to reduce costs and the prices of final products, strengthening their competitive advantage globally.

It has been argued that the analysis of reshoring cannot be conducted independently of the original motivation to offshore (Fratocchi et al., 2014). However, while offshoring is primarily cost-driven, reshoring is often triggered by other concerns, including issues with quality and difficulties with international supply chains (Kinkel & Maloca, 2009). Reshoring can enable a firm to recover product quality and improve speed, flexibility, and responsiveness to better meet market conditions (Ashby, 2016). The reshoring literature demonstrates that reshoring is a more complex phenomenon as motivations vary among firms, industries and countries (Di Mauro et al., 2018). For example, the ‘made-in’ effect and proximity to the market have emerged as being vital to some of the clothing industry (Sirilertsuwan et al., 2019).

Research conducted to date pays almost exclusive attention to the motivation for reshoring (Barbieri et al., 2018). From which a wide array of motivations have been identified and classified according to different criteria, such as those by Di Mauro et al. (2018), Engström et al. (2018), and Wiesmann et al. (2017). However, this research has the limitation of being the ex-post analysis of decision making (Benstead et al., 2017), focusing almost entirely on the home company. As a result, it is yet to develop any predictive capability.

From a theoretical perspective, the eclectic paradigm; Transaction Cost Economics (TCE); and, the Resource-Based View (RBV) are the dominant theories used in reshoring studies (Barbieri et al., 2018; Wiesmann et al., 2017). The eclectic paradigm or OLI (Ownership, Location & Internalisation) has been widely used to discuss firms’ expansion across national boundaries. Resource seeking, efficiency seeking, market seeking, and strategic asset seeking are four types of MNE internationalisation activities (Dunning, 2000). Due to its explanatory power, the eclectic paradigm is the most widely used framework in the research of multinational companies’ international expansion and manufacturing location decisions.

In contrast, McIvor (2013) argues for the importance of TCE and the RBV in understanding the manufacturing location decision. TCE explains how specific ownership and governance structures may balance asset specificity and purchasing frequency conditional on uncertainty and opportunism (Williamson, 2008). Thus, a good relationship strategy during offshoring reduces the potential risks and possible opportunism (McIvor, 2013). While the RBV suggests that firms develop their sustained competitive advantage by developing valuable, rare, inimitable, and nonsubstitutable resources (Barney, 1991). The manufacturing location decision may also be motivated by the need to obtain idiosyncratic resources and capabilities (Kogut & Zander, 1992) to enhance a firm's competitive advantage.

Newer theoretical perspectives have also been adopted amongst reshoring studies, such as contingency factors (Benstead et al., 2017); social network theory (Ashby, 2016); knowledge (Nujen et al., 2018); flexicurity (Stentoft, Mikkelsen, et al., 2016); innovation (Martinez-Mora & Merino, 2020); and, behaviour theory (Boffelli et al., 2020). However, the focus to date of these reshoring papers has also been the home company and country. An interactive dyadic relationship exists between two actors during offshoring and reshoring, and the location choices are contingent (Baraldi et al., 2018) on the existing network in both home and host countries.

### ***5.3.3 The Perspective of the Host Company***

Previous studies of offshoring and subsequent reshoring have almost exclusively been conducted from the perspective of the home company and country, despite the strategy involving two or more actors, or the eventual creation of at least two actors within the supply chain. The net result is that the home company remains the centrepiece of most research. The influence and contribution of the other actor, the host company, has been widely ignored. Activity links, resource ties and actor bonds existing in the business network influence actors' decisions either directly or indirectly (Håkansson & Snehota, 1995). Consequently, companies need to look at their manufacturing location decisions from a broader perspective and consider their supply chain issues as well as strategic decisions (Ellram et al., 2013).

The extant literature implies that offshoring and reshoring are treated as unilateral

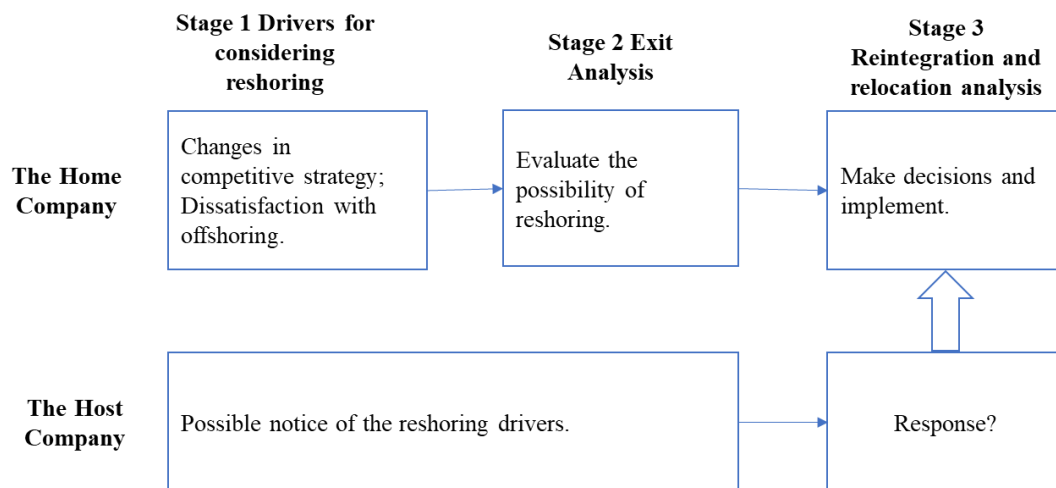
decisions made by the home company. However, some studies illustrate the influence of the host company on the home's shoring decisions, albeit implicitly. Baraldi et al. (2018) demonstrate how the home company's offshoring and reshoring decisions are influenced and constrained by the interactions and interdependencies in the industrial network of both the home- and host-country. When the home company's reshoring decision impacted the supply side, the original supplier refused to continue the relationship forcing it to find a new supplier. Similarly, one of the case companies mentioned in Engström et al. (2018) encountered barriers to reshore because the host company controlled product blueprints. These studies imply that the host company's responses to reshoring may have a significant influence on the home's decisions. Therefore, the omission of the host company from manufacturing location research may lead to the incomplete analysis of the offshoring and reshoring decision-making process.

McIvor and Bals (2021) produced a framework for the reshoring decision based on the three dominant theories – Eclectic Paradigm, TCE and RBV. The decision process includes three stages: Stage 1 drivers for considering reshoring; Stage 2 exit analysis; and, Stage 3 reintegration and relocation analysis. In Stage 3, the home company is considered to have three options: reshore to a local supplier, reshoring in-house, and continue to offshore by investing in improving offshoring operation. Clearly, then repatriation is not the only option for the home company after reshoring drivers appear. However, the decision-making process still does not consider the response of the other vital actor - the host company. A passive, silent response by the host company is not expected in the business world.

The appearance of reshoring drivers and the resulting manufacturing location decisions made by the home company may lead to strategic adaption (Hallén et al., 1991) by the host company. During offshoring, the host company adapts production processes, purchases new equipment and develops new systems to meet the requirements of the home company, especially that for product customisation (Frazier et al., 1988). The reshoring decision is expected to negatively affect the host company, such as losing the earlier investment; declining wages; or even bankruptcy. Consequently, this study explores the host company's response to the home company's manufacturing location decision (continue to offshoring or reshoring) caused by a change in reshoring drivers

and their influence on the dyadic relationship. Based on McIvor and Bals's (2021) home company's reshoring decision-making framework, a tentative conceptual framework (Figure 5.2) is presented that includes the host. Possible responses from the host company are included as interactions with the home company.

**Figure 5.2. Conceptual framework of the host company's response to the home's manufacturing location decision**



The host company is expected to observe reshoring drivers emerge. If specific drivers are related to production activities in the host country, such as increasing costs and unsatisfying product quality, the host company *may* seek out and implement remedial solutions. However, reshoring drivers emerging from a change in the home company's competitive strategy could be more opaque, and the host company may be deliberately not-informed until implementation. However, given that home and host are in a dyadic relationship, it is anticipated that a signal – one of reshoring or improving the offshored operation is sent. This signal ought to provoke a host company's strategic response (Hallén et al., 1991). Consequently, this study explores how the host company responds to the home's manufacturing location decision and its influence on their dyadic relationship.

## 5.4 RESEARCH METHOD

The case study method has been widely used in studies of offshoring and reshoring, for example, those by Gylling et al. (2015), Ashby (2016), Gray et al. (2017) and Di Mauro et al. (2018). In the absence of sufficient data, "in-depth case studies are necessary to

facilitate an understanding of the context and real drivers of both the previous offshoring and more recent reshoring decisions” (Gray et al., 2013, p. 31).

This research is an exploratory and inductive process to study reshoring from the perspective of the host company (Gammelgaard, 2017; Ketokivi & Choi, 2014). It is also a qualitative inquiry “examining concepts in terms of their meaning and interpretation in specific contexts” (Ketokivi & Choi, 2014, p. 233) to answer the two research questions. The case study method provides an opportunity to understand the dynamics present within single settings (Eisenhardt, 1989) and emphasises a much needed holistic understanding of the reshoring phenomena (Stake, 1995). An exploratory single case study method is considered suitable for a contemporary event within a real-life context, over which the researcher has little control and the preferred research method when ‘how’ or ‘why’ questions are being posed (Yin, 2003).

At this formative stage in the research of host company responses to reshoring generalisability is highly ambitious. Little, if any research has been devoted to the host company response to date. An exploratory study is, therefore, necessary. Flyvbjerg (2006) argued that the case study could be “central to the scientific development via generalisation as supplement or alternative to other methods” (p. 12) by falsification (Popper, 2005). Previous research on offshoring and reshoring unintentionally assumes that the host company accept the home companies’ decisions passively and submissively. Even though some published papers, such as Baraldi et al. (2018), Engström et al. (2018) and Fjellstrom et al. (2019), mention the responses of the host company, the relevant description is general, straightforward and on each occasion reported from home company informants. Therefore, an exemplary case providing a rich description of what happened to the host company and how it responds to the reshoring is suitable for answering the research questions.

A single case may provide richer and more complicated case data for in-depth analysis than multiple cases (Eisenhardt, 2021; Pan & Cui, 2018). This research required the deliberate selection of a host company for in-depth investigation and analysis. One that was known to have responded successfully to their home company’s reshoring. The random selection of cases is neither necessary nor preferable because this qualitative

study does not pursue generalisability (Eisenhardt, 1989). The case was eventually selected on the basis of access, information ‘thickness’ as opposed to generalisability (Flyvbjerg, 2006) and its known response.

China is considered a global manufacturing centre and the primary location for offshore outsourcing (Liu et al., 2009). The case company, located in Shanghai, is used to illustrate a host company’s response in the face of two home companies’ different manufacturing location decisions caused by the appearance of reshoring drivers and was expected to have an understanding of the efficacy of responsive strategies to reshoring. The host company was identified by the lead researcher through business networks in China. Access (Gummesson, 1991) was requested and gained by email. Following company approval, the Purchasing Manager and the manager of the Production Equipment Department agreed to contribute to this research. The research information sheet and the open-ended questionnaire were then sent to the respective managers. Case data were collected from three sources.

Firstly, the lead researcher visited the company in China to gather primary data in the form of observations of the working environment, including manufacturing and showrooms, and obtain descriptive knowledge of the firm’s products and organisational structure. Three semi-structured interviews were conducted in Mandarin with the two senior managers eliminating the potential language barrier between the interviewer and interviewees. Both managers have worked in the company for more than a decade. The first interview with the Purchasing Manager lasted one hour and fifteen minutes. The interview with the Production Equipment Department manager took forty-five minutes. A follow-up interview with the Purchasing Manager was conducted using WeChat due to travel restrictions that emerged as a result of the COVID-19 pandemic. Secondly, internal documents from the 2014-2020 period, including products and categories; financial reports; company brochures; emails; and, publicly available secondary data. Thirdly, company data from raw material procurement for the past twelve years provided additional numerical support for the analysis. Data gathered from these sources, excluding that in the public domain, amounted to 388MB, equivalent to some 400 A4 typed pages. Triangulation (Stake, 1995) was conducted between the three data sets. Consistency was found between that reported in interviews, that disclosed within

the firm, and that which has emerged publicly, enhancing the validity of the case material that emerged.

Conventional research ethics, approved in advance, were met by retaining anonymity and the adoption of pseudonyms. The host company, being the focal company for this research, is referred to as Alpha. Its two parent companies, both located in Japan - the home country location, are referred to as Beta and Gamma. The unit of analysis is the host company's response to the home company's manufacturing location decisions caused by reshoring drivers. Two home companies are two embedded units of analysis (Yin, 2003), each of which are used to identify responses for different purposes.

A narrative approach (Pan & Tan, 2011), also implemented during the interviews, was used to understand Alpha's historical development. As a result, the various cooperative stages between Alpha and its parent companies Beta and Gamma were divided into three sequential periods: the offshoring period; the reintegration and relocation period; and, the post-reshoring period. The interviews were recorded and transcribed. Because the file formats were varied (i.e., numerical, textual, Mandarin, Japanese and English), a manual thematic analysis (Braun & Clarke, 2006, 2013) was conducted. The set of four identifiable themes of responsive strategies emerged from this analysis. Further information about the thematic analysis process is provided in the following section.

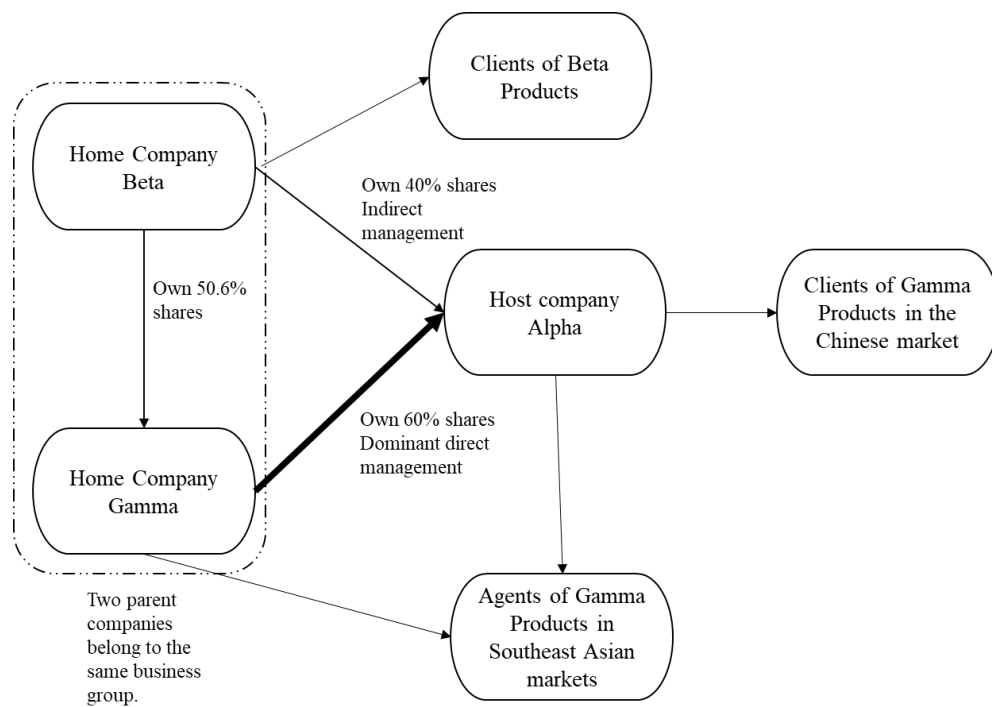
## **5.5 CASE DESCRIPTION**

The case company, Alpha, was founded in 1995 as a joint venture by two Japanese listed companies, Beta and Gamma. Gamma owns 60% of Alpha while Beta holds the balance. All of Alpha's board, including the Chairman, are either current or former Gamma employees. By contrast, Beta does not participate in either the management or governance of Alpha.

Beta is a diversified MNC with consolidated revenue for the fiscal year ending March 31, 2019, of JPY 1,000 billion resulting in an ordinary profit of JPY 140 billion. Gamma's consolidated revenue for the fiscal year ending March 31, 2019, was about JPY 100 billion, with an ordinary profit of JPY 30 billion. Beta is, in turn, the biggest single shareholder of Gamma, holding 50.6% of its shares. Therefore, while Gamma

has the management and governance responsibility of the host company Alpha, Beta significantly influences Gamma's strategic decision-making by way of its majority ownership stake. The relationships among the three companies and the network of the case company Alpha are depicted in Figure 5.3.

**Figure 5.3. The host company Alpha's business network and dyads with parents**



Both Beta and Gamma's headquarters and some of their manufacturing are located in Japan. Their final product series, referred to as Beta Products and Gamma Products respectively, are electrical equipment with different usage, characteristics and production processes. The underlying technologies for these two-product series are provided by the Japanese parents, including design drawings, production manuals and production equipment.

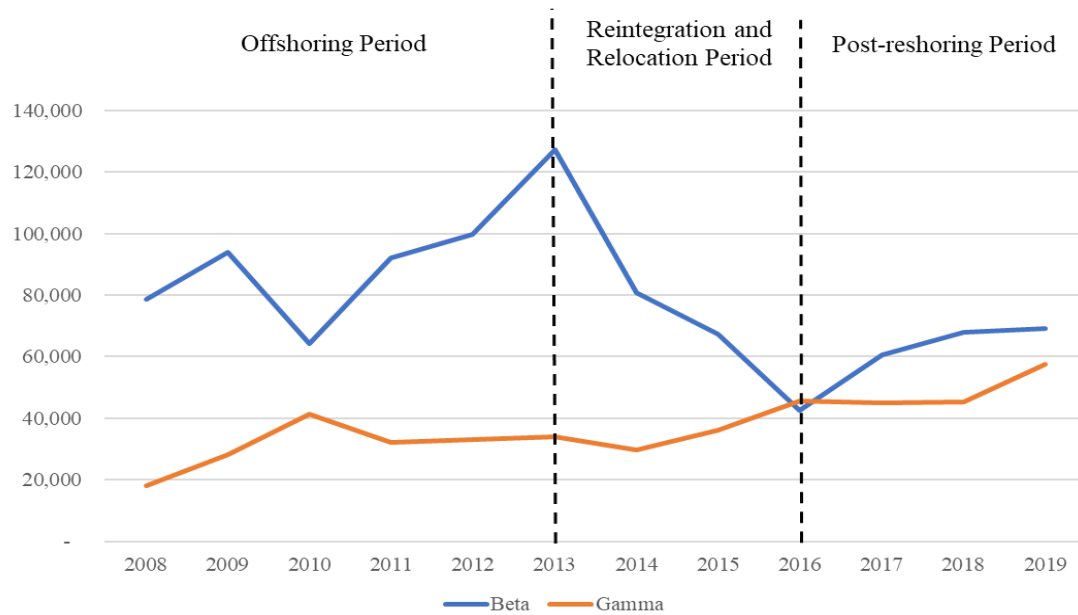
The relationship between Alpha and Beta is similar to that of an OEM (Original Equipment Manufacturer). Beta sends orders to Alpha and decides the purchasing channels of raw materials and components. The host company produces and transports the final products back to Japan. Beta products are mostly standardised and modularised within a limited product range. However, the volume of each product in

Beta's orders is sufficiently large that Alpha reaches scale economies.

Gamma is in effect responsible for the management of Alpha. The highest managerial position in Shanghai, the Factory Director, is appointed by Gamma. In accordance with Japanese corporate culture, the Factory Director rotates every six years. In contrast to Beta Products, Gamma Products are mainly produced and sold in China. While the internal components are standardised, the end-configuration is adjusted to meet individual application requirements and environmental conditions. Consequently, there is an element of redesigning Gamma Products by the host company. To do so, Gamma ex-patriates a Chief Technology Officer (CTO) to Shanghai.

On the basis of Alpha's purchasing costs of raw material and components for Beta and Gamma products (Figure 5.4), the relationship between Alpha and its two parent companies was divided into three successive periods. The first period is one of offshoring, up to and including the financial year ending 2013; The second period is one of reintegration and relocation, between 2013 and 2016; and, the third period is one of post-reshoring, after 2016 (data was collected up to the fiscal year 2019). The three periods, identifiable by the inflection points in Figure 5.4, emerge from the three successive changes in Alpha's strategy. Note that the 2010 inflection points in the figure are due to the global financial crisis, not strategic responses at either Alpha or its parents. Table 5.1 presents general information on Alpha's development stages, attributes and characteristics related to the two parent companies.

**Figure 5.4. Purchasing costs of raw materials and components for Beta and Gamma by Alpha (2008-2019) (Unit: Thousand CNY)**



**Table 5.1. Host company Alpha's development stages, attributes and characteristics**

	Product Characteristics	Offshoring Period (1995-2013)	Reintegration & Relocation period (2014-2016)	Post-reshoring period (2017-2019)
<b>Beta (Beta Products)</b>	Standardised products; produced in a high quantity with limited variation	Offshoring driver: cost-driven products were sold back to Beta in Japan.	Partial reshoring driver: increase of costs, especially labour; the increase of production capacity in its Japanese factory	Offered one Beta product line reshored earlier.
<b>Gamma (Gamma Products)</b>	Standardised internal components and customised outfits; Produced based on individual project requirements	Offshoring driver: cost saving and market seeking, products were sold in China.	Increased investment in China and expanded the Chinese and Southeast Asian markets.	Kept expanding new markets.

#### **Offshoring Period (1995-2013)**

In the offshoring period, the two parent companies began to operate and develop

facilities in China. The pursuit of cost reduction was the primary driver of offshoring by both Beta and Gamma. Production costs, especially labour costs in China, were half those of Japan at the beginning. Besides costs, Gamma also considered market seeking and focused on selling its final products in the host country. Offshoring to China helped Gamma get close to its Chinese customers and adjust its final products to customer responses and requirements more quickly. The Purchasing Manager interviewed also mentioned that government incentive policies and the orderly business environment in Shanghai were further reasons to offshore.

During this period, Beta's contribution to Alpha's income was considerably higher than Gamma's (as implied in Figure 5.3). Gamma required time to develop the Chinese market for their products. In the early stage of development, Alpha was more dependent on Beta, producing standardised and modularised products during this first period.

Alpha began to face increasing production costs in Shanghai. Consequently, both Beta and Gamma were affected by increasing costs and declining returns. However, they made different decisions in the next period. The Offshoring Period can then be regarded as the combination of Stage 1 and Stage 2 in the conceptual framework (Figure 5.2). These two stages are not separated from the host company's perspective.

### **Reintegration and Relocation Period (2013-2016)**

The reintegration and relocation period is notable for a change in strategy by both home companies in response to rising costs at Alpha. During this period, Alpha had to deal with increasing labour and production costs and then passed some of these on in terms of transfer pricing to the two respective parent companies. Both parent companies evaluated the possibilities of reshoring and, at that point, made different decisions. Figure 5.4 shows a clear decreasing trend of purchasing costs for Beta. Orders from Beta began to decline in 2014 as the margin was eroded due to the labour-cost gap reduction at Alpha; the predictable increase in workers' basic salaries throughout China; and, increased social insurance fees in Shanghai. Meanwhile, Beta built a new factory in Japan, expanding their own production capacity onshore, reshoring the manufacturing of products with higher margins back to the home country.

Meanwhile, Gamma kept investing in Alpha, and the relevant purchasing costs for Gamma products were kept to a stable manageable increase. In 2016, the purchasing expenses for Gamma finally exceeded Beta because Gamma developed its Chinese market successfully. Gamma Products, mainly sold in China, were widely accepted by high-end Chinese customers, producing higher margins, making a disproportionate contribution to Alpha's profit. Fluctuations in Alpha's production resulted from sales conditions in China at this time. The increasing sales of Gamma Products in the host country made this revenue stream more critical to Alpha, through which Alpha became a significant overseas investment for Gamma. By contrast, Alpha had little bargaining power in their relationship with Beta, having to accept prices set by Beta that, at times, resulted in selling prices being lower than the costs of production. As a subsidiary, Alpha had no choice in accepting its parent's orders. In response, Alpha requested more profitable orders from Beta. Alpha would have had to shut down production lines and make employees redundant if they lost orders from Beta, which could have led to even worse outcomes. Therefore, Alpha subsidised the losses from the manufacture of Beta Products by profits earned from Gamma Products.

The motivations for founding Alpha in its original offshoring role were the hybrid strategies of cost and market-seeking. With changes to domestic production in Japan (increased production capacity) and the increase in labour costs in Shanghai, cost advantages in the host company vanished, resulting in reshoring by Beta. On the other hand, because Gamma focused on the Chinese market with customised design, product margins could be retained, and technical support was enhanced despite rising costs. This period is identifiable as Stage 3 Reintegration and Relocation in the conceptual framework, Figure 5.2.

### **Post-reshoring Period (2016-2019)**

During the post-reshoring period, the purchasing costs of materials from the two parent companies met a new balance (see Figure 5.4) despite quite different manufacturing location decisions made by Beta and Gamma. Consequently, Alpha recovered the production of Beta Products that had been reshored earlier and controlled their own exposure to Gamma Products requiring higher costs. This period wasn't considered in the conceptual framework earlier and is defined as the Post-reshoring Period.

## 5.6 THE HOST COMPANY'S RESPONSIVE STRATEGIES

A thematic analysis (Braun & Clarke, 2006, 2013) was undertaken of the interview transcripts and other documents using a largely inductive process. Some documents were provided in the form of pictures, videos and printed copies. The importance of a theme is not related to the number of its instances it appears in the data but whether or not it captures something relevant to the research question. Themes are generated from the data (Braun & Clarke, 2006). The coding process focused on the two research questions from which the host company responds to the emergence of reshoring drivers and the subsequent revision of the manufacturing location decisions that were made by the two homes. The coding process and some case evidence are presented in Table 5.2.

**Table 5.2. The coding process of the host company's response by thematic analysis**

Case Evidence (Examples)	Categories	Themes
Controlling the components and production costs as one of Alpha's strategies in internal documents every year since 2014 (Alpha's internal documents from 2014 to 2019).  '....realised the localisation of equipment (made in China) to achieve the target of 20% cost reduction' (Internal document, March 2019)	Control component and production costs	Cost-related strategies
The number of employees decreased from over two hundred to 151 and used more contractual workers during the peak season (Purchasing Manager).  'Industry 4.0 will lower production, communication and other costs and improve the production efficiency of the factory' (Purchasing Manager).	Control labour costs  Improve efficiency (Industry 4.0)	
'Now, we have the high-end market. We are trying to reduce costs and get the middle-end market' (Purchasing Manager).  'If (Alpha) can not compete in the Chinese market, it can not compete in the world. Thus, we hope Alpha will be a big player in China' (The speech given by the CEO of Gamma in Alpha, September 2016).  'Alpha will become the world factory of Gamma, manufacturing products for the US and Southeast Asia (Internal document, March 2015).	Extend product lines to explore new market segments in China      Explore new markets	Market-related strategies

<p>‘Technologies of Gamma Products were provided by Gamma. Technologies of Beta products were provided by Beta’ (Purchasing Manager).</p> <p>‘The equipment used by Alpha is the same as in Beta and Gamma.....It is only a standardised production procedure, and we mainly copied it’ (Purchasing Manager).</p> <p>‘CTO was sent by Gamma, because he is familiar with Gamma products and can provide support to technical issues here’ (Production Equipment Manager).</p> <p>‘The new technology to detect battery life developed by Alpha is not available in Japan yet’ (Internal document, 2015).</p> <p>‘The RH02 controlling system was developed by Alpha’ (Internal document, 2016)</p>	<p>Knowledge transferring from the home company to the host company</p> <p>Develop new technologies</p>	<p>Knowledge-related strategies</p>
<p>The board members and the Chairman of the board all worked for Gamma in Japan before (Public business registration information about the company, 2020).</p> <p>‘We mainly communicate by emails almost every day about all kinds of problems.....in Japanese and English. Some employees of parent companies are learning Chinese now’ (Purchasing Manager).</p> <p>‘Some technicians in the Production Technology Department of Japanese companies can speak Chinese. So there are no problems for communication’ (Production Equipment Manager).</p> <p>‘Alpha will become the world factory of Gamma, manufacturing products for the US and Southeast Asia (Internal document, March 2015).</p> <p>‘Industry 4.0 was suggested by our Factory Director. He hoped to lower our costs and get more orders from Japanese companies (Purchasing Manager).</p>	<p>Strong relationships among top management teams</p> <p>Frequent communication among employees</p> <p>Enhance ties and bonding with the same business strategy</p>	<p>Relationship-related strategies</p>

The thematic analysis generated four discernable responsive strategies. Re-establishing its value to the two parents (Beta & Gamma) became vital. As a result of their response, Alpha maintained and even strengthened its position in the business network. Its primary purpose was to survive and avoid the possible consequence of *‘being shut down*

*by its parent companies because of losses' (The Purchasing Manager of Alpha).* The four responsive strategies subsequently proved to be crucial and effective in this case and are identified as being cost-related strategies; knowledge-related strategies; market-related strategies; and, relationship-related strategies. A detailed discussion of each of the four themes follows.

### **5.6.1 Cost-related Strategies**

The primary and original offshoring driver for both Beta and Gamma was cost, though the cost was found to be more critical to Beta. However, the eventual rise of wages, raw material and component costs and other relevant production costs in China, widely discussed in previous research (De Backer et al., 2016; Sirkin et al., 2011), influenced Alpha and further Beta and Gamma, leading to Beta's partial reshoring. One outcome of this reshoring was that only low margin Beta Products were left to be manufactured by Alpha, of which the manufacturing of some incurred financial losses. In response, Alpha pursued lower component costs annually; lower per-unit production times; and, lower labour costs central to its business. Controlling costs was emphasised in all internal documents as Alpha's annual strategy since 2014. In unpublished internal documents dated March 2018, Alpha stated again that they can:

*'increase production and further decrease the manufacturing costs across the range of products.'*

While market-seeking was one of the drivers for Gamma to offshore, cost control, notably concerning raw materials, inputs and labour and efficiency improvements, was first necessary to enter the competitive Chinese market. The Purchasing Manager stated that:

*'Now we have enough product lines [of Gamma] and hope to reduce the cost to cover more clients.'*

To maintain cost competitiveness by way of increased efficiency for both Beta and Gamma's manufacturing requirements, Alpha was observed to decrease the number of full-time formal employees from over 200 to 150 and hire short-term or contractual

workers during their peak season. Secondly, Alpha sought out local suppliers for production components and adjusted their factory's expense structure. Thirdly, in 2019 Alpha initiated the new production system referred to as "Industry 4.0" (I4.0) on-site to improve efficiency and reduce the total per-unit production cost. The production system uses more standardised and mechanised production procedures from purchasing raw material and components to final products. Though I4.0 provided an incentive to the home companies to reshore, overcoming the attraction of labour cost advantages in the host country (Dachs, Kinkel, & Jaeger, 2019), the ongoing development of technology, automation and robotics were observed to improve manufacturing efficiency and decrease transaction costs for communication in the host company too. Therefore, cost-related strategies pursued by Alpha entail two dimensions directly related to reducing the cost of manufacturing and increasing manufacturing efficiency. An outcome is consistent with efficiency-seeking in the eclectic paradigm (Dunning, 2000).

### **5.6.2 Market-related Strategies**

Gamma's decision to offshore was motivated by the opportunity of closer proximity to the burgeoning Chinese market. Consequently, Alpha's efforts involved market development and expansion in their local market on Gamma's behalf. In 2018, Alpha conducted a customer satisfaction survey of Gamma Products in China that demonstrated emerging dissatisfaction amongst consumers towards the current pricing model. Therefore, Alpha decided to impose greater local control over costs relating to design, production, purchasing, logistics and sale, improving Gamma Products' cost-performance ratios. Meanwhile, Gamma and Alpha jointly discussed entering the middle-market, reported by the Purchasing Manager as:

*'Now, we have the high-end market. What we are trying is to reduce costs and get the middle-end market.'*

At the outset, Gamma Products manufactured by Alpha were sold in China with Gamma's support. Alpha subsequently changed its market position to become *'the world factory of Gamma'* (The CEO of Gamma, 2015) and began to produce products for other markets, such as Southeast Asia and India: a strategy referred to in Alpha as

‘out-out products’. Consequently, Alpha’s production activities began to focus on three markets: Gamma Products for the Chinese market; Beta Products for the Japanese market (export); and, Gamma Products for export markets (out-out products). In unpublished internal documents (dated September, 2017), Alpha stated that:

*‘Since the second half of 2016, the company has been gradually undergoing significant changes. In particular, the products produced by the Shanghai factory have gradually developed from two parts to three parts equally with out-out products.’*

In March 2018, Alpha hosted a forum for Gamma Product sales representatives across Southeast Asia, including those from the Philippines, Indonesia, Vietnam, Singapore and Malaysia. In this forum, these representatives developed a better understanding of Gamma Products through which their relationship with Alpha was enhanced. The forum was also beneficial to Gamma Products’ export business to those countries, demonstrating Alpha's strategic importance to Gamma. Therefore, market-related strategies pursued by Alpha include expansion in both local (China) and new export markets, an initiative led by Alpha, the host company. Market-related strategies include expanding production lines and new markets, satisfying Dunning’s (2000) market-seeking. Meanwhile, these strategies also help the host company create competitive advantage by resource management in new markets.

### **5.6.3 Knowledge-related Strategies**

Alpha developed rigorous requirements and standards in purchasing, production, and quality inspection, originally dependent on knowledge transferred from its parent companies. Alpha’s parent companies provide technical support, such as design drawings and production manuals, regarded as hard knowledge. Alpha used the same production machines and processes as its parent companies in Japan. The Production Equipment Manager stated that:

*‘If a new machine is used, we will be there [the parent companies in Japan]... then learn. [After learning] our department would communicate and share firstly. Then, the machine would be imported, and we would teach the operators how to use it.’*

Beta and Gamma originally organised and controlled the supply of raw material, with Gamma assigning a Chief Technology Officer to Shanghai to redesign and customise Gamma Products. Any changes made to supply and suppliers by Alpha required approval from either Beta or Gamma. However, the proximity to customers was exploited by Alpha, who sought to meet customers' demands of their own volition. This host company decision helped it expand the local (Chinese) market. In doing so, Alpha developed its own knowledge-related strategies to enhance its knowledge absorptive capacity and competitive advantage in the local market.

Firstly, Alpha accelerated knowledge sharing with its parent companies, for example, by regularly sending technicians to study at the parent companies' premises in Japan. Secondly, and with Gamma's support, Alpha made efforts to develop new technology to satisfy the needs of local customers in China. For example, Alpha's internal document in 2015 stated that:

*'The new technology to detect battery life developed by is not available in Japan yet.'*

In 2017, Alpha designed and manufactured a new product to meet the requirement of Chinese projects using Gamma Products. These knowledge-related strategies were observed to create value for the parent companies, their clients, and Alpha's competitive position.

Supported by the knowledge-based view (KBV) (Grant, 1996), knowledge-related strategies include knowledge transferring and exploration. The influence of knowledge on reshoring has been explored from the perspective of the home company. Nujen et al. (2018) underline the importance of maintaining a knowledge base in the home country for reshoring. Knowledge transfer in offshore outsourcing has also been analysed to understand the organisational learning process for final success (Chua & Pan, 2008), yet it is assumed to be retained by the host company. However, the knowledge transferred to the host company cannot be unlearned (Casillas et al., 2010), which turns out to be a barrier to reshoring. Therefore, the more knowledge transferred to the host company, the more unique and significant position the host obtains in the

network (Håkansson & Snehota, 1995). Meanwhile, new technology could be a unique and valuable, rare, inimitable and nonsubstitutable resource to the host company enhancing its competitive advantage and increasing value to the home company (Barney, 1991). The home companies in this case were, in turn, observed to support the host to learn and develop new knowledge, which may become a strategic asset for the future. An outcome that too is supported by strategic-asset seeking in the eclectic paradigm (Dunning, 2000).

#### **5.6.4 Relationship-related Strategies**

The relationship between Alpha and its parent companies was essential in creating trust and commitment among them and provided the basis for creating further value (Kong et al., 2014) through ongoing negotiations over time. As a wholly-owned subsidiary of Beta and Gamma, Alpha has a naturally close relationship with each of its parent companies. Despite current and former Gamma employees dominating managerial control at Alpha, communication amongst senior staff in all three companies – Beta included - is regular and frequent by emails, phone calls, plant and market visits. Importantly, the initiative for maintaining and developing these relationships is driven by Alpha's Factory Director, General Manager and CFO, who used to work for Gamma in Japan and have maintained strong business connections with both parent companies.

Efforts by Beta to reshore the production of some products were met by an immediate response from Alpha. By effectively leveraging the strength of their relationships, they sought to recover production. In this instance, Alpha's Factory Director persuaded Beta to offshore one product again, after which the production of more products was eventually returned. Furthermore, the new technologies developed by Alpha in the meantime resulted in additional support from the two parent companies. That Alpha sought to be '*the world factory of Gamma*' aligned parent and subsidiary strategies in a manner hitherto not considered. Therefore, Alpha is observed to not only invest in and maintain relationships with its parent companies, as opposed to being a passive manufacturer of their orders but to use these relationships for its own development, achieving complementarity with Beta and Gamma's strategy over time.

The relationship-related strategies initiated by Alpha were observed to enhance trust

and commitment between the three companies. Contracts are not an omnipotent, perfect safeguard because economic actors are rationally bounded (Simon, 1996). Hence, relational governance, such as, trust, commitment and social ties complements contractual governance (Poppo & Zenger, 2002). Mutual trust encourages firms to share information (Butler, 1995, 1999), create value (Kong et al., 2014) and engender familiarity between partners in interpersonal interaction and social exchange (Butler, 1999; Kong et al., 2014). No matter whether outsourcing or insourcing, the offshoring relationship between two firms, especially verticals involving functional complementarities among parties, is expected to lead to increasing interdependence (He et al., 2011). The strong relationships within the dyad also enhance activity links, resource interdependence and actor bonds between two actors (Håkansson & Snehota, 1995), such as Alpha and Gamma.

The detailed strategies emerging from the four themes and their support theories are illustrated in Table 5.3. The eclectic paradigm, TCE and RBV explain the internationalisation process of the multinational and the objective of the host company (especially as a subsidiary) to meet the needs of the home company and realise value. However, while the home company seeks lower costs, rising costs in the host country contribute to the reshoring decision. Importantly, the eclectic paradigm, TCE and RBV also explain the host company's resulting adaptive strategies. Furthermore, the newer theories employed in offshoring and reshoring research, such as, relational governance, KBV and industrial network theories, provide theoretical support to the findings.

**Table 5.3. A summary of the theories supported by the host company's responsive strategies**

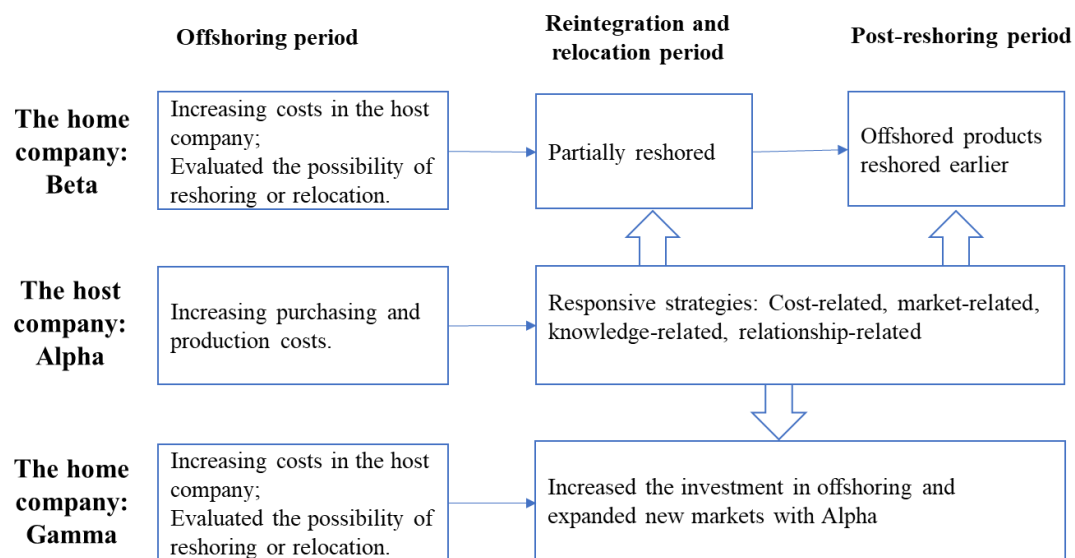
<b>Four themes of responsive strategies</b>	<b>Detailed strategies</b>	<b>Supported theories</b>
Cost-related strategies	Control component and production costs	Eclectic paradigm
	Control labour costs	Eclectic paradigm
	Improve efficiency (Industry 4.0)	Eclectic paradigm/TCE
Market-related strategies	Extend product lines to explore new market segments in China	Eclectic paradigm/RBV
	Explore new markets	Eclectic paradigm/RBV
Knowledge-related strategies	Knowledge transferring from the home company to the host company	Eclectic paradigm/RBV/KBV
	Develop new technologies	Eclectic paradigm/RBV/KBV
Relationship-related strategies	Strong relationships among top management teams	Relational governance /Industrial Network
	Frequent communication among employees	Relational governance/Industrial Network
	Enhance ties and bonding with the same business strategy	Relational governance/Industrial Network

## 5.7 DISCUSSION

Responsive strategies adopted by the case company were generated in the reintegration and relocation period and the post-reshoring period, as shown in Figure 5.5. While Beta decided to partially reshore, Gamma increased investment in Alpha, making it even more critical to the global business network. Meanwhile, Alpha adopted four themes of collective strategies through which to respond. Though some strategies were collaborative between the headquarters and the subsidiary, such as, expanding new markets in China and other countries, the host company Alpha demonstrated an active

response to its parent companies' decisions. Instead of reacting passively, the host company adopted effective strategies to create value for the home. It also adapted to the external changes and enhanced its position in the network to avoid the possible outcome of closure. For example, the adoption of Industry 4.0 and technical innovation was initiated by Alpha. Alpha took an active role in controlling costs through various human resource interventions. These responses continued to influence both Beta and Gamma's manufacturing location decisions.

**Figure 5.5. Response of the host company to reshoring and the development of the dyadic relationship (Case evidence)**



The dyadic relationship between Alpha and Beta experienced offshoring; then reshoring; to be followed by further offshoring. Such a situation is not expected to be isolated. A case company discussed in Boffelli et al. (2020) is reported to have offshored again following reshoring because expected sales increases were not achieved. The case evidence collected from Alpha revealed that Beta decided to offshore again, not because the reshoring decision failed but because Alpha recovered cost control and invested in communication between the two top management teams. Offshoring is not ultimate; neither is reshoring (Fjellstrom et al., 2019). Managers of the home company may develop a long-term perspective to consider total costs, life-cycle costs and other risk issues to better understand the rapid changes within the internal and external environments for manufacturing location decisions (Tate et al.,

2014). Thus, the following proposition is suggested:

*P1: The host company's responsive strategies to the reshoring trend may have a positive effect on maintaining the cooperative relationship with the home company in the long term.*

By contrast, as the reshoring drivers appeared, Gamma chose not to follow Beta and increased its investment in Alpha. Fratocchi et al. (2014) argue that the market-seeking home company is less likely to reshore than the efficiency-seeking type. A finding is consistent with what emerged in the case. While product orders from Beta fluctuated, the selling of Gamma Products by Alpha kept increasing steadily, creating a win-win situation for the home and host companies through which their interdependencies and bonds (Håkansson & Snehota, 1995) were strengthened. Had Gamma reshored, it would have risked losing clients in the Chinese and Southeast Asian markets because those relationships lay with Alpha. Alpha actively established and enhanced its unique and irreplaceable position in the business network. In doing so, it deliberately prevented Gamma from reshoring. While the home company's reshoring decision-making and implementation process may overlap and not be well-defined (Boffelli et al., 2020), the host company's responsive strategies make conditions even more dynamic and complex and have a long-term effect on the home's manufacturing location decision. Hence the following proposition is presented as:

*P2: The dyadic relationship between the home and host company is a continuous and temporal process involving the interactions between the home and host companies and their adaption to internal and external changes.*

The host company's response to one home company may indirectly influence others in the network. Alpha's cost-related, knowledge-related, and relationship-related strategies affected both Beta and Gamma directly. However, its market-related strategies mainly focused on Gamma Products. By expanding markets with Gamma products and increasing sales steadily, Alpha maintained their factory's production activity; reached sought after economies of scale; and, further controlled costs. These outcomes invariably influenced decision making at Beta. The third and final

proposition to emerge is:

*P3: The home company's manufacturing location decisions may be influenced by the host company directly and other home companies in the same network.*

Consequently, by implementing a combination of cost-related, knowledge-related, market-related and relationship-related strategies, the host company enhanced its value and significance to the home company(ies) and its position in its respective business networks. At that point, the host company was again viewed by Beta and Gamma as being indispensable, and the two dyadic relationships continued.

## **5.8 SUMMARY**

This study explores the host company's response to the home company's manufacturing location decisions emerging from reshoring drivers. Offshoring and its consequence reshoring research are almost exclusively conducted from the perspective of the home company. For reasons that remain unexplained, the dyadic relationship between the home and host companies has been ignored, as has the response from the host company. This research reveals that the host company is capable of producing an effective response, which influences the home company's manufacturing location decision. The current silent and passive image of the host company in offshoring and reshoring studies is both unilateral and incomplete. Therefore, we suggest that the host company and its response be considered. The reshoring trend, first recognised in 2007, may be reshaping global supply chains. The contribution to this trend from the global COVID-19 pandemic is anticipated to be significant (Barbieri et al., 2020), as is the risk of ignoring the host company response.

An interactive dyadic relationship exists between the home and the host company. This research explores the phenomenon from the perspective of the host company by using an exemplar single case study. Generally, the home company's reshoring decisions would be expected to be detrimental to the host company. The impacts of the loss of contracts, declining wages and job losses are well understood. However, the host company should not be viewed as a passive observer. This research has demonstrated that the host company can use strategies for survival and further development by

creating value and enhancing its position in the business network.

The case company worked with two home companies. While reshoring drivers appeared, one home company decided to partially reshore, and the other chose to keep offshoring with increasing investment. Four themes of responsive strategies to the home companies' reintegration and relocation decisions were identified and demonstrated to be effective. The case study firm was observed to pursue cost-related strategies resulting in specific cost reductions and enhanced efficiency; market-related strategies increasing income from both local and new foreign markets; knowledge-related strategies enhancing the significance of knowledge sharing between the three companies and further conduct of technical innovation; and, the relational strategies through which the trust and commitment engendered during cooperation were used to influence the parent companies' decision making. The host company's response proved to be effective and affected both home companies' decisions. These strategies are supported by the theories of the eclectic paradigm, TCE and RBV, which have been widely used in previous studies. New theoretical perspectives of KBV, relational mechanism and industrial network also provide theoretical support.

The host company's responsive strategies may have an influence on the development of the dyadic relationship between the home and host companies. Such a response is beneficial to enhance activity linkage, resource interdependence and actor bonds between the respective companies. Hence, the host company can adopt these strategies to affect the home's location decision after reshoring (Alpha and Beta) or prevent the home's reshoring decision (Alpha and Gamma), so that the dyadic relationship is maintained.

This paper provides a new perspective of the host company to the extant literature on offshoring and reshoring. The host company's responsive strategies were found to influence the home companies' manufacturing location decisions, turning the decision-making process from being unilateral to bilateral. The findings also provide a different solution to deal with reshoring drivers. The cooperation between the home and host companies may create a win-win solution.

Practical implications for companies and policymakers are, firstly, that the responsive strategies generated by the host company proved to be effective and practical. The host companies may consider using them as preventive measures to reshoring or motivate the home to offshore again. The host company needs to understand the home's offshoring and reshoring drivers and adopt suitable strategies to prove its value and advantages to the home. Meanwhile, technological development and innovation would enhance the host company's competitive advantage. Maintaining a robust and transparent relationship with the home company also strengthens the cooperative ties between them. Even though the home company may reshore temporarily, these measures may encourage it to offshore again and are beneficial to the long-term development of the dyad.

Secondly, instead of reshoring, the home company could cooperate better with their host company, jointly dealing with problems as they emerge. The sustainable relationship between the two companies may then be jointly beneficial to their long-term cooperation, as shown between Alpha and Gamma. Thirdly, governments in emerging economies, such as China, may consider helping local host companies to adopt effective strategies to deal with the reshoring trend happening there, such as, supporting technological development.

The limitations of this paper result from a single case company being used for thematic analysis. However, while various geographic, ethnographic and ownership factors contributed to the host company's response, we do not consider these unique. Future research could include cases with different conditions, such as a geographical spread, cultural polarity and sourcing beyond ownership. Quantitative studies, such as surveys, may be used to collect data from host companies, testing hypotheses derived from this study.

## CHAPTER SIX: HOST COMPANY RESPONSES TO RESHORING: RECOVERING COMPETITIVENESS THROUGH RESOURCE ORCHESTRATION

### 6.0 OVERVIEW

**Aim of the chapter:** This paper explores how the host company recovers competitive advantage in response to reshoring by resource orchestration. From the theoretical perspectives of resource orchestration and IMP, the researcher conducted a multiple-case study of four host companies in China. A thematic analysis identified four dimensions of resources the host company acquires from the offshoring network being financial resources; physical-asset related resources; knowledge resources; and, human resources. The network for resource exchange was also observed to contain actors beyond the dyad, notably clients who contributed to the resource bundle. The research reveals that when its original cost advantage and relevant competitive advantage are vanishing, it becomes effective and vital for the host company to create and develop new capabilities and strategies by bundling, structuring and leveraging resources rather than continuing to rely on cost leadership strategies.

**Duplication:** Some content of this chapter in 6.2 Contributing theories is duplicated in 2.5 New Theories Adopted in the Current Research to introduce the theories of resource orchestration and IMP.

**Under Review for Publication:** The paper “*Host Company Responses to Reshoring: Recovering Competitiveness through Resource Orchestration*” was submitted to *the Journal of Purchasing and Supply Management* for review in September 2021 with the co-authors of my supervisors Dr. James Lockhart and Dr. Wayne Macpherson. The DRC16 Statement of Contribution form is attached as Appendix L.

## **6.1 ABSTRACT**

Research on offshoring and subsequent reshoring is almost exclusively conducted from the perspective of the home company. The host company, the other actor in the dyadic business relationship, has been widely ignored. The aim of this research is to examine how the host company recovers competitive advantage amidst the offshoring network in response to reshoring. A multiple-case study was used to explore resource orchestration of four host companies in China. Data were collected from semi-structured interviews with managers; a review of internal documents; and, the examination of publicly available secondary data. A thematic analysis identified four dimensions of resources the host company acquires from the offshoring network being financial resources; physical-asset related resources; knowledge resources; and, human resources. The network for resource exchange was also observed to contain actors beyond the dyad, notably clients who contributed to the resource bundle. The research reveals that when its original cost advantage and relevant competitive advantage are vanishing, it becomes effective and vital for the host company to create and develop new capabilities and strategies by bundling, structuring and leveraging resources rather than continuing to rely on cost leadership strategies. This study provides practical measures to the top management teams (TMTs) of the host company and informs home company managers of the potential risks and barriers they can expect to encounter when reshoring.

Keywords: Reshoring, offshoring, resource orchestration, the host company, competitive advantage

## **6.2 INTRODUCTION**

Offshoring provides firms access to an abundance of resources, low-cost labour, new markets, and business-friendly environments (Ellram, 2013; Li et al., 2008; Tate, 2014; Wiesmann et al., 2017), creating competitive advantage in the global economy (Di Mauro et al., 2018; Kotabe & Mudambi, 2009). The digital revolution and dramatic growth in telecommunication technologies and infrastructure has reduced long-distance communication and transaction costs. These recent technical advances have fuelled further waves of offshoring being pursued by an even broader array of organisations (Farrell, 2005; Levy, 2005).

The appearance of reshoring, often posited as the reverse of offshoring poses new challenges to scholars and practitioners alike. Despite being linked to the booming waves of offshoring, most companies treat reshoring decisions cautiously and furtively. The main reason attributed to reshoring being comparatively discrete is that “management would have to admit to having made a serious [earlier] strategic mistake” (Holz, 2009, p. 157). Therefore, associated with reshoring, either rightly or wrongly, is the perception that an earlier decision to offshore is being rectified.

Western governments have advocated the benefits of moving manufacturing activities *back home*, creating jobs and revitalising national economies (Tate, 2014). For example, the US Economic Development Administration launched a \$40 million initiative, “Make it in America Challenge” supporting reshoring projects (Stentoft, Olhager, et al., 2016). This initiative is attributed to bringing 1,057,054 jobs to the United States of America from offshore during the decade ending December 2020 (*Companies Reshoring*, 2021). Counter to home-country initiatives, host countries and, by extension, host companies too have witnessed the reshoring trend, especially in China. The Chinese government has paid attention to the trend of US manufacturing companies’ reshoring activities and the subsequent impact on their domestic industry and economic development (Zhai et al., 2016). This has resulted in a number of their local scholars conducting macro-economic studies on the local impact of reshoring. Consequently, the government implemented a strategic project, “Made in China 2025” to transform the reshoring challenge into an opportunity with the aim of reforming the country’s manufacturing structure and recovering its industrial competitiveness (Duan et al., 2017).

Previous research on the phenomena of offshoring and reshoring has widely engaged theories of international business and strategic management, notably, the eclectic paradigm, transaction cost economics (TCE) and the resource-based view (RBV) (Barbieri et al., 2018; Wiesmann et al., 2017). Meanwhile, extant research focuses on the motivations and drivers of reshoring (Barbieri et al., 2018) despite typically being conducted in the form of ex-post analyses (Benstead et al., 2017) of firm decision making. New theoretical perspectives may help fully understand the reshoring phenomenon, particularly if research is conducted from the perspective of the host.

The RBV has been widely used in shoring studies to analyse how firms develop valuable, rare, inimitable and non-substitutable resources to gain sustainable competitive advantage (Barney, 1991) through their various location choices. The RBV's static nature has, however, been criticised, and it also overlooks the dynamic nature of the external environment (Cui & Pan, 2015). Consequently, theory development has continued beyond the RBV to include dynamic capabilities (Teece et al., 1997) and asset orchestration (Helfat et al., 2007). Sirmon et al. (2011) then advanced RBV theory further in the form of resource orchestration (RO). RO, in turn, emphasises the importance of managerial actions on resources in a changing environment. This research adopts resource orchestration and IMP (Industrial Marketing & Purchasing) theories. In doing so, it brings a new theoretical lens to shoring (offshoring and reshoring) research.

To our knowledge, the focal firm in previous research is always the home company. Scholars have widely ignored what transpired in the host company, despite offshoring and its consequent reshoring involving two actors in a dyadic relationship. Previous research, such as that by Baraldi et al. (2018) and Nujen et al. (2018), note that the host company's response appears to influence the home company's decisions. Therefore, understanding and analysing what is happening in the host country is necessary to develop a more complete picture of the reshoring phenomena. This knowledge may also explain that while some home companies have reshored, a majority continue to offshore. To learn of the host company, resource response research is conducted at the firm level in China. A multiple case study of four host companies with five structurally different business relationships is analysed through a within-case and cross-case analysis. The case companies were experiencing reshoring signals at the time of the research, and two of them have experienced their respective home companies' relocation decisions.

This study fills two research gaps. Firstly, the host company is the focal company. Because interactions among actors in the business network generate resource exchange (Håkansson & Snehota, 1995), the host company obtains resources from the network within which it is embedded. This observation produces the first research question:

*RQ3: What resources does the host company acquire from the offshoring network?*

Secondly, the home company's reshoring decision would negatively affect the development of the host company, including the loss of contracts, declining income, and potentially business closure. In such an environment, the host company is expected to use its available residual resources to create and develop its capabilities and recover its competitive advantage. Consequently, two further research questions emerge:

*RQ4: How does the host company bundle these residual resources into capabilities?*

*RQ5: How does the host company then leverage these capabilities in response to reshoring?*

While providing an additional theoretical lens, this research explores the host company's capability building and resource leverage in response to reshoring signals and decisions by the home company. The remainder of the paper is structured as follows. The following section presents background theories and identifies research gaps. The research method and detailed information of case companies are then provided. Within-case and cross-case analyses are conducted from which the findings are discussed, and propositions suggested. Conclusions, practical implications and limitations are then offered.

## **6.3 CONTRIBUTING THEORIES**

### **6.3.1 From RBV to Resource Orchestration**

Resources are defined as but not limited to assets, capabilities, organisational processes, firm attributes, information and knowledge controlled by a firm to implement strategies and improve its efficiency and effectiveness (Barney, 1991). A firm's resources are then used to shape strategy through which value is created for customers, clients and end consumers (Porter, 1996). Resources include both the tangible and intangible assets of the firm (Koporcic, 2017). Therefore, a firm can be treated as "a collection of different resource elements" (Håkansson & Snehota, 1995, p. 134).

The Resource Based View of the Firm (RBV) suggests that a firm creates competitive advantage by activating valuable, rare, inimitable and non-substitutable resources (Barney, 1991). However, the RBV is criticised as both being static in nature and that it overlooks the dynamic external environment (Cui & Pan, 2015). Teece et al. (1997) suggest that firms develop dynamic (fluid, non-fixed) capabilities in this changing environment. Consequently, Sirmon et al. (2007) presented a framework for resource management including *structuring* the portfolio of resources, namely, acquiring, accumulating and divesting; *bundling* resources to build capabilities by way of stabilising, enriching, and pioneering; and, *leveraging* capabilities in the market place to create value through their coordination, mobilisation and deployment. The purpose of resource management being to create competitive advantage for the firm and value for its customers. Helfat et al. (2007) model, based on asset orchestration and dynamic capability, consists of two primary processes. The first is the search and selection process to identify, invest, design, and organise assets. The second is the configuration and deployment process related to coordinating specified assets for innovation. Sirmon et al. (2011) developed the concept of resource orchestration from these two earlier works, emphasising the importance of managerial actions on resources. Resource orchestration suggests that firms manage their resources to cope with the dynamic environment (Cui & Pan, 2015) and generate new capabilities (Helfat et al., 2007; Sirmon et al., 2011). The firm's response being a continuously variable, iterative, and indiscrete process of capability structuring, bundling and leverage.

### **6.3.2 A Resource Orchestration Perspective on Shoring Studies**

Offshoring and reshoring are classified as location decisions (Fratocchi et al., 2014; Gray et al., 2013). While insourcing and outsourcing are related to ownership (Jahns et al., 2006). Offshoring is defined as “the relocation of value chain activities outside of the country of the firm's headquarters” (Foerstl et al., 2016). The definition of reshoring is the voluntary (i.e., not forced by a host country government) decision to relocate partial or all off-shored production or service activities to a firm's home country or alternatively nearshore countries (Foerstl et al., 2016; Fratocchi et al., 2014). In this study, as per Ellram et al. (2013), reshoring refers to a firm's off-shored capability being relocated to its home country, or what amounts to the reversal of an earlier offshoring decision.

Previous studies of offshoring and reshoring widely use the eclectic paradigm (Dunning, 1998, 2000); transaction cost economics (TCE) (Williamson, 1979); and, the resource-based view (RBV) (Barney, 1991) of the firm. In a recent paper by McIvor and Bals (2021) these theories were again used to develop a framework for the reshoring decision. Additional perspectives include contingency factors (Benstead et al., 2017), social network theory (Ashby, 2016), knowledge (Nujen et al., 2018) and behaviour theory (Boffelli et al., 2020). However, it is believed that many aspects of reshoring remain under-researched (Albertoni et al., 2017; Arlbjørn & Mikkelsen, 2014). Therefore, new theoretical perspectives may help better understand reshoring. Meanwhile, the focus of the extant literature is overwhelmingly on the home company. Another vital actor, the host company, and its activities in the business network are widely ignored. But activities and strategies adopted by the host company are suspected of having a significant impact on the home company's reshoring decision or consequences thereof.

Baraldi et al. (2018) used the IMP (Industrial Marketing & Purchasing) view, conducting a longitudinal case study and analysing how offshoring and reshoring decisions and processes influence the development of industrial networks in the home and host countries. They found that the host company stopped cooperating with the home company after partial reshoring, which forced the latter to find a new partner in the host country. One of the cases studied by Nujen et al. (2018) noted that the home company had to pay a not inconsiderable sum of money to reshore its knowledge and technology, giving the host company resources with which to bargain. The responding activities to reshoring by the host company are suspected to be influential on the home company's decision-making and deserve further exploration. The extant literature simply treats the host company's responses to reshoring as barriers (Wiesmann et al., 2017). In contrast, this research is conducted from the perspective of the host company. The appearance of reshoring drivers then provides challenges and opportunities to the host company from which its competitive advantage may need to be recovered.

The RBV has been widely used in previous studies of reshoring to analyse how the home company acquires and uses resources to create and enhance its competitive advantage. But the RBV posits a static situation and overlooks dynamic resource management actions responding to internal and external environmental changes (Cui &

Pan, 2015). Resource orchestration combines resource management and asset orchestration in a dynamic environment, better to reveal the conditions of the real business world.

Meanwhile, industrial marketing and purchasing (IMP) emphasises resource ties in the ARA (activity links, resource ties and actor bonds) model (Håkansson & Snehota, 1995). As no companies own *all* the resources, they require when offshoring, they need to acquire what they need from other actors in their business networks, consistent with structuring in resource orchestration. While the provision-side of resources identifies resource features, the actual value of resources relies on how to use their features and further the relationship between the provider and user in the business network (Håkansson & Snehota, 1995; Koporcic, 2017). The real value of resources is their use potential, a concept similar to bundling and leveraging in resource orchestration. A resource can also be “regarded as a relation rather than an element in itself” (Håkansson & Snehota, 1995, p. 132). The ARA model implies that the analysis of resources needs to be considered in the business network instead of that by a singular firm because resources here are not limited to those owned by the company but acquired from the network within which it is embedded.

Sirmon et al. (2007) use resource orchestration to analyse corporate and business strategies from the perspective of the home company, from which three observations emerged. Firstly, product diversification requires that managers effectively integrate resources to take advantage of their complementarity across various product areas. Offshoring may help acquire low-cost resources for the expansion of product lines. Meanwhile, production diversification is beneficial to the firm’s internationalisation process by satisfying the needs of different markets. Hence, the home company could realise *both* resource-seeking and market-seeking strategies by offshoring (Dunning, 2000), as opposed to either one or the other. Secondly, a cost leadership strategy (Porter, 1996) emphasises that firms build capabilities to gain lower costs relative to competitors. Lower cost here is not necessarily lower price. A cost leadership strategy recognises that firms may achieve the same price as competitors while keeping lower production costs, capturing higher margins (Sharp, 1991). Offshoring then provides firms access to low-cost resources and improves production efficiency. Hence, this

strategy is consistent with Dunning's (2000) resource-seeking and efficiency-seeking for internationalisation. Thirdly, a differentiation strategy (Porter, 1980) suggests that firms develop innovation and marketing capabilities to differentiate their products or services from competitors allowing them to charge a price premium (Sharp, 1991; Sirmon et al., 2011). Thus, differentiation strategies can then be further divided into technology innovation (to develop and implement new technologies) and market expansion (to explore new markets and business opportunities). A distinction that supports Dunning's (2000) market-seeking and strategic asset seeking behaviours of the firm.

Reshoring provides a new opportunity to the home company through acquiring resources; establishing new activity links; and, adapting to a new business network in the home country (Baraldi et al., 2018; Håkansson & Snehota, 1995). None of which will be without a challenge. Meanwhile, breaking the original links and relationships in the host country is inevitable to cause losses, at the very least intangible to the host company. The underlying assumption in previous research is that the host company is a passive actor, accepting decisions of the home company silently and submissively. However, a few papers, such as Baraldi et al. (2018) and Nujen et al. (2018) identify host company responses from their home company respondents that, in turn, may have influenced the home company's decision. Therefore, exploring what happens in the host country may help understand the offshoring and reshoring phenomena further.

#### **6.4 RESEARCH METHOD**

The absence of research on the host company response to reshoring necessitates an exploratory, theory generating approach. The embedded nature of host firm decision making in response to reshoring requires deep cases, invariably resulting in a qualitative, as opposed to the quantitative method (Stake, 1995). The case method was chosen to examine concepts and interpretations in this specific context (Ketokivi & Choi, 2014) and explore the unknown phenomenon, especially "how" or "why" questions (Gammelgaard, 2017; Yin, 2009). Multiple cases allow replication and extension among individual cases by cross-case analysis (Eisenhardt, 1991), providing a portfolio of cases that could be identified and access to each gained.

This research employed a structured-pragmatic-situational (SPS) approach (Pan & Tan, 2011). In contrast to the traditional case study methods of Yin (Yin, 2009) and Eisenhardt (Eisenhardt, 1989), Pan and Tan (2011) emphasise practical and workable steps. Given that researchers may lack the connections necessary to gain access to a firm the SPS approach is structured (dividing the process into eight systematic, specific, detailed and easily replicated steps), pragmatic (simplifying the techniques and workarounds with critical rigour), and situational (facilitating flexibility and adaptiveness during the research) (Pan & Tan, 2011). In following Pan and Tan (2011) eight steps the research commenced with negotiating access. One of the authors received permission from company Alpha to visit its factory in China to interview the Purchasing Manager and Manager of the Production Equipment Department. With referrals from these two managers, the researchers contacted other companies who had experienced home company reshoring and introduced this research project to them. Subsequently, the three host companies identified (Delta, Epsilon & Eta) agreed to participate. An Information Sheet and Interview Question List were sent to the companies. The companies, in turn, identified and provided support from managers familiar with the situations described in the research proposal, all of whom were capable of answering the proposed interview questions. Company names have been anonymised in accordance with their wishes and the broader research ethics framework. An overview of each of the four companies is presented in Table 6.1.

The data collection phase included direct observation, semi-structured interviews, and document and archival record collection. Three types of evidence were used. Firstly, internal documents were provided by firms, including their financial and purchasing data, product brochures, internal communication files, and commercial documents. Secondary information referring to the relevant information, news and public financial data were collected online. Secondly, semi-structured interviews were conducted with the respective managers, all of whom had over ten years of working experience and knowledge and understanding of the firms' operations and business strategies. A summary of the interview organisation is presented in Table 6.2. All interviews were conducted in Chinese, between June 2019 and March 2020 face-to-face (in person) or various forms of digital communication. The interviews were semi-structured, enabling the managers to elaborate their responses (Merriam & Tisdell, 2015). The interviews

were recorded and transcribed into English. All transcriptions were then reviewed by the research team. Preliminary case study reports were sent to the respondents to verify their accuracy, and responses received before coding began.

**Table 6.1. Case-company overview of locations, ownership, industry and scale**

Host company in China	Home company & location	Ownership of host by home company	Industry	Employees in China (2019)
Alpha	Beta, Japan	Insourcing (40% share of Alpha)	Manufacturer of electronic equipment	150
Alpha	Gamma, Japan	Insourcing (60% share of Alpha)	Manufacturer of electronic equipment	150
Delta	Delta, Japan	Insourcing (wholly owned subsidiary)	Manufacturer of precision and electronic products	220
Epsilon	Zeta, USA	Outsourcing	Manufacture of electronic equipment	1000+
Eta	Eta, Japan	Insourcing (wholly owned subsidiary)	Business service (trading company)	20+

**Table 6.2. Conduct of interviews with host company managers**

Host company	Respondent	Years at the host company	Total years employment	Interview duration	Interview method	Data collection method
Alpha	Purchasing Manager	11	17	2hr	Face-to-face + audio chat	Voice recording
Alpha	Manager of Production Equipment Department	10	16	45mins	Face-to-face	Voice recording
Delta	Deputy General Manager Production	9	10	1hr	Face-to-face	Voice recording
Epsilon	Section Manager Sales	14	14	1hr	Audio chat	Voice recording
Eta	Department Manager	8	13	1hr 5mins	Audio chat	Voice recording

Data were analysed in two steps. Firstly, a thematic analysis (Braun & Clarke, 2006, 2013) using NVivo generated four dimensions of resources the host company obtained in the offshoring network, as per the first research question. Secondly, patterns and similarities coupled with differences were examined across cases (Eisenhardt, 1989; Yin, 2009), focusing on the host company's resource management and strategies for reshoring.

Validity and reliability are vital to a rigorous case study (Denzin & Lincoln, 2011; Gibbert et al., 2008; Yazan, 2015). As suggested by Yin (2009) and Gibbert et al. (2008), the renowned tactics, such as multiple sources of evidence (triangulation), replication logic in multiple-case studies and the use of case study protocol and database were all adopted.

## **6.5 CASE ANALYSES**

### **6.5.1 *Within-case Analysis***

#### **Company Alpha**

Alpha, the host company, is a joint venture (JV) between two Japanese parent companies, Beta (40% shareholding) and Gamma (60% shareholding), Gamma being the bigger shareholder. Founded in 1995, Alpha is located in Shanghai and has approximately 150 employees. The driver for the original offshoring by both home companies (Beta and Gamma) was the pursuit of lower manufacturing costs. However, once established, Alpha pursued a market-seeking strategy in their domestic market China, that coincided with rising local incomes and the consumption of consumer goods.

#### *Alpha-Beta*

Alpha produces and exports products to Beta's headquarters in Japan as an OEM (Original Equipment Manufacturer). Beta's products are standardised and modularised. The machines and raw material used to manufacture Beta products are designed and manufactured by Beta in Japan, "*The raw material of all Beta products has specific purchasing channels.....We do not usually replace the suppliers*" (Alpha Purchasing Manager). Though the product range is limited, Beta orders high quantities of each, enabling Alpha to realise economies of scale. The production process at Alpha is identical to that in Beta's Japanese factory except for the costs of production. "*The*

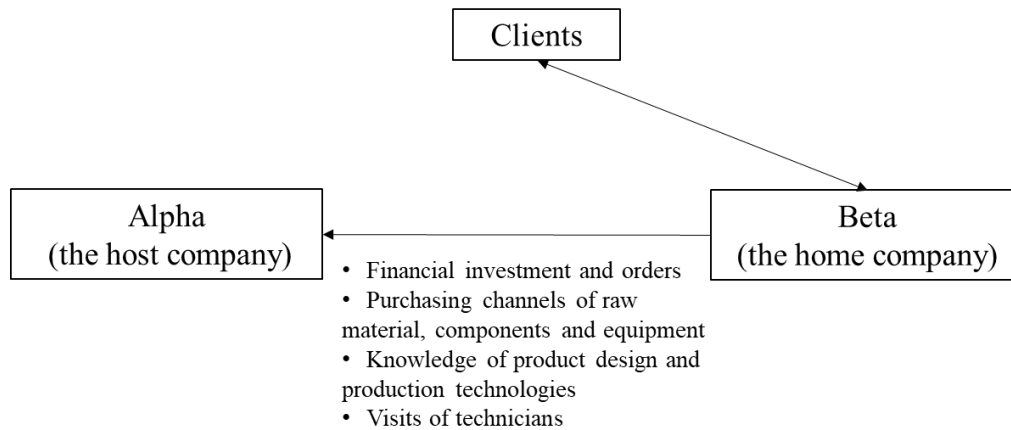
*production procedure in Shanghai factory is similar to that with the Japanese one*” (Alpha Manager of Production Equipment Department). Because Alpha produces low-cost products for the home company Beta, it could well be replaced by any of Beta’s other subsidiaries in emerging economies, such as Southeast Asian countries or South Korea, where throughput is expected to be higher.

Beta’s orders were considered more important to Alpha than those from Gamma during the establishment phase, until when Alpha began to promote Gamma’s products in the Chinese market. But with increasing production costs, especially the cost of labour in Shanghai, Beta began to partially reshore, increasing its production capacity in Japan to meet global demand. As a subsidiary of Beta, Alpha had little bargaining power. The contracted selling prices were set by Beta to the extent that on occasions, Alpha had to accept purchase prices from Beta lower than their own production costs. In 2018, Alpha’s Factory Director renegotiated terms with Beta. Consequently, Beta started to again offshore a product that had been earlier reshored. Hence the relationship between Alpha and Beta experienced sequential stages of offshoring, reshoring, and again offshoring.

All resources obtained by Alpha from Beta’s offshoring network were provided by Beta. Alpha had no connection with Beta’s clients. Beta offshored manufacturing to China to gain cost advantages, especially the cost of labour. But to keep its cost advantage, Alpha emphasised the active lowering of production costs annually in its internal documents: *“For Beta products, we will make efforts to lower the production costs. With the support of Beta, we will do it by changing the design of products and sourcing of components”* (Alpha Internal document, March 2017). Accordingly, Alpha decreased the number of full-time employees from over 200 to 150, replacing them with short-term or contractual workers during peak seasons. In 2019 it also adopted the Industry 4.0 (I4.0) system to improve efficiency and further control costs, *“by using I4.0, we could lower the costs, communication costs and others and improve production efficiency”* (Alpha Purchasing Manager). The strategy adopted by Alpha in response to Beta’s reshoring initiatives was predominantly one of cost leadership. The resources acquired by Alpha from Beta are represented in Figure 6.1. Note that the figure depicting the sources of resource acquisition develops case by case, enabling the

understanding of resource orchestration to develop as the within-case analyses proceeds. Placing the host company, as opposed to the home company, at the left of the network diagram reinforces the host company orientation as being the focal firm.

**Figure 6.1. Resources Alpha obtained in Beta's offshoring network**



#### *Alpha-Gamma*

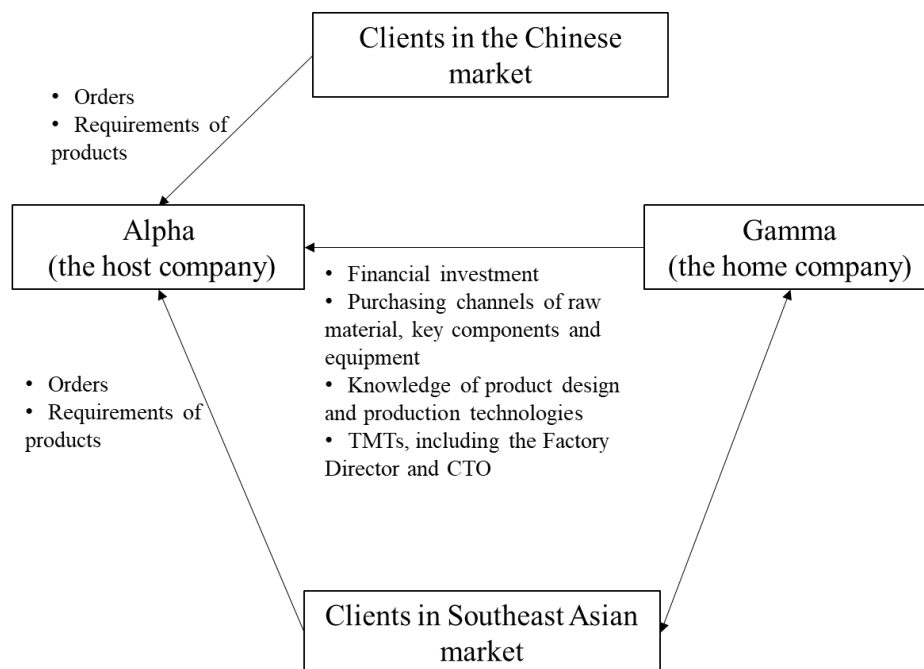
Gamma has direct and majority control over Alpha by way of its 60% shareholding and involvement in daily management. Gamma's products are mainly sold in China, and at the outset were especially oriented for government projects. Gamma's offshoring drivers were cost-driven, market-seeking, and proximity to customers. Most of Alpha's top management team, including the Factory Director and CTO are assigned by Gamma from Japan.

Production equipment and critical raw materials and components used in producing Gamma's products are purchased from designated suppliers. The production technologies, production manuals, and blueprints are predominantly provided by Gamma. Gamma's final products are sold in China to unique project specifications, so often need adjustment and redesign by Alpha. *"The range of (Gamma's) final products is large to satisfy the various needs of different customers. Thus, they are non-standardised"* (Alpha Purchasing Manager). Management, operations, and communication between Alpha and Gamma are routinised and consistent with Japanese corporate culture.

Gamma's products are now targeted at the high-end Chinese consumer market. Due to fierce domestic competition, Alpha decided to reduce costs and enter alternative middle-markets. The cost control measures and I4.0 undertaken have proven beneficial to cost control and efficiency gains for Gamma's products. Alpha also made efforts to further develop and enhance Gamma's products at a local level. For example, it invested in a new technique to detect battery life not available in Japan at the time. In 2015, Alpha began developing a unique position for Gamma by producing for other markets, such as the Philippines, Indonesia, Vietnam, Singapore, and Malaysia. Noted later as follows, "*Gamma has positioned Alpha as a production base for its oversea markets*" (Alpha Internal Document, March 2017). Alpha set out to be, "*the world factory of Gamma*" (Alpha Internal Document, March 2015).

Alpha acquires resources from both Gamma and its clients in the Chinese and Southeast Asian markets. The strategies Alpha adopted to maintain Gamma capabilities for production included cost leadership, product diversification, technology innovation, and market expansion. Each of which proved effective in creating new capabilities and enhancing Alpha's competitive advantage in the shoring network. The resources Alpha acquired from the network are identified in Figure 6.2.

**Figure 6.2. Resources Alpha obtained in Gamma's offshoring network**



## **Company Delta**

Delta was founded in Shanghai in 1995. It was the first overseas manufacturing factory of its Japanese parent, and now employs some 220 people on one site. Delta's home company offshored to follow an important client, namely, to manufacture components for its client's Chinese factory. At that time, and without any factories in Japan, the home company had had limited experience in international business having only imported raw material from China.

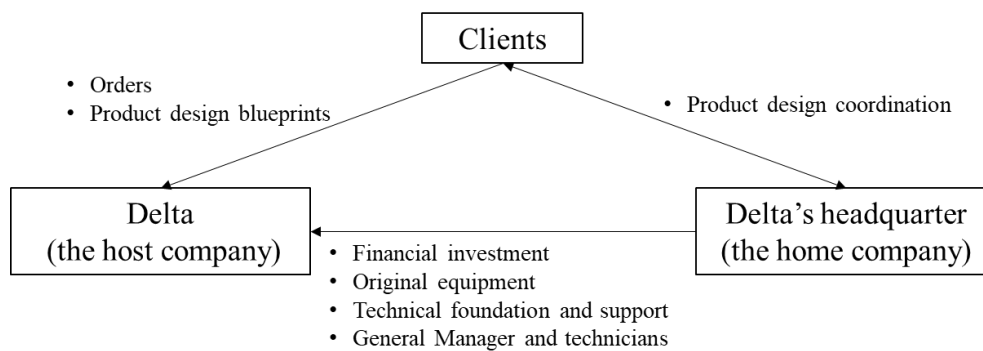
The costs and prices of Delta's products are relatively low, with offshoring providing decreased transportation and operational costs. Approximately 80% of Delta's products are now sold in the Chinese market. Its clients are principally subsidiaries or joint ventures of Japanese companies in China. Delta has unique significance to its parent company (the home company) due to its proximity to the home company's Chinese customers.

Delta's products and production procedures differ for various clients based on their individual designs and requirements. Delta's Japanese headquarters provides the technical foundation to each of Delta's production lines. The production procedure, therefore, involves three actors Delta; Delta's headquarters; and, the client. The client oversees product design and development, while Delta's headquarters coordinates and provides technical support. With the help of the client and Delta's headquarters, Delta's technical team completes the sample and works with its headquarters and the client to modify the design based on the client's requirements and needs. Once the sample meets the needs of the client Delta begins mass production and the relationship largely shifts to one between the host company (Delta China) and its purchasers.

Delta is well aware of the reshoring trend. Besides the client's resources, the advantageous element to Delta is that the land used in Shanghai was purchased instead of rented resulting in Delta not having any rental costs. Delta also recognised rising labour costs early and introduced automation from that point onward. *"Our only advantage is that the land we are using now was bought by our company.....We do not have rent costs now. The next cost is labour.....We will increase the use of automation and decrease the employees"* (Delta Deputy General Manager). Instead of

solely relying on early price advantages, Delta emphasised its quality control and value-added service such as product assembly to strengthen its competitive advantage in the market. Furthermore, Delta focused on innovation and technological development to provide improved technologies and unique materials to clients. *“We try to have some advantages or technologies others cannot provide. Instead of just a price advantage, we hope to provide products with better quality, technologies, or unique material for competitive advantage. We will try to increase the customer base in other fields, expand some other businesses and provide some value-added service.”* (Delta Deputy General Manager). Consequently, cost leadership, product diversification, technology innovation, and market expansion are all strategies pursued by Delta. The resources Delta acquired from its headquarters and client network are illustrated in Figure 6.3.

**Figure 6.3. Resources Delta obtained in its headquarters’ offshoring network**



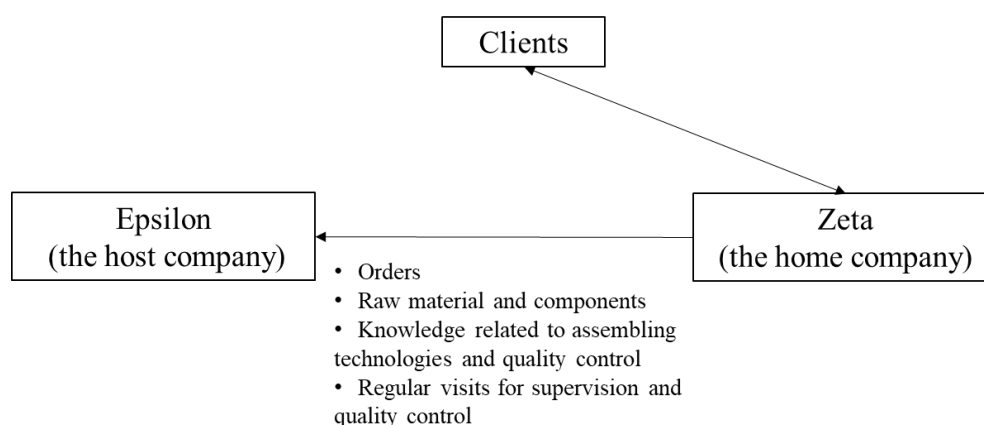
### Company Epsilon

Epsilon, located in the Henan Province is a subsidiary of one of China's largest electronic manufacturing business groups. It is a large firm with over one thousand employees with many clients. The case focuses on the relationship between Epsilon (the host company) and its most important (single) client - an American company Zeta (the home company). The two have cooperated in a manufacturing and supply agreement for over a decade and a half. The offshoring driver for the home company (Zeta) is purely cost-driven. Zeta provides all raw materials, components, and required technologies to Epsilon, Epsilon then oversees the assembly phase of Zeta's products for global redistribution by Zeta. Production procedures are standardised and routinised so that Epsilon is able to realise economies of scale. Zeta's relationship with Epsilon is largely contractual, employees are only sent to Epsilon to monitor production

procedures and conduct quality control. *“The technologies required for assembling are not very high. Nevertheless, we use many sophisticated testing instruments.... Some of the testing instruments are owned by Epsilon. However, the instruments used to test the more sophisticated data must be provided by Zeta”* (Epsilon Production Section Manager).

Besides Epsilon, Zeta has outsourced manufacturing and assembly to other companies in China and Southeast Asian countries. Facing decreasing order volumes from Zeta, Epsilon tried to better control costs in its Chinese factory by improving efficiency and implementing automation. *“To our company, I feel like we will increase the use of automation and mechanisation and decrease the use of labour”* (Epsilon Production Section Manager). Under the pressure of rising costs in China, Epsilon established a new assembly plant in India to maintain its low-cost advantage to Zeta. As a result, some of Zeta’s assembly orders were completed in India by the Chinese host company. However, the impact of COVID-19 resulted in the company suspending operations on the Sub-continent in 2021. To complete its obligations to Zeta, Epsilon brought these operations back to its Chinese plant. Figure 6.4 depicts resource acquiring and mobilisation by Epsilon from Zeta.

**Figure 6.4. Resources Epsilon obtained in Zeta’s offshoring network.**



In this case, the home company Zeta did not reshore, but relocated its assembling activities to other Chinese and Asian manufacturers to control costs. Though having no reshoring trend, Zeta’s relocation decisions were also motivated by the broadened reshoring driver – rising costs in China. Meanwhile, Epsilon was losing contracts from

Zeta. Despite Zeta's decisions being to relocate instead of reshoring, Epsilon faced the same consequences as other case companies, such as, losing contracts and income. Epsilon needed to maintain a cooperative relationship with Zeta, its biggest client, achieved with responsive strategies.

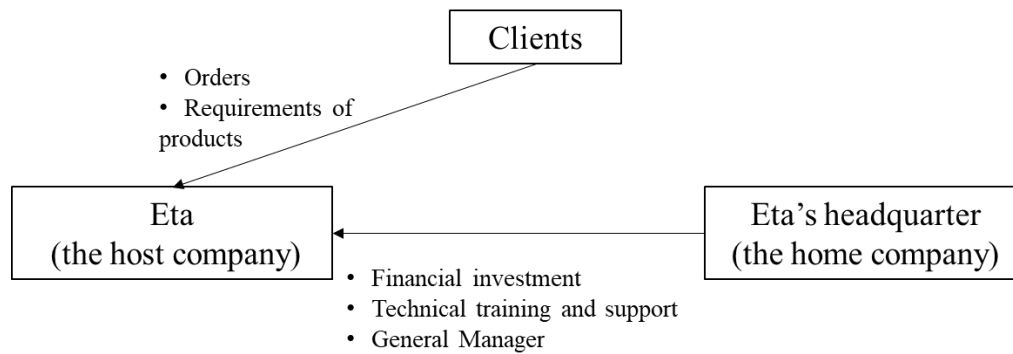
### **Company Eta**

Founded in 1999, Eta is a trading company and, unlike the other cases, does not manufacture in China. Its primary business is sourcing suitable low-cost raw materials or components for its clients' manufacturing. Most of its clients are subsidiaries of other Japanese companies with manufacturing operations in China.

The offshoring driver for Eta's headquarters in Japan (the home company) is to follow its Japanese clients, searching for low-cost products for their manufacturing operations. Consequently, Eta set up branch offices in close proximity to its clients in China, so as to meet their needs responsively. The Japanese headquarters provides regular technical training and support to Eta managers and employees. Eta has had to keep acquiring new knowledge and technologies to meet its clients' needs. *"If we meet some problems.....if I am not familiar with some industry or area, I could communicate with or ask him (the employee of the R&D Department in the Japanese headquarters), and he would provide support to me"* (Eta Sales Department Manager).

As a business input provider, Eta has taken note of some of its clients' decisions to reshore or relocate to other low-cost countries. Though not conducting any manufacturing activities itself, Eta continues to seek low-cost products for its clients in inland China and Southeast Asia. Eta has also worked with a subsidiary in Thailand to service its clients. Meanwhile, the host company has extended its business scope to less popular products or industries, bringing more clients and higher profits to the subsidiary. Eta's strategies include cost leadership, product diversification, and market expansion. During its operations in China the host company has acquired resources from both its headquarters and clients, as illustrated in Figure 6.5.

**Figure 6.5. Resources Eta has obtained in its headquarter's offshoring network.**



### ***6.5.2 Resources Obtained by the Host Company from the Offshoring Network***

Four companies with five business networks have been analysed as cases. The analysis demonstrates that the host company acquires resources from not only the home company but also its clients, which turns the dyadic relationship (the home and host companies) into one of a triad (the home company, the host company, and its clients). Four dimensions of resources obtained by the host company from the network were identified through a thematic analysis.

The thematic analysis generated four categories of resources that are referred to as bundles: financial resources; physical-asset related resources; knowledge resources; and, human resources. Descriptions of the four resource bundles in each of the five case relationships are presented in Table 6.3.

**Table 6.3. Resource bundles the host company acquires from the offshoring network**

<b>Dimensions of Resources</b>	<b>Definitions</b>	<b>Alpha-Beta</b>	<b>Alpha-Gamma</b>	<b>Delta</b>	<b>Epsilon-Zeta</b>	<b>Eta</b>
<b>Financial resources</b>	The financial flow received by the host company in the offshoring network, including financial investment and incomes.	Beta provided financial investment to Alpha when it set up and owns 40% shares of Alpha. Alpha receives orders from Beta directly.	Gamma provided financial investment to Alpha when it set up and owns 60% shares of the host company. Alpha sells Gamma products in the Chinese market and receives orders from its clients directly. Alpha sells products to Gamma's agents in Southeast Asian countries.	Delta is a wholly-owned subsidiary manufacturing for its headquarters in Japan. The home company provided financial investment when it was set up. The land used by the host company in Shanghai was purchased. Delta produces and sells products in Chinese and overseas markets and receives orders directly from its clients.	Epsilon receives orders from Zeta.	Eta is a wholly-owned subsidiary manufacturing for its headquarters in Japan. It receives orders from its clients in China directly.
<b>Physical-asset related resources</b>	The tangible assets, such as raw materials, components and machinery, and their purchasing channels decided in the offshoring network.	Raw material, components, machines and equipment used for Beta products and their purchasing channels are designated by Beta.	Production equipment and key raw material and components of Gamma products are purchased from the designated suppliers.	The original equipment was provided by the home company.	Zeta provided raw material and components.	NA
<b>Knowledge resources</b>	Explicit and tacit knowledge, mainly related to production technologies.	Product designs, production procedures and technologies are provided by Beta.	Product designs, production procedures and technologies are provided by Gamma. Alpha conducts end-configuration to meet individual application	The home company provides a technical foundation to the host company. Products and production procedures are different for various clients based on their	Zeta provides knowledge related to assembling technologies and quality control.	Eta's headquarter in Japan provides technical training and support to Eta. Eta enriches its knowledge and technologies to

			requirements and environmental conditions. Gamma ex-patriates a Chief Technology Officer (CTO) to Shanghai, providing technical support to Alpha.	design and requirements. Knowledge sharing and technology exchange happen between Delta, Delta's headquarters and the clients.		meet the requirements of clients.
<b>Human resources</b>	Human resources obtained from the offshoring network, mainly from the home company.	Beta sends technicians to Alpha for two to three weeks for knowledge transfer and quality control when new products launched.	Gamma is responsible for the management of Alpha. The highest managerial position of Alpha, the Factory Director, is appointed by Gamma and rotates every six years according to Japanese corporate culture. Gamma ex-patriates a Chief Technology Officer (CTO) to Shanghai, providing technical support to Alpha.	The highest managerial position of Delta, the General Manager, is appointed by Delta's headquarter.	Zeta only sends employees to Epsilon to monitor production procedures and conduct quality control.	The highest managerial position of Eta, the General Manager, is appointed by Eta's headquarter. Eta's employees seek help directly from technicians in Eta's headquarters.

### ***Financial resources***

Financial resources refer to the initial and any subsequent financial investment made by the home company. Financial resources are also accrued through the host company's sales orders to clients. The former is vital for the host company to set up factories and offices in the host country, especially for the wholly-owned subsidiaries and branch offices. Income from sales provides a steady financial stream to ensure the survival and long-term development of the host company. The subsidiary companies Alpha, Delta and Eta compete in the market and acquire clients directly and obtain financial resources from both the home company and their clients. By contrast, Epsilon receives sales orders from Zeta directly due to the outsourcing nature of the relationship.

### ***Physical-asset related resources***

Physical-asset-related resources include tangible assets (such as, raw material and components), machinery, and purchasing channels decided by the actors. The home company may designate the purchasing channels for raw materials, components, and machineries, such as is the case of Alpha, or provide the physical assets to the host company directly, as with Delta and Epsilon. While these resources provide the basis of the host company's manufacturing activities, they are broader than simply tangible (balance sheet) assets and spill into the highly valuable intangible of sales channels.

### ***Knowledge resources***

Knowledge resources refer to explicit and tacit knowledge (Grant, 1996) that are mostly, but not exclusively related to production technologies, such as product design blueprints, production manuals, and manufacturing procedures. The home companies of Alpha and Epsilon provide product design and manufacturing technologies. Meanwhile, client requirements are also observed to stimulate technology development and innovation. The host company meets the need to redesign products, for example, Alpha-Gamma and extends its knowledge scope, as in Eta. The situation in Delta, however, is different because knowledge sharing occurs between three actors: Delta, Delta's headquarters, and the client. The home and host companies were observed to participate in a

product design process dominated by the client. Such a triadic relationship creates strong bonds among them, which was observed to be beneficial to the host company.

### ***Human resources***

Human resources are human capital obtained from other actors, mainly from the home company. One means of accumulating human resources is to move talented individuals between the home office and its subsidiaries in foreign markets (Sirmon et al., 2011). For example, in Alpha, Delta and Eta, the company's highest position is assigned by the headquarters (the home company), and these positions rotate every five to six years. Such rotations result in a flow of new business ideas, connections, and resources to the host company. Another stream of human resources is related to technology sharing and quality control. Technicians from Beta are sent to Alpha to support employees learn production procedures when new products were launched. QC (Quality Control) staff from Zeta visit Epsilon regularly to monitor production procedures for quality control.

### ***Strategies in response to reshoring***

All respondents mentioned that their companies have noticed and managed their respective home company's reshoring trends. To maintain cost advantage (central to the offshoring decision), each company has adopted their own cost leadership strategy through cost control and the use of greater automation. However, pure low cost was not considered sufficient to maintain competitive advantage any longer. Some costs are no longer under managerial control. For example, over the last decade, employee wages in China have increased 15-20% per annum. The host company's cost advantage has been eroded, especially in labour-intensive activities (De Backer et al., 2016; Sirkin et al., 2011). As a result, the home companies are searching for other low-cost locations in Southeast Asia. Both Alpha-Beta and Epsilon-Zeta sought to recover their cost leadership. However, the home company still chose to either reshore or relocate.

In contrast, the host companies Alpha-Gamma, Delta and Eta had direct connections with and chose multiple strategies to create new capabilities and

satisfy clients' needs, which seems more practical. While discussions had taken place, the home companies in these three cases had not implemented a reshoring yet. Gamma had begun to treat Alpha as its world factory for manufacturing. The host company's focal capabilities, resource-based activities, and strategies are presented in Table 6.4.

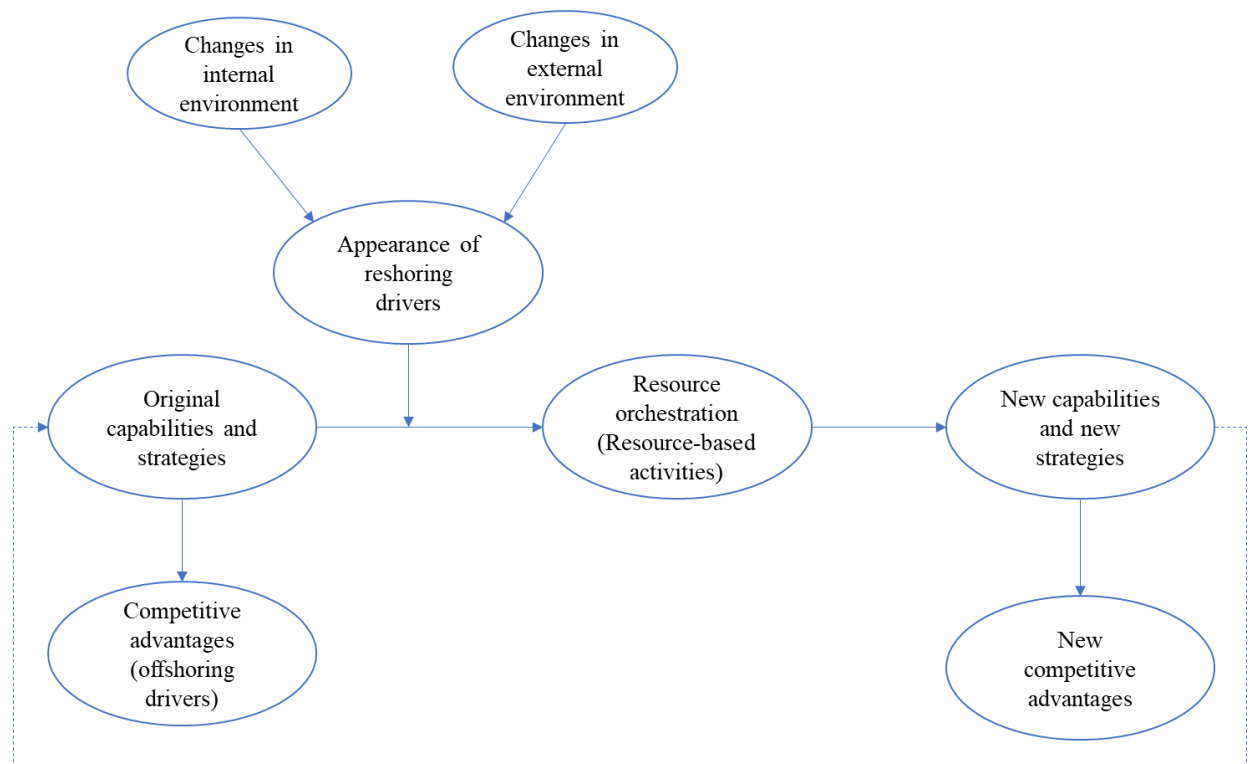
**Table 6.4. The host case company's focal capabilities, resource-based activities and strategies in response to reshoring**

	<b>Alpha-Beta</b>	<b>Alpha-Gamma</b>	<b>Delta</b>	<b>Epsilon-Zeta</b>	<b>Eta</b>
<b>Original focal capabilities</b>	Cost advantage	Cost advantage, market-seeking and quick response to customers.	Cost advantage, market-seeking and quick response to customers..	Cost advantage	Cost advantage, product diversification, market-seeking and quick response to customers.
<b>Resource-based activities</b>	Acquire financial and physical assets resources and accumulate knowledge resources from the home company; Stabilise production costs; Pioneer production efficiency using I4.0.	Acquire financial and physical assets resources and accumulate knowledge and human resources from the home company; Acquire financial resources and accumulate knowledge resources from clients; Stabilise production costs; Enrich production lines; Pioneer production efficiency; Deploy resource advantages to explore new markets in China and Southeast Asian countries; Nurture R&D and innovation.	Acquire financial and physical assets resources and accumulate knowledge and human resources from the home company; Acquire financial resources and accumulate knowledge resources from clients; Stabilise production costs; Enrich value-added services and assembling products; Pioneer production efficiency; Deploy resource advantages to explore new markets in China; Nurture R&D and innovation.	Acquire financial and physical assets resources and accumulate low-level knowledge resources from the home company; Mobilise and coordinate resources to set up a new factory in India.	Acquire financial resources and accumulate knowledge resources from the home company; Acquire financial resources and accumulate knowledge resources from clients; Stabilise production costs; Enrich product lines and service scope; Coordinate with other subsidiaries to provide service to clients; Deploy market opportunity.
<b>New capabilities</b>	NA	Capability of innovation, cooperation and market expansion.	Capability of innovation and cooperation.	NA	Capability of market expansion.

<b>Strategies in response to reshoring</b>	Cost leadership strategy	Cost leadership strategy, Product diversification strategy, Technology innovation strategy, Market expansion strategy.	Cost leadership strategy, Product diversification strategy, Technology innovation strategy, Market expansion strategy.	Cost leadership strategy	Cost leadership strategy, Product diversification strategy, Market expansion strategy.
<b>Results</b>	Beta partially reshored and offshored again.	Gamma treated Alpha as its "World Factory" and developed its Southeast Asian market with Alpha.	Delta's new strategies are effective and its headquarters has not implemented reshore yet.	Zeta worked with other Chinese and Asian companies. Its orders to Epsilon are decreasing.	Eta's new strategies are effective and its headquarters has not implemented reshoring.

The host company's development process of business strategies in response to reshoring, articulated by way of resource orchestration, is illustrated in Figure 6.6. The host company's original capabilities and strategies are considered an offshoring driver for the home company. Changes in both the internal and external environment emerge, subsequently, reshoring drivers appear. The host company responds to these reshoring signals by conducting resource-based activities and the orchestration of the resources obtained from the offshoring network, from which new capabilities and new strategies emerge: The intent being to create new motivation for the home company offshore. The process depicted in Figure 6.6 was developed from cases Alpha-Gamma, Delta and Eta.

**Figure 6.6. Development of the host company's business strategies in response to reshoring**



## 6.6 DISCUSSION

Resource orchestration theory was used to analyse how the host company creates and strengthens its competitive advantage by structuring, bundling, and leveraging the resources it obtains from the offshoring network, including resources acquired and/or distributed from the home company. When faced with reshoring, the case host companies were seen to adopt a range of strategies based on new resource combinations

and capability building. Despite the host companies encountering rising production and/or distribution costs (that eroded their earlier competitive advantage), they developed new capabilities and strategies to recover their respective value and position in the network. Therefore, the host companies' response includes orchestrating resources acquired from the offshoring network.

*RQ1: What resources does the host company acquire from the offshoring network?*

The thematic analysis revealed four dimensions of resources, as discussed in the preceding section. It was also observed that the host company may acquire resources from clients, constructing a triadic relationship instead of the previously described dyad. Clients here could be final users of products in the case of Alpha-Gamma and Epsilon-Zeta or client companies that treat products as manufacturing components as in Alpha-Beta, Delta, and Eta. In previous research on reshoring, following clients is identified as one of the drivers for the firm to offshore (Boffelli et al., 2020). The cases in this study further demonstrate that clients are significant and active actors in the host company's network. Earlier accounts of reshoring (Boffelli et al., 2020) identify clients in the home company network. However, we have identified that host company clients are a resource limiting reshoring.

Two sources of relationship were identified in the research. The first is the conventional dyad, in which the host company acquires resources from the home company, such as Alpha-Beta and Epsilon-Zeta. In this network, the host company receives orders from the home company and has no contact with clients. The influence of clients on the host company is weak and indirect. The second source is the triadic relationship between the host company; the home company; and, clients as in Alpha-Gamma, Delta and Eta. The offshoring drivers of these home companies include market-seeking and proximity to customers, as well as cost advantages. The host company sells products to clients and receives orders from them directly. During this process, clients were observed to contribute to the host company's income stream, which is significant to its survival and further business development. Under such circumstances, the host company becomes significant to the home company because of its close connection with clients. The

home company will risk losing those clients if it reshores, which subsequently becomes a barrier to reshoring (Ellram et al., 2013; Wiesmann et al., 2017). Therefore, the following proposition requires investigation.

**Proposition 1.** *The likelihood of the home company's reshoring is reduced in a triadic relationship than that in a dyad.*

*RQ2: How does the host company bundle these resources into capabilities?*

Cost advantage, market-seeking, and quick response to customers were the main capabilities held by the host company cases. Consistent with the previous finding that cost is the primary driver for home company offshoring (Di Mauro et al., 2018), the host company has to maintain and enhance its cost advantage to continue its relationship with the home company. However, the cost increases recently experienced in China is challenging the trade-off between the benefits and costs of offshoring (Gadde & Jonsson, 2019). All host companies sought to maintain their cost leadership strategy, recovering their competitive advantage in some cases while not in others.

Meanwhile, the host company is able to bundle resources to develop new capabilities in the pursuit of new goods and or markets. Increasing costs may be unavoidable to the host company; consequently, Alpha, Delta, and Eta developed new capabilities to increase revenue, including innovation, cooperation, and market expansion capabilities. Such new capabilities enable the host company to increase incomes and create value for both the home company and its clients. As a result, the following proposition is suggested:

**Proposition 2.** *The likelihood of the home company's reshoring is reduced when the host company bundles resources to create new capabilities in addition to cost advantages.*

*RQ3: How does the host company leverage these capabilities in response to reshoring?*

New capabilities developed by the host company are reconciled with their strategies. Strategy is “the creation of a unique and valuable position, involving a different set of activities” (Porter, 1996, p. 3). While adopting strategies in response to reshoring, the host company seeks to maintain their position in the network and continue cooperating with the home company and their clients. In short, the host actively resists the home company’s efforts to reshore. Both Alpha-Beta and Epsilon-Zeta focused on their cost leadership strategy. However, their respective home companies continued to withdraw orders from them. Cost advantage in China continues to vanish, and both home and host companies are relocating to yet lower cost countries (Barbieri et al., 2019; Gadde & Jonsson, 2019). Cost leadership, as a singular strategy, is no longer sufficient for a firm to maintain its competitive advantage. In the other three cases, Alpha-Gamma, Delta and Eta structured, bundled and leveraged new capabilities. The host companies combined multiple strategies to increase revenues, develop technologies, and explore new markets. Their mixed strategies proved effective. While the reshoring trend, arguably, threatened their survival, these companies responded by enhancing their unique positions in the business network (Håkansson & Snehota, 1995), weakening the value to be had from their home companies’ reshoring. The final proposition to develop from this research is as follows:

**Proposition 3.** *The likelihood of the home company’s reshoring is reduced when the host company adopts mixed strategies in addition to cost advantages.*

## **6.7 SUMMARY**

Reshoring research has been primarily motivated by the home company and country, even though many activities happen in the host country. The host company is vital to the offshored business network. Consequently, this research focused on the host company and explored what resources it acquires from the offshoring network; and, how it structures, bundles and leverages these resources to create and enhance its competitive advantage. Resource orchestration and IMP theories were adopted as the theoretical foundation. The strategies adopted by the host company enable it to maintain and enhance competitive positions in the network, and impact on other actors directly and indirectly.

China has primarily been a location of choice for Western companies to offshore in past decades due to its rich resources, low costs, and centralised incentive policies. Four host companies located in China were chosen for this multiple case study. Four dimensions of resources acquired by the host company from the network we identified: financial resources, physical-asset related resources, knowledge resources, and human resources. An incidental finding was that the host company acquires resources from not only the host company but also its clients, which in turn constructs a triadic relationship instead of the well-documented dyad. In turn, the triadic relationship in this study proved to be more stable and beneficial to the host company, allowing to create barriers to the home company's reshoring initiatives.

All of the host companies were observed to make efforts to maintain the original capability offered by cost advantage. However, as the inevitable cost increases occurred, the sole use of a cost-leadership strategy was insufficient to maintain the host company's value and position in their network. New capabilities of innovation, cooperation, and market expansion developed by the host company were identified in the cases, and these were demonstrated to be effective in creating new competitive advantages. Besides cost leadership, strategies related to product diversification, technology innovation, and market expansion were used to increase host company revenue.

The findings provide effective measures to the host company to create new capabilities and competitive advantage when early advantages vanish. Top management teams of the host company may consider using them to prevent the home company's reshoring possibility. Meanwhile, the home company needs to deal with the reshoring decision with discretion. Breaking the original network may result in the loss of resources and clients for the home company. A worse situation is that after acquiring and accumulating sufficient resources and developing competitive advantage, the host company may compete with the home company in the market after the dissolution of their relationship.

By investigating how the host company acquires, bundles, and leverages resources to achieve resource-based competitive advantage, the findings reveal that the host

company's practical activities and strategies are effective. This study gives host companies assistance in coping with the reshoring trend. Management, specifically the top management teams (TMTs) of the host company, may consider these strategies during decision making. The research also informs home-company TMTs of possible reshoring risks, should they ignore the host company response

## **CHAPTER SEVEN: DISCUSSION**

### **7.0 INTRODUCTION**

Publication opportunities emerging through the research resulted in the papers that contribute extensively to Chapters Three, Five and Six. In each of these papers, emerging as chapters in the thesis, analysis and discussion have been presented. The aim of this Chapter is to synthesise the contribution to knowledge made to date and to extend the discussion further – as stated in Chapter Four (exploring the research implications beyond the specific cases). By distinguishing between offshoring and procurement, a new and critical characteristic of reshoring emerges in the revised discussion of reshoring in Section 7.1. With that is the accompaniment of a source of risk, that from the available residual resource (ARR) left in the host country. The host case companies' competitive responses to reshoring in Chapter Five and Chapter Six are synthesised as firm-level strategies and the influence of both the dyadic and triadic relationships explored in detail in Section 7.2. This synthesis reveals the consistent and inter-supportive relationships between the two papers. An extensive discussion on ARR is provided in Section 7.3. The ARR resulting from activity adaption; resource interdependency; knowledge transferring and innovation; and, relationship stickiness is discussed. It is at this point that elaboration beyond the cases takes place, and with that the emergence of new hypotheses. Potential opportunities and risks to the home and host companies are considered. Based on the analysis of ARR, several directions for future research are suggested in Section 7.4. A chapter summary identifying the highlights and contributions to knowledge is included in Section 7.5.

### **7.1 REDEFINING RESHORING**

Fratocchi et al. (2014) provide useful definitions to shoring strategies, including those for offshoring, nearshoring, back-reshoring, near-reshoring and further offshoring, and provide the terminological foundation for the studies that followed. It was Jahns et al. (2006) who, firstly, and later Foerstl et al. (2016) classified relationships between sourcing (ownership choices) and shoring (location choices). Since then, despite the distinctions and definitions being clear, researchers still confuse the contexts of outsourcing and offshoring in their research sometimes, including in journal publications.

While analysing outsourcing strategies, it was Gilley and Rasheed (2000) that suggested when choosing to outsource production processes, a firm should first be capable of production itself, if needed. Otherwise, outsourcing becomes a procurement process (Gilley & Rasheed, 2000). This encouraging statement challenges the accepted difference between procurement and outsourcing and implies that some studies on outsourcing are, in fact, studies of purchasing. It also raises a question related to offshoring, in particular, outsource offshoring: Are some offshoring activities nothing more than procurement processes?

Offshoring is defined as relocating production activities to a foreign country (Fratocchi et al., 2014). Since offshoring is regarded as a location choice, the home company may conduct offshoring activities through insourced or outsourced activities (Gray et al., 2013). Extant studies on offshoring focus on choosing suitable production locations to assist firms in developing their competitiveness in the market. The positive-sum game to be had from offshoring creates value for various countries and the global economy (Farrell, 2005) in general.

In contrast to offshoring, procurement refers to the process chain “from the purchasing of goods through the shipment of the materials to the receiving warehouse” (Rejeb et al., 2018, p. 76). The purpose of procurement is to select appropriate suppliers in the home country (onshore) or a foreign country (offshore) to ensure that projects or manufacturing activities are successfully completed (de Araújo et al., 2017). Procurement strategies then need to be consistent with the firm’s business strategies and contribute to their competitive advantage (Pereira et al., 2014).

But while the differentiation between the two activities, offshoring and procurement, appears clear, the implications of each are opaque. Offshoring refers to location choices (areas or countries) and production process control, while procurement is related to supplier selection (companies), product availability and quality control. These two strategies may, however, be interwoven as the home company can purchase resources from foreign suppliers. This would have the same effect as offshore outsourcing activities. The home company could also undertake additional processes during

offshoring, beyond what is recognised as being procurement, leading to activity adaptation, resource interdependence, and knowledge transfer.

The need to uphold the distinction between offshoring and procurement emerges with reshoring. With reshoring, the home company inevitably leaves an available residual resource (ARR) in the host country upon departure, an observation that emerged in Chapter Three. Such resources are able to be utilised by the host company or other competitors, which can result in potential risk and further competition to the home company. Consequently, the presence of an ARR also distinguishes reshoring from procurement. Therefore, a new characteristic of reshoring can be added to prior research, the new definition and its development is presented:

1. Reshoring is the reverse decision to a previous offshored activity and only happens after offshoring (Fratocchi et al., 2014; Wiesmann et al., 2017).
2. Reshoring is a location decision (Gray et al., 2013; Wiesmann et al., 2017), and is irrespective of ownership (Fratocchi et al., 2014).
3. Reshoring does not require a firm to repatriate all previous offshored activities or decrease its exposure in the global market (De Backer et al., 2016).
4. *Reshoring is accompanied by the probability that the available residual resource (ARR) introduces a source of risk and/or competition to the home company.*

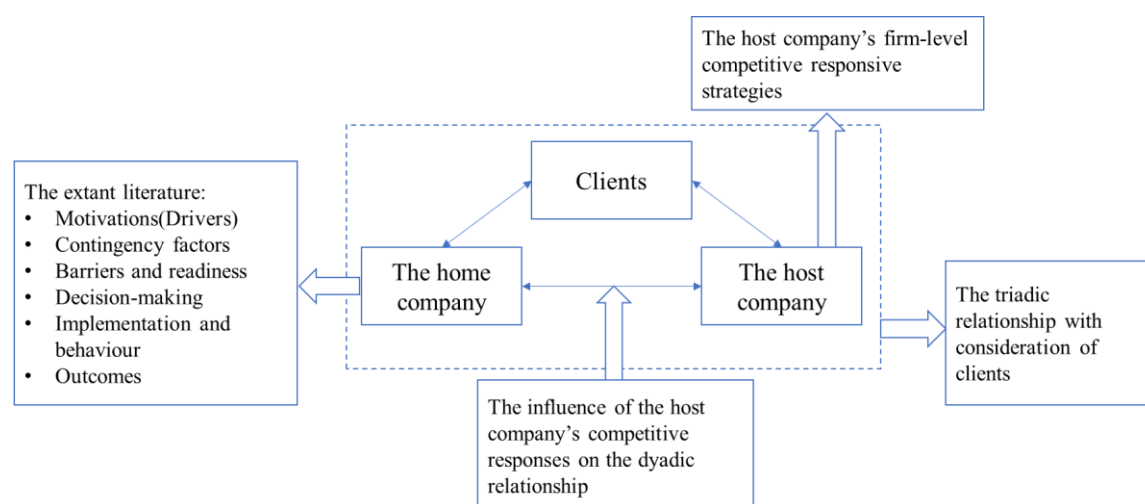
## **7.2 THE HOST COMPANY'S RESPONSES TO RESHORING**

Previous research on reshoring has focused exclusively on the home company; defines terminologies; and, seeks to answer “Why?” (motivations or drivers of reshoring), “What” (characteristics of products or services reshored), “Who” (characteristics of the home company) and “How” (entry mode) questions (Barbieri et al., 2018; Boffelli & Johansson, 2020; Fratocchi et al., 2014). To date, research questions have covered drivers/motivations (Fratocchi et al. (2016); Di Mauro et al. (2018), barriers/readiness (Wiesmann et al. (2017); Engström et al. (2018) Nujen et al. (2019)), contingency factors (Benstead et al. (2017) Moore et al. (2018), decision-making processes (Boffelli et al. (2020), implementation (Eriksson et al. (2021) Boffelli et al. (2021) and outcomes (Boffelli et al. (2021); Martinez-Mora and Merino (2020).

The current study identifies the research gap, namely, the omission of the host company and country by way of the content-analysis based literature review, Chapter Three. Not one of the published papers exploring the offshoring and subsequent reshoring decisions has been conducted from the perspective of the host company or explored the dyadic relationship involved. The extant literature assumes that offshoring is a unilateral decision made by the home company and ignores the interactions and interdependency between two (or even more) actors existing in the offshoring network. Until now, what happens in the host company and country has been a black box, even in offshoring studies. This research represents an early foray into understanding the contribution of the host company.

A single case method with a rich description of the case company was presented as Chapter Five. While a multiple case study of four companies and cross-case analysis was included in Chapter Six. The broader research explores the host company's firm-level strategies; the influence of its competitive response on the dyadic relationship; and how the host company enhances its position and value in the offshoring network with multiple actors through resource orchestration. A summary of the host company's response to reshoring is presented diagrammatically in Figure 7.1.

**Figure 7.1. The host company's response to reshoring**



### ***7.2.1 The Host Company's Competitive Response***

The curious omission of the host company from previous research has the unintended consequence of implying that only passive acceptance of reshoring occurs. However, competitive responses to reshoring emerged as early as the single case in this research company Alpha, as reported in Chapter Five. This study applies the existing theories in a new context – the host company and country to fill the research gap created by earlier research and inspires new ideas for future research (Siggelkow, 2007).

After studying Alpha's three developmental stages, four responses strategies were generated: cost-related, market-related, knowledge-related and relationship-related. These strategies proved to be effective, in that Alpha recovered its competitive position relative to that sought by the two home companies. The eclectic paradigm, transaction cost economics, the resource-based view, knowledge-based view and relational governance provided theoretical support to our findings, shown in Table 5.3.

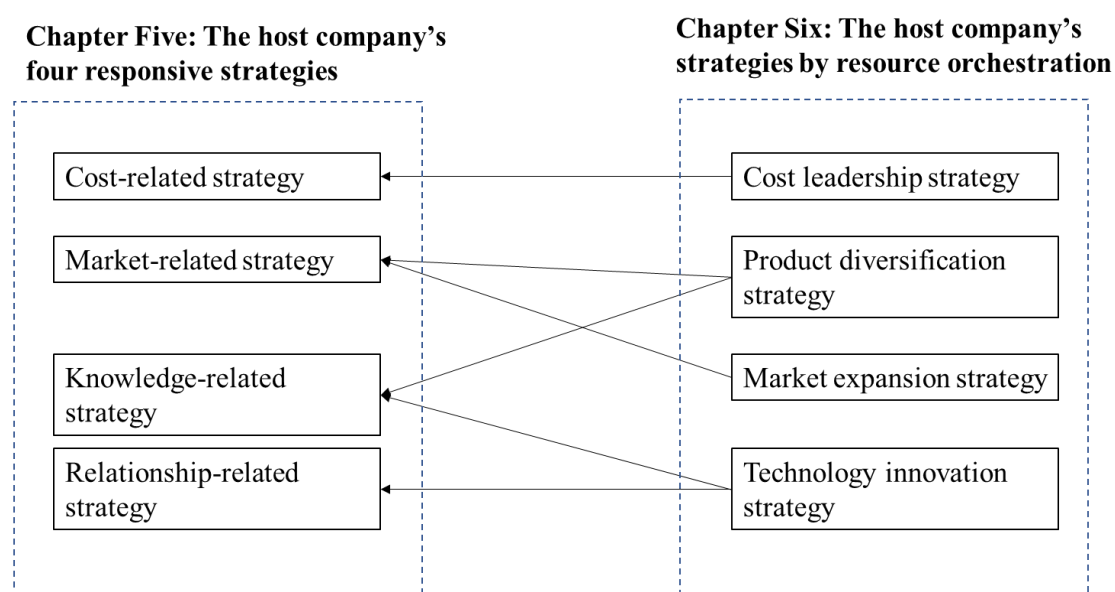
The multiple case study, presented as Chapter Six, explored how the four host companies orchestrate their resources to create and develop capability and recover competitive advantage in response to reshoring signals. Hence, theories of resource orchestration and Industrial Marketing and Purchasing (IMP) are adopted. Resource orchestration (Sirmon et al., 2011) helps understand how the case companies structured, bundled and leveraged resources they obtained from the offshoring network. The ARA model emphasis the interactions among actors in the network with activity links, resource ties and actor bonds (Håkansson & Snehota, 1995).

Four resources were generated from the data through the thematic analysis: financial resources, physical-asset related resources, knowledge resources and human resources. The value of the individual resources relies on their use and may further the relationship between the provider and the user (Håkansson & Snehota, 1995). Therefore, host company resource orchestration demonstrates at the very least an active, if not ambitious, attitude towards reshoring signals.

The relevant strategies to emerge from resource orchestration in Chapter Six are similar to that of the four responsive strategies generated in the previous chapter, Chapter Five

(as depicted in Figure 7.2): a cost leadership strategy for cost control being cost-related. The product diversification strategy of developing new products and meeting customers' requirements for market expansion is a market-related strategy. During this process, new technology and innovation may be required so that it could also be classified as a knowledge-related strategy. A market expansion strategy is used to attract more clients and increase sales, which is nearly synonymous with a market-related strategy. The technology innovation strategy is knowledge-related. Meanwhile, developing and implementing new technologies based on knowledge resources obtained from the home company also implies a good relationship within the dyad because it involves the risks of IP protection and leakage. Consequently, this strategy may involve relationship maintenance and development.

**Figure 7.2. The relationship between the single and multiple case companies' strategies**



While recognising that the data and subsequent analysis of company Alpha contributed to both data sets, and that Alpha could then be seen as having undue influence on this observation, the point remains that convergence can be observed between the two explanatory approaches. The four responsive strategies that emerged through the thematic analysis in Chapter Five and those that emerged from the network of resource exchange in Chapter Six are remarkably similar, if not the same.

### ***7.2.2 The Host Company's Competitive Response within the Dyad***

How does the host company's competitive response to reshoring influence the dyad? Case company Alpha's responsive strategies proved to be effective. As described in Chapter Five, its parent company Beta partially reshored due to increasing costs in China. Alpha was forced to respond, although this response was not envisaged by Beta at the time. After Alpha's active response, Beta decided to again offshore. Alpha also strengthened the nature of its relationship with the other parent, company Gamma by expanding the Chinese and other Southeast Asian markets together. Alpha enhanced its unique significance in the network in an effort to make itself irreplaceable by strengthening activity linkages, resource ties and actor bonds with two home companies (Håkansson & Snehota, 1995). The host company's responsive strategies to reshoring are observed to significantly weaken the reshoring drivers to the extent that the home company's reshoring decision was reversed.

In the cross-case analysis, presented as Chapter Six, the host company's sole focus on cost leadership was insufficient to prevent reshoring. The home company still reshored or moved to a third country with yet lower costs. However, it appears to be less likely that the home company reshores when the host company adopts multiple rather than a singular strategy. Such mixed strategies let the host company create and develop new capabilities and competitive advantage and further provide new value to the home company and other actors in the network (Porter, 1979). This mix offers the host company more negotiation and bargaining power when working with the respective home company and making it irreplaceable – again.

### ***7.2.3 The Triadic Relationship with Clients in the Network***

In previous research, the need for a quicker response to customers is identified as one of the reshoring drivers, especially when the product's life cycle is short (Di Mauro et al., 2018; Gylling et al., 2015). In the multiple case study, a case company's business network was observed to include one more actor – the client in the discussion. Some host companies in cases had direct and close connections with clients, creating a triadic relationship. The financial, knowledge and human flows between the host company and the client were beneficial to the former and constructed a more stable network. The host company can orchestrate the resources it obtained in this network to enhance or

create its capabilities and competitive advantages. Also, by connecting to the client, the host company creates its uniqueness (Håkansson & Snehota, 1995) in the network, especially when the home company has no contact with the client, as was the case with Alpha-Gamma. Under such circumstances, reshoring or relocation may result in the home company losing clients or even the whole market, leading to yet greater reshoring barriers. Therefore, it is proposed that the likelihood of the home company's reshoring is further reduced when triadic relationships exist.

In summary, the host company's competitive responses and its pursuit of resource orchestration enhance its unique position in the network by creating and developing new capabilities, strategies and competitive advantages. This demonstrates an active and, at times, ambitious response to reshoring. In turn, these responses are observed to weaken the likelihood of the home company's reshoring by providing new value or creating additional barriers to reshoring.

### **7.3 THE RESIDUAL RESOURCE: OPPORTUNITIES OR RISKS?**

An available residual resource (ARR) is left behind by the home company when reshoring emerged in Chapter Three. The ARR then influences the subsequent development of the host company, and its response to reshoring. Four types of resources: financial investment; physical-asset related investment; knowledge; and, relationships can only be partially repatriated. Some home companies may seek to withdraw from their previous investment in the host country by selling premises and equipment or moving machines back to the home country. However, some resources, especially intangible and tacit knowledge and relationships, are sticky and not so easily recovered (Grant, 1996; Håkansson & Snehota, 1995; Jensen & Szulanski, 2004). The knowledge, technology and experience obtained by the host company and its employees cannot be unlearned (Casillas et al., 2010). These residual resources invariably are valuable to the host company and others who either acquire or achieve their access.

As discussed in Chapter Six, some case companies showed efforts to develop new capabilities and strategies while reshoring signals appeared and sought to keep their cooperative relationships with their respective home companies. It helps to understand how the host company would respond to the reshoring signals and maintain its position

in the network by creating value for the home company and its clients. How the interactions between the home and host countries lead to the ARR, and the subsequent response is elaborated upon in this section.

While discussing the reshoring decision-making process, previous research has assumed that static, not dynamic, conditions exist in the host country. Cost drivers in particular, such as total cost calculation, drivers and barriers (Barbieri et al., 2020; Ellram, 1995), were thought to remain constant. Boffelli et al. (2021) subsequently treated reshoring as a process to rectify the earlier mistakes of offshoring. Yet, one of the outcomes of reshoring for the home company could be a failure. The host company's responses were seldom mentioned, and then only in brief despite their impact on the home company's implementation, its further strategies and the outcomes. Therefore, reshoring should be considered within the dynamic dyadic interaction between home and host, of which the latter was recognised four decades ago through the contributions of Achrol et al. (1983) (as identified in Chapter Three).

### **Activity Adaption**

Strategic management is the process used to adapt to and/or create changes in a company's external environment (Chakravarthy, 1982). Adaption refers to mutual adjustments of activities in the business network, while recognising that the dynamic environment is critical to inter-firm relationships (Håkansson & Snehota, 1995). Most business relationships require mutual or unilateral adaption between two adjoining companies' operations (Hallén et al., 1991). Linked to TCE, activity adaption could result in idiosyncratic investment and asset specificity (Williamson, 1979), such as the unilateral or mutual investment in specific assets (e.g., machines, equipment and production procedures). Adaption also includes the reciprocal and trust-building processes between two firms (Hallén et al., 1991).

During the offshoring process, the two actors in the dyadic relationship, the home and host companies, adapt to each other by various means. The host company may need to adapt the production processes of products, purchase new equipment, and use new systems to meet the requirements of the home company, especially for the customisation of products (Frazier et al., 1988). Outwardly, the host company seems

to invest more during activity adaption, especially for a specific customer. However, this adaption process encourages or forces the host company to accumulate advantages in the market (Hallén et al., 1991). Meanwhile, activity adaption requires that the home company also adjusts its products, processes, and procedures according to the conditions and capabilities of the host company.

After reshoring, such activity adaption may be paused partially or completely. The home company's financial and physical-asset related investment, such as premises and machines, could be sold or moved back to the home company. This repatriation is beneficial to the home company to reduce lead times and inventory levels and improve customer satisfaction by responding more quickly (Di Mauro et al., 2018; Fratocchi et al., 2016). During this process, the home company seeks to re-embed itself in the home-country network. Such re-embeddedness may meet resistances or constraints, especially when the home-country actors have to make significant and costly adaptations (Baraldi et al., 2018; Hallén et al., 1991). Inter-firm adaption activities also build on a trust-forming social exchange (Hallén et al., 1991). The home company needs to develop new relationships in the home network, especially when its internal capacity is insufficient to reshore for insourcing and has to find local suppliers (McIvor & Bals, 2021).

By contrast, reshoring leads to more risks and difficulties for the host company because it faces losing contracts and hence profit. From the perspective of activity adaption, while adjusting its activities significantly to meet the requirements of the home company and investing in specific assets, such as machines and equipment, the host company may face a large loss on that earlier investment. To make up for the loss caused by reshoring, the host company needs to quickly find new clients or partners that require similar assets for production. It is a high possibility that such new clients are competitors of the previous home company.

### **Resource Interdependency**

Resource refers to all assets, capabilities, organisational processes, firm attributes, information, and knowledge controlled by a firm for implementing strategies. Resource value then depends on the abundance, heterogeneity and combinations (Håkansson &

Snehota, 1995) that emerge. A company's valuable, rare, inimitable and nonsubstitutable resources in the business network enhance its competitive advantage (Barney, 1991) and its significance to other actors.

During the offshoring process, the home and host companies enhance their resource interdependence by creating physical and immaterial resource interfaces, from inputs of raw material and components to the outputs of end products (Baraldi et al., 2018). When reshoring, the home company needs to create (or recreate) new resource ties in the home country. It has been noted that on occasions, it is difficult to reshore especially when key resources are no longer available in the home country (Baraldi et al., 2018). Ashby (2016) studied how a UK-based clothing SME reshored by supporting and helping local suppliers develop the necessary technologies and resources for production. However, reshoring may not be suitable for all home companies because rebuilding supply chains takes time, financial investment, and cooperation from local suppliers. Access to crucial resources, especially competent labour, is a barrier restricting the return to high-cost countries, such as those in Scandinavia (Engström et al., 2018). The original path-dependent interactions also limit the creation of new resource interfaces with other actors (Håkansson & Waluszewski, 2002). In addition, when the home company is involved in a resource constellation with joint resources ties, as established by multiple companies (Håkansson & Snehota, 1995), its reshoring decisions may influence the whole supply network and other actors directly and indirectly.

Similarly, the host company too has to face the loss caused by breaking previous resource ties and their interdependency. It needs to seek new clients and develop new resource ties involving the features of what it formerly had from the home company and/or seek to create a more innovative resource bundle. Having owned or had access to machines, equipment, production experience, technologies, and even supply channels of raw materials, the host company could be expected to produce similar products relatively quickly and create its own brand.

### **Knowledge Transfer and Innovation**

Knowledge transfer from the home company to the host company is inevitable (Nujen et al., 2018). The host company's technology innovation also creates value for actors

in the business network (Doh, 2005) and provides a source of external knowledge (Kinkel, 2012) to the home company. Studies have analysed knowledge transfer within offshoring and reshoring, such as those by Mukherjee et al. (2017) and Nujen et al. (2018). However, the loss of innovation potential and IP risks are also identified as providing motivation for reshoring (Di Mauro et al., 2018).

Mukherjee et al. (2017) analyse the home company's external knowledge search motives (exploitation vs exploration) and host country embeddedness (low vs deep). As a result, they identify four types of knowledge outcomes in offshoring: knowledge replication, refinement, renewal, and recombination. Clearly, the more knowledge is transferred to the host country, the more risks the home company encounters when reshoring because knowledge cannot be unlearned (Casillas et al., 2010). The home company may use ownership, relational governance and IP property to protect its technology. However, when reshoring, the costs of attempting to withdraw such knowledge is high and unpredictable. Nujen et al. (2018) mention that one of their case companies needed to pay a significant sum to the host company to 'take back the transferred technology' after less than one year of cooperation. Further, another company had to keep 50 employees in the host country monitoring equipment to protect knowledge and technical competence. When reshoring, the home company needs to be ready to resume technical operations and advanced manufacturing (Nujen et al., 2018). The earlier offshoring, especially if it was a national level trend, may lead to difficulties in recruiting experienced or skilled workers in the home country (Benstead et al., 2017).

The host company benefits from knowledge transfer by learning new technologies, improving production efficiency, and enhancing its own competitive advantage. After reshoring, some technologies protected by international IP law could be forbidden to host company use. However, the technologies used to improve efficiency and learnt by technicians are likely to have merged with the host company's production procedures and can not be taken back by the home company. The host company could develop new technologies and innovation, increasing the interdependency between the two companies and creating reshoring barriers for the home company. The case companies

Alpha, Delta and Eta, discussed in Chapter Six, used this strategy to keep their competitive advantage in their respective markets.

### **Relationship Stickiness**

Though widely used in strategic management research, relational governance has not been considered in the analysis of home and host company interactions. Ashby (2016) emphasises the ties in the home supply network and how to engender trust, reciprocity and shared meanings during the reshoring process based on social network theory. However, the breakdown of original ties and trust in the reshoring process is not discussed. When the home company decides to move back, specific routines and relationships in the host country are broken up. The home company needs to create new ties and connections in the home country. Conflicts may appear in both the home and host company networks (Baraldi et al., 2018).

Actor bonds in the business network determine trust and commitment between companies with relationship development (Håkansson & Snehota, 1995). Meanwhile, trust provides the foundation for knowledge sharing and transferring (Cheng et al., 2008). The business relationships are continuous exchange processes (Håkansson & Östberg, 1975; Hallén et al., 1991). The dynamic and interactive relationship between the home and host companies could be reconsidered through the concept of relationship stickiness (RS). Jensen and Szulanski (2004) define knowledge stickiness as the degree of difficulty to transfer such knowledge assets. Martin et al. (2020) defined RS as the degree of stickiness in business relationships. In the current study, RS is defined as a degree of adaption and interdependency between the home and host company in the current study. The greater the RS, the lower the probability of reshoring and a longer inter-firm offshoring relationship is expected. But the measurement of RS is not just dependent on the home company's decisions and strategies. Both actors involved in the relationship, the home and host companies, impact RS simultaneously.

When the RS degree is high, the dyadic relationship between the home and host countries is sticky, and the switching cost for reshoring is high. The high RS could be caused by the uniqueness of the host to the home company; a high level of knowledge transfer; or, the influence of the host company on other actors in the network. The case

company Alpha is a good example. Alpha is a subsidiary company used to explore the Chinese market by Gamma, through which it consolidated its unique position. While absorbing the knowledge transferred by Gamma, Alpha also conducted its own technology development and innovation. Alpha established close contacts with its Chinese clients and franchises in Southeast Asian countries, strengthening its position in the business network.

The home company's reshoring decisions may also erode the host company's relationships in the network. The extreme situation is the host company losing the whole business network due to the home company's dominance. The host company could also set out to find new clients, perhaps even competitors of the home company, or develop its own brand to compete with the home in the domestic or global market. For example, the host company Positec Tool Corporation, located in Suzhou, China, used to manufacture products for Bosch and Black & Decker as an OEM. It developed its own brand of lawn and garden equipment Worx, in 2004. Worx products are now sold in over 100 countries (*Made in China - The huge but vulnerable Chinese manufacturers*, 2020).

The ARR left by the home company in the host country deserves careful consideration and calculation. Abandoning activities, resources, relationships, and knowledge in the host country may give the host company or other competitors opportunities to compete with the home company in the market, especially when the host company has obtained essential resources to continue the original production process.

The ARR produced by each of activity adaption, resource interdependence, knowledge transferring and innovation and relationship stickiness brings opportunities and risks to both the home and host companies, as shown in Table 7.1. The offshoring process provides the host company with opportunities to develop capabilities, improve technologies and access the global network. Arguably no longer constrained, should it choose to do so, by the home company. Reshoring may force the host company to work with the home company's competitors or even build a new brand to compete with the home directly. Therefore, the home company needs to treat the reshoring decision cautiously. Based on the analysis presented in this research, the home company may

be better cooperating with the host for a win-win situation and avoid the host working with other competitors or competing with the home in the market, especially when the host owns resources, knowledge and relationships and responds to reshoring signals actively.

**Table 7.1. Opportunities and risks emerging from the available residual resource (ARR)**

	ARR	The home company		The host company	
		Opportunities	Risks	Opportunities	Risks
<b>Activity Adaption</b>	The home company's idiosyncratic investment and asset specificity may not be fully recovered.	The home company could have benefited from reshoring decisions by reducing lead time and inventory level and improving customer satisfaction by responding quickly.	The home company need to be re-embedded into the home network and may meet resistances or constraints.	The host company could find new clients seeking similar specific assets or production procedures. It is a high possibility that new clients would be the competitors of the home company.	The host company may face the loss of previous investment in specific assets for the home company, such as machines and equipment, production procedures, and employee training.
<b>Resource Interdependency</b>	The home company may leave the original resource network in the host country.	The home company could get access to the local resources and establish a local supply network.	The home company may have difficulties finding key resources in the home country. While the home company is involved in its resource constellation, its reshoring decision may influence the whole supply network and other actors directly and indirectly.	The host company could search for new clients to use the original resources or develop existing ones with new features.	The host company may face the loss caused by breaking previous resource ties and interdependency.

<b>Knowledge Transfer</b>	Some knowledge and technologies transferred to the host company cannot be unlearned and must be left.	The home company could get control over technology and innovation potential.	The home company may lose control over the knowledge transferred to the host company, especially when it relates to its core competence. Also, the home company may have difficulties recruiting experienced or skilled workers in the home company.	The technologies used to improve efficiency and learned by technicians have merged with the host company's production procedure and cannot be taken back by the home company. Also, the host company could develop technologies and innovations.	The host company cannot continue to use the technologies protected by IP laws and may lose technical advantages.
<b>Relationship Stickiness</b>	The home company may lose part of or the whole relationship network in the host country.	The home company could develop relationships with suppliers in the home context to realise the benefits of reshoring.	When the degree of RS is high, the switching cost for reshoring would be high. Also, the home company may have difficulties finding suitable suppliers in the home network.	Depending on the previous connections and relationships in the business network, the host company could find new clients or develop its own brand.	The host company may lose some relationships in the business network.

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#### **7.4 FUTURE RESEARCH DIRECTIONS**

To our knowledge, this research is the first to study the reshoring phenomenon entirely from the perspective of the host company. It emphasises the significance of the host company's responsive strategies and its influence on the home's reshoring decision, the development of their dyadic relationship and the extended network. ARR is identified through case analysis and discussion. More studies on the host company from new perspectives may help to understand offshoring and reshoring further.

Firstly, the cases in this study reveal the importance of the middle managers in the host companies with the ownership of insourcing. Three case companies in Chapter Six were subsidiaries of their parent companies. Their highest managerial position and some TMTs were appointed by the home companies and rotated every 5-6 years. It meant that they would return to the home company and country after completing the respective terms. On the contrary, the middle managers were local and had worked for these host companies for many years. Hence, the reshoring decisions made by the home company would have a more significant impact on the middle managers than TMTs. If the home company reshores, these TMTs can return to the home company to continue their work there. However, the middle managers would lose their jobs and income in the host country. The middle managers have a greater intention to stop the home company's reshoring decision than TMTs. The roles and influence of middle managers from the host companies deserve further research. More theories of organisational behaviour and human resource could be applied here. Moreover, they may influence the position and power of the subsidiary in the business network. The influence of the middle managers on the relationship between the headquarter and the subsidiary during offshoring and reshoring could also be a research direction.

Secondly, the home company may make forced reshoring decisions. The forced reshoring and strategy may be caused by various reasons. For example, the home company's government suddenly increases tariffs on the host company's products. An unstable political environment in the host country may also force the home company to reshore. Such reshoring situations and the host company's responses have not yet been studied. Future research may explore forced reshoring from the perspective of both the home and host companies.

Thirdly, Section 7.3 discussed ARR. Four interactions within the dyadic relationship, including Activity Adaption, Resource Interdependency, Knowledge Transfer and Innovation and Relationship Stickiness, lead to ARR, which could be regarded as opportunities and risks to both home and host companies. It provides the theoretical foundation for future survey-based research around ARR by developing relevant propositions or hypotheses.

Fourthly, previous research has emphasised the importance of costs when the home company makes offshoring and reshoring decisions (Kinkel & Maloca, 2009; Zhai et al., 2016). However, other factors still influence the home and host companies' strategies. For example, Tate et al. (2014) also argue that factor market rivalry, occurring when firms compete for the same resources, causes offshoring and reshoring decisions. Future research could explore the role of factors during offshoring and reshoring.

Last but not least, four case companies were analysed in Chapter 6. Three of them are in the manufacturing section, and one is a trading service company. Most previous research focuses on reshoring in the manufacturing or Textile, Clothing, Leather and Footwear (TCLF) industry. In the early 2000s, more and more business service functions were offshored to overseas countries, including accounting, finance, human resource management, sales, after-sales services and call centres (Kotabe & Mudambi, 2009). The offshoring and reshoring decision-making, implementation and outcomes may be different between manufacturing and service home companies. Correspondingly, the host company's responsive strategies could also vary. Future research could explore the distinction between manufacturing and service offshoring and reshoring.

## **7.5 SUMMARY**

The comparison between offshoring and procurement at the start of this Chapter demonstrates that the nature of involvement of the home company in the host country unintentionally results in the ARR. Therefore, a new characteristic of reshoring emerges, namely, that reshoring is accompanied by the probability that the available

residual resource (ARR) introduces a source of risk and/or competition to the home company.

The primary research question of the host company's competitive responses to reshoring at the firm level was explored in Chapters Five and Six. The host company perspective pursued in this research revealed the dyadic relationships, and on occasion, one described as being triadic. The host company was identified as responding to reshoring signals actively and orchestrating resources obtained in the business network to create and develop new capabilities, strategies and competitive advantage. Such competitive responses enhance its unique and significant position in the network and demonstrate that host company responses cannot be neglected from either reshoring research or practice.

Reshoring brings opportunities and risks to both the home and host companies. The strategies are not static. As observed with the cases in Chapters Five and Six, and expanded upon in this chapter, the host company will respond dynamically through resource orchestration to recover capabilities and restore competitive advantage within and beyond the network. The dyadic interaction that may have been responsible for the creation of the host company at the outset of reshoring is also responsible for the host company seeking to recover competitiveness. The two companies are, on occasion, bound by exchanges of activity adaption, resource interdependency, knowledge transference and innovation, and relationship stickiness. The network resource bundle created when offshoring becomes a barrier, albeit one that is arguable all the more competitive, when reshoring. The available residual resource (ARR) is built upon by the host company to recover its position in its network. These four types of resources may bring both opportunities and risks to the two actors within the dyad, something that needs careful consideration by the home company. A win-win situation may exist – the early trade theorists' position of positive-sum gain - for both companies by maintaining cooperation rather than reshoring, especially when the host company responds to reshoring actively and owns or has the capability of acquiring vital resources with which to compete.

## CHAPTER EIGHT: CONCLUSION

### 8.0 RESEARCH FINDINGS

Offshoring has been regarded as one of the most important and effective strategies for firms to acquire access to abundant resources, low-cost labour, open business environment, and potential markets. However, the appearance of the reshoring phenomenon provokes new challenges to academic research. Reshoring is a relatively new topic, with research only being undertaken since 2007 and an increasing number of academic papers appearing since 2013. Although researchers have explored different theoretical perspectives and research questions, the accelerating number of reshoring studies remain fragmented and interdisciplinary. Further, many aspects of the reshoring phenomenon remain under-researched. This research project began in 2017 in parallel with the development of reshoring studies, and at that time, the omission of the host company response was not considered.

Only after reviewing the theories of international expansion, offshoring and reshoring was the omission of the host company in the extant literature recognised. That previous research focuses almost entirely on Western firms' offshoring, and subsequent reshoring strategies should, perhaps, not be surprising. However, within an interactive dyad, the host company was suspected of influencing the home's decisions and strategies and deserved further exploration. And, it is within the dyad, a concept embraced by all theories of economic and business exchange, that curiosity was piqued. Theories were not being applied holistically, and research appears to have been conducted using either secondary data or when access to Western companies had been granted. The host company, whether it is in a developing nation or Eastern Europe, and its response was found to be being ignored.

The content-analysis based literature review in Chapter Three, titled "*The Host Company Omission from Reshoring*", provides a state-of-the-art understanding of the research topic, constructs the current study's knowledge base, and identifies research gaps. Thirty-four cases in 17 published papers were reviewed. The rich descriptions were expected to provide the basis for further research, not provide the particular research gap pursued by this research. The literature review explored the dyadic

relationships in these cases by using the framework-based review method of “5W1H” questions. It was expected that extant case-based research would provide analysis from both the home- and host-company perspectives. However, after reviewing the 34 cases, only seven cases placed minor focus on the host company, and two cases reported on the host company’s broad response to reshoring by the home company. But within the dyadic relationship, the processes of resource exchange, activity linkage, knowledge transfer, and trust-building are unavoidable, irrespective of ownership (insourcing or outsourcing).

The content-analysis based literature review undertaken as part of this research project reveals the omission of the host company in previous research, of which the latter assumes the host company is a silent and submissive actor, passively accepting the home company’s decision to reshore. However, what happened, what is happening, and what will happen within the host company and host country was suspected to significantly influence the home company’s outcomes because a firm’s strategic decisions are not unilateral and ought to include responses to the external environment. Exploring the reshoring phenomenon from the perspective of the host company brings a new dimension to international business research and provides a fuller understanding of this phenomenon.

It is impossible for the home company to repatriate all resources back to the home country. There tends to be an unavoidable available residual resource (ARR) left in the host country, including financial investment, physical-asset related resources, knowledge sharing resources, and relationship resources. Based on the findings of this literature review, the research gap was identified. The primary research question emerges as the opportunity to explore the *host* company’s responses to reshoring. The following two case studies developed further specific research questions derived from the aim of the research.

Chapter Five, “*An Exploration of the Host Company’s Response to Reshoring*”, provides a single case study that explores the host company’s competitive responses within the dyadic relationship and their influence on the home company’s decisions. The exemplar case company (Company Alpha) is located in Shanghai, a critical

location preferred by Western companies to which to offshore their manufacturing activities. Company Alpha has experienced its two home companies' strategies of offshoring, reshoring and offshoring again. Using data collected from the semi-structured interviews, internal documents, financial data, purchasing data, and public information, a thematic analysis was conducted to identify the case company's responsive strategies. These emerged as being cost-related, market-related, knowledge-related, and relationship-related. Besides the widely used traditional IB theories, the eclectic paradigm, TCE, and RBV in reshoring studies, KBV and the relational mechanism were also used for data analysis and discussion. The four responsive strategies proved to be effective and influenced the two home companies' decisions. The findings show that the host company responds to reshoring actively and effectively and can influence the home company's decision to reshore.

Chapter Six represents a further published paper, "*Host company responses to reshoring: Recovering competitiveness through resource orchestration*", and employs a multiple case study to explore the host company's resource orchestration in response to imminent reshoring signals. The four host companies all encountered increasing costs and eventual loss of their original competitive advantage. The thematic analysis identified four dimensions of resources the host company acquires from the offshoring network: financial resources, physical-asset resources, knowledge resources, and human resources. The host company was seen to access these resources from not only the home company but also client companies, another vital actor in the network. While the host company communicates with the client and sells the home company's products directly, this exchange creates a triadic relationship that is more stable than a dyadic and happened to be one in which the home company had no contact with the client. Under such circumstances, the home company is exposed to more barriers to reshore because it may lose clients and market share as well as the host-company relationship. Moreover, the cross-case analysis showed that the host company is able to create and develop new capabilities and strategies by bundling, structuring, and leveraging its resources rather than purely relying on the cost leadership strategy. Again, instead of a passive and submissive approach, some of the case companies showed active and even ambitious responses to the reshoring trend.

A hitherto unrecognised distinction between procurement and offshoring also emerged in this research. This research suggests that a new characteristic be added to the definition of reshoring: that reshoring is accompanied by *the risk of the available residual resource (ARR) being left in the host country*. The available residual resource leads to a myriad of potential risks and new competition from the host company in the host market or even the home market. Previous research assumes that reshoring brings benefits to the home company and loss to the host company. However, the current study argues that the ARR caused by activity adaption, resource interdependency, knowledge transferring and innovation, and relationship stickiness within a dynamic dyad brings both opportunities and risks to the home and host companies. Meanwhile, when making reshoring decisions, the home company needs to consider the possible ARR left to the host company and its consequence. A win-win situation may exist and bring more benefits to both companies than reshoring, especially when the host company responds actively, especially when it owns vital resources or can create them to compete with the home company.

## **8.1 CONTRIBUTIONS**

The extant literature and theories in international business and strategic management primarily focus on the home company and country. It is understandable because the Western countries, especially the USA and European developed countries, have dominated the global economy in the past century. Most international business theories were developed based on the international expansion of Western home countries and companies, especially MNEs. While host countries are often emerging economies and developing countries, the host company has been widely treated as a passive, silent, and submissive player. This could well be true at the beginning of each of the three offshoring waves. But their responses to the home company's strategies were ignored. With the advent of economic development in some host countries, such as China, the host company is beginning to obtain more resources, financial support, and negotiation power in the business relationship than before. If the home company continues to ignore the responses of the host company in its strategic evaluation, the reshoring decision may lead to failure. The current study took the first step to bring the host company into the academic research and lets what has been unilateral research turn into a bilateral dialogue.

### ***8.1.1 A New Dimension – The Host Company***

The main contribution of this research was to identify and add a new dimension to reshoring research - the role and influence of the host company - widely ignored in previous research. The extant literature has explored the reshoring phenomenon from different perspectives. However, the focus of *all* these studies is the home company, and country. The previous research assumes implicitly that the host company would accept the home company's decisions passively, which has been found to be incorrect.

In the business network, the interactions among actors are essential and unavoidable, leading to adjusting companies' strategies and mutual adaption. When the home company changes its strategy and considers reshoring, the host company must employ responding strategies to maintain its position in the network and minimise any possible loss. Such responses, in turn, have an influence on the home company and other actors in the network. This research fills the gap in knowledge and brings the host company into the scope of reshoring research in the form of an active participant.

### ***8.1.2 New Theoretical Perspectives***

New theoretical perspectives in reshoring research were adopted. The eclectic paradigm, TCE, and RBV are commonly used in reshoring studies. Other theoretical perspectives, such as contingency factors, social network theory, knowledge, flexicurity, innovation, and behaviour theory, have also been used. Besides the frequently used theories, the KBV, relational governance, resource orchestration, and IMP were found to be of use in understanding the host company response. New theoretical perspectives provide different insights and understanding on the reshoring phenomenon and emphasise how the host company seeks to influence the network.

The KBV emphasises the importance of knowledge transference and innovation in the processes of offshoring and reshoring. Since knowledge cannot be unlearned by the host company, the home company faces the risk of losing technological advantages or IP leakage, especially when the technologies are central to core competence. From knowledge obtained from the home company and possibly its clients, the host company develops its new technical competitiveness. Relational governance brings to the fore trust and commitment accumulating between the two actors within the dyad. The

resulting relationship may lead to actor bonds that are not easily dissolved. Breaking a relationship involves costs and risks that have not been considered in previous reshoring studies. Resource orchestration refers to the management of resources to obtain competitive advantage. The emergence of reshoring drivers is symptomatic of a host company losing its competitive advantage. By acquiring, bundling and leveraging resources obtained from the offshoring network, the host company is able to rebuild its core capabilities and restore its competitive advantage to maintain its position in the business network. Lastly, IMP, especially the ARA model, considers the interactive relationships among the actors and emerged as being suitable for the analysis of the dynamic development shoring.

### ***8.1.3 Data Collection in the Host Country***

The primary data for this study were collected in the host country, China. Four Chinese case companies agreed to participate in this research. Though secondary and tertiary data related to the host company and country have also been used, Chapters Five and Six present the first papers using the host company's primary data to explore reshoring. The contributions from the respondents fill in the research gap and provide new perspectives and insights to the conduct of the reshoring studies completed to date. The learnings to emerge from this research further reinforce the early observation that a curious omission existed. The neglect of the host company from reshoring studies remains an anathema. However, while this research was conducted on host companies in China, the response observed is unlikely confined to those just in China. Why wouldn't similar responses be being conducted by companies being reshored from elsewhere?

To be sure, there is no doubt that access was enabled by the researcher's background. But the ease of access remains a surprise, one in which the companies and their managers freely provided data and insight as requested. Early ambitions of doing more cases were curtailed by the emergence of the SARS-CoV-2 virus; the concentration of Japanese home companies a mere coincidence.

## **8.2 LIMITATIONS AND FUTURE RESEARCH**

The study's limitations are related to the data source, research scope, and research methods. Firstly, the data source limitation in Chapter Three emerges from the cases used in the content analysis. Each of these was conducted and published from the perspective of the home company. The information and analysis provided about the host company, as discussed, was and remains extremely limited. The case descriptions, findings and discussions all focus on the home company and home country. In order to fill in the research gap, the researcher sought to collect primary data in the host country. What is residing in the unpublished case notes, 34 cases in 17 papers, is known only to the researchers themselves. The publication of this research may precipitate more informed responses: Or not.

The primary data were collected in the four host companies in China. With limited time and financial support, the researcher was provided access to four case companies. Chapter Five is based on the data of Company Alpha, which provided the richest information. Alpha was then joined by three others for the multiple case study, presented as Chapter Six. Though these four cases provided rich information, future research could analyse cases with different conditions, such as a geographical spread, cultural polarity and sourcing beyond ownership. Case studies could also be replicated in other host Asian or European countries to obtain more knowledge and understanding on reshoring, to see if geographical and/or cultural dependencies emerge.

The current study focuses on the host company's responding firm-level strategies to reshoring. More research questions related to the host company could be considered and developed. In addition, the country-level responses could also be explored. For example, China has launched a government-led strategic project known as 'Made in China 2025' to develop technology and innovation with the ongoing reshoring trend. The effectiveness of this policy largely remains unknown; whereas the American position initiated by President Obama is being heralded as effective in returning jobs and opportunities to the US manufacturing sector.

Lastly, the study mainly adopted the case method. Other research methods, especially quantitative studies such as surveys, could be used to collect data from host companies;

and, test the hypotheses derived from the conceptual framework in Chapter Five and propositions in Chapter Six to provide new findings and insights. However, it remains unknown as to whether or not such a technique would produce real insight. Eisenhardt, Merriam, Stake and Yin all acknowledge that case research can produce richness and depth few other techniques can emulate. The real limitation is the challenge of generalisability to the broader population; and, hence, the opportunity for further work.

### **8.3 PRACTICAL IMPLICATIONS**

#### ***8.3.1 Implications for the Host Company and Country***

This research identifies competitive responsive strategies to reshoring for the top management teams (TMTs) of host companies, as presented in Chapter Five and Chapter Six. Instead of passively accepting the home company's decisions, the host company is capable of orchestrating resources, creating and developing new capabilities, adopting multiple strategies, and enhancing competitive advantage. By strengthening its position in the network, the host company may, in turn, become unique and non-substitutable to the home company and other actors.

During the offshoring process, the host company builds competitive advantage in the market by interactions with the home company, including activity adaption, gaining access to the home company's resources, learning technologies, advanced management skills and operations in the network, and developing relationship stickiness with other actors. Even though the home company may still decide to reshore one day, the host company needs, at least, to develop its own capability to find new clients in the market or develop its own brand.

Policymakers in the host country could also provide support to local manufacturers to apply these strategies. For example, the Chinese government is providing incentive policies and financial support to encourage Chinese manufacturers to develop technologies for long-term development, which will help China to realise industrial upgrading and scientific innovation.

### ***8.3.2 Implications for the Home Company and Country***

Instead of expecting a passive response to reshoring, as implied in previous research, the home company needs to consider active and competitive responses by the host company at the onset of the reshoring process. The entire process, whether activated or merely discussed, whether implemented partially or in whole leads to potential risks and the creation of significant barriers to reshore. Previous research conducted from the perspective of the home company has widely ignored this challenge. The home company could well be ‘locked in’ to the current relationship in a manner not previously considered.

While reshoring, the home company has to face not only opportunities but risks caused by ARR left in the host company permanently. In an extreme situation, depending on resources, knowledge and experience obtained from the offshoring network, the host company could compete with the home in the market – global, domestic, or local - especially when the host company has established cooperation with clients. Breaking the existing business connections in the host’s context may lead to higher costs than the home company has expected, something not recognised in either research or policies currently being advocated. It may well be better for the home company to consider reinvestment that enhances host company performance to overcome difficulties caused by emerging reshoring drivers, thereby reducing the likelihood of future competition from the host—something no researcher has acknowledged to date.

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# APPENDICES

## Appendix A: Ethics Notification



Date: 03 December 2018

Dear Lei Zhang

Re: Ethics Notification - SOA 18/74 - Exploring offshoring and reshoring phenomena: Drivers and decision-making processes

Thank you for the above application that was considered by the Massey University Human Ethics Committee: Human Ethics Southern A Committee at their meeting held on Monday, 3 December,

Approval is for three years. If this project has not been completed within three years from the date of this letter, reapproval must be requested.

If the nature, content, location, procedures or personnel of your approved application change, please advise the Secretary of the Committee.

Yours sincerely

Professor Craig Johnson  
Chair, Human Ethics Chairs' Committee and Director (Research Ethics)

## **Appendix B: Request Letter - English**

To Whom It May Concern:

We would like to invite your firm to participate in our research on offshoring and reshoring. It is undertaken by Lei Zhang (Lisa), a PhD student in the School of Management at Massey University, New Zealand, with the support of her supervisors Dr James Lockhart and Dr Wayne Macpherson. The aim of the research is to explore the drivers of offshoring and reshoring decisions by foreign companies in China, their influence on Chinese companies and the responses of Chinese companies. Offshoring implies that a firm chooses to complete its operations in a distant country. Reshoring is defined as the voluntary (i.e., not forced by host country governments) decision to relocate partial or total, what was offshored production or service activities to a firm's home country or nearshore countries. The research target firms include 1) Chinese enterprises providing production services for foreign enterprises, including OEM and selling semi-products and components; 2) Joint ventures or wholly-owned enterprises of foreign companies in China. We hope our research will make contributions to academic theories and business management practices.

The research will be conducted using a multiple case approach. We sincerely invite your company to participate in this research project. Meanwhile, we would like to ask your permission to allow us to get access to the relevant internal documents, including accounting data, intra-firm and inter-firm correspondence from emails, project plans and other documents which may have a significant influence on shoring-strategy decisions. All information and internal documents related to the firm and the participant will be treated confidentially and will be fully anonymised. Please also find more detailed information about this research in the INFORMATION SHEET attached.

Your participation and contribution will be significant to this academic research, and we would be grateful for your assistance, time and support. Please send your reply to [l.zhang2@massey.ac.nz](mailto:l.zhang2@massey.ac.nz). Thank you so much, and we look forward to hearing from you soon!

Sincerely,

Lei Zhang (Lisa)

PhD Candidate of Massey Business School, Massey University

## Appendix C: Request Letter – Chinese

### 邀请函

您好！我们诚挚的邀请贵公司参与关于国外企业在中国离岸经营和回流现象的研究项目。此次研究主要由新西兰梅西大学的在读博士生张磊（Lisa Zhang）负责，并得到了博士导师 James Lockhart 博士和 Wayne Macpherson 博士（梅西商学院）的支持。研究的目的是旨在探索国外企业选择在中国离岸经营和回流现象的动机，对于中国企业的影响和中国企业的应对措施。离岸经营主要是指一个企业选择在另一个国家完成业务操作过程。回流是指一个企业自愿选择（不是由于政治因素或政府要求），将之前离岸操作的部分或全部生产或服务活动转移回本国。此次研究对象主要包括：1）为国外企业提供生产服务的中国企业，包括为国外企业代工，向国外企业销售半成品和产品零部件等；2）国外企业在中国的合资企业或独资企业。我们希望此次研究可以对于学术理论和商业管理实践做出一定的贡献。

此研究项目将采用多案例研究分析的方法。我们诚挚的邀请贵公司参与本次的研究项目。同时，我们希望您能向我们提供有利于此次研究的一些内部资料，包括但不限于会计数据、企业内部和企业之间的来往邮件、项目计划书和其他对于公司相关决策有重大影响的文件。是否提供这些资料是完全基于您和贵公司自愿的基础上。所有和贵公司及参与访谈者相关的信息和内部资料将被完全保密和匿名。附件的《调研项目介绍说明》提供了更多与本次研究项目相关的信息。

贵公司的参与和贡献将对此次的研究项目有着重大的影响。我们将非常感激贵公司的协助、时间和支持。请回复贵公司的决定至 [lzhang2@massey.ac.nz](mailto:lzhang2@massey.ac.nz) 或 [32536121@qq.com](mailto:32536121@qq.com)。我们期待您的回复！

此致  
敬礼！

张磊  
博士研究生，梅西大学商学院

## **Appendix D: Information Sheet - English**

### **Researcher Introduction**

This research project intends to explore the reshoring phenomena from the perspective of the host company. It is undertaken by Lei Zhang (Lisa) who is a PhD student in the School of Management at Massey University, New Zealand with the support of the supervisors Dr James Lockhart and Dr Wayne Macpherson (Massey Business School).

### **Project Summary**

This research focuses on offshoring and reshoring phenomena, which are currently attracting much attention from scholars, mass media and policymakers. Offshoring implies that a firm chooses to complete its operations in a distant country. Reshoring is defined as the voluntary (i.e., not forced by host country governments) decision to relocate partial or total, what was offshored production or service activities to a firm's home country or nearshore countries. Though scholars have studied offshoring strategy for decades, the appearance of the reshoring phenomenon (the reverse of offshoring) provides new challenges to existing literature and theory.

A large number of foreign enterprises chose China as the host country of offshore operation. The main reasons include China's relatively low labour costs, abundant resources and governmental incentive policies etc. But in recent years, some enterprises decided to move part or all of their production and operation activities in China back to their home countries. Previous academic studies have focused on the decision-making motivations of foreign firms. The purpose of this research project is to explore the motivations of foreign enterprises to reshore from the perspective of the host company, its challenges and responses.

### **Invitation to Participants**

You are sincerely invited to participate in this project. We would be grateful for your participation and contribution to this academic research.

### **Participant Identification and Recruitment**

This project will study how Chinese enterprises respond to foreign enterprises' reshoring decisions. The researcher plans to conduct a multiple case approach. Target firms are 1) Chinese enterprises providing production services for foreign enterprises, including OEM and selling semi-products and components; 2) Joint ventures or wholly owned enterprises of foreign companies in China.

### **Risks to the Participant**

The participants will be interviewed with semi-structured and open-ended questions, which are related to corporate strategies and business decisions of the firm. Some of these questions may involve confidential information about the participant and the firm. The participant has the right to refuse to answer any questions or withdraw from the research during the interview or before the phase of data analysis. In addition, this research will require permission from the target firms to get access to internal documents, including but not limited to accounting data, intra-firm and inter-firm correspondence from emails, project plans and other documents which may have significant influence on shoring-strategy decisions.

**The names of the firm and the participant will be kept anonymous. Moreover, all information (including internal documents) will be treated confidentially and will be fully anonymised.**

### **Research Procedure**

The email including Information Sheet and Consent Form will be sent to the participant to obtain the permission for participation. Before the interview, the Interview Question List will be sent to the participant, who has the right to refuse to answer any questions. The participant will be interviewed individually for about one hour. Preliminary case study reports will be sent to the participant to verify information accuracy. The firm and the participant have rights to decide which content in the preliminary reports should be excluded from the final paper.

### **Data Management**

The interview will be recorded with the permission of the participant. The researcher will securely keep information and data obtained during the research. Backup copies will also be made. If the firm or the participant wishes to withdraw from this research project, all relevant

information and data will be unused and destroyed. The firm and the participant have the right to get access to all data at any time.

### **Participant's Rights**

You are under no obligation to accept this invitation. If you decide to participate, you have the right to:

- decline to answer any particular question;
- withdraw from the study during the interview or before the phase of data analysis;
- ask any questions about the study at any time during participation;
- provide information on the understanding that your name will not be used unless you give permission to the researcher;
- be given access to a summary of the project findings when it is concluded.
- ask for the recorder to be turned off at any time during the interview.

### **Research Contact**

If you have any enquiries regarding this research, please feel free to contact the researcher:

Lei Zhang (Lisa)

[REDACTED]

[REDACTED]

Email: [lzhang2@massey.ac.nz](mailto:lzhang2@massey.ac.nz)

### **Approval Statement from Massey University Human Ethics Committee**

This project has been reviewed and approved by the Massey University Human Ethics Committee: Southern A, Application SOA 18/74. If you have any concerns about the conduct of this research, please contact Dr Lesley Batten, Chair, Massey University Human Ethics Committee: Southern A, telephone +64 63569099 x 85094, email [humanethicsoutha@massey.ac.nz](mailto:humanethicsoutha@massey.ac.nz).

## **Appendix E: Information Sheet - Chinese**

### **调研项目介绍说明**

#### **研究人员介绍**

此次的调研的目的是从接包方企业的角度研究企业的离岸经营和回流现象，主要由新西兰梅西大学的在读博士生张磊（Lisa Zhang）负责，并得到了博士导师 James Lockhart 博士和 Wayne Macpherson 博士（梅西商学院）的支持。

#### **项目介绍**

此次调研的研究内容是离岸经营和回流现象。目前，这方面的研究已经吸引了大量学者、媒体和政策制定者的关注。离岸经营主要是指一个企业选择在另一个国家完成业务操作过程。回流是指一个企业自愿选择（不是由于政治因素或政府要求），将之前离岸操作的部分或全部生产或服务活动转移回本国。尽管学者们已经研究离岸策略很多年了，回流现象（离岸的反操作）的出现对于现在的学术理论提出了新的挑战。

大批的国外企业选择中国作为离岸经营的所在国。主要的原因包括中国相对较低的劳动力成本，丰富的资源和政府提供的优惠政策等。但是近几年来，有部分的企业选择将在中国的生产经营活动部分或全部转移回本国。之前大量的学术研究集中在国外企业的决策动机。此次的研究项目旨在从接包方企业的角度探索国外企业回流的动机，接包方企业未来面临的挑战和应对之策。

#### **诚挚的邀请**

我们诚挚的邀请您参与此次的调研项目。您的参与将对于此次的学术研究有着重大的贡献。

#### **参与者相关信息和招募过程**

此研究项目将主要研究中国企业如何应对国外企业的回流现象。这项研究计划采用多案例研究方法，从中国企业的角度探索国外企业回流的动机。研究对象主要包括：1）为国外企业提供生产服务的中国企业，包括为国外企业代工，向国外企业销售半成品和产品零部件等；2）国外企业在中国的合资企业或独资企业。

#### **参与者可能面临的风险**

参与者将接受一次访谈，内容主要包括半结构式和开放式问题。这些问题将和公司策略和商业决定有关。一些问题也许涉及到公司和参与者的机密信息。在访谈或数据分析开始之前，参与者有权拒绝回答任何问题或退出此研究项目。另外，此次研究将希望获得参与企业的同意，能允许研究人员查询其内部资料，包括但不限于会计数据、企业内部和企业之间的来往邮件、项目计划书和其他对于公司相关决策有重大影响的文件。

**公司和参与者的名字将完全保密。同时，所有企业和参与者提供的信息（包括企业的内部文件）将完全保密和匿名。**

### 研究过程

研究人员将给参与者发送一封邮件，其中包括《调研项目介绍说明》和《参与者知情同意书》。参与者在阅读了相关信息后，可决定是否参与此次研究项目。在访谈之前，参与者将收到访谈问题。**参与者有权拒绝回答任何问题**。参与者将接受大约一小时的个别访问。案例研究原始报告将发给参与者，确认其中相关信息的准确性。参与的此次调研项目的公司和个人有权决定初级报告中的哪些内容不可以包括在最终的研究论文中。

### 数据管理

在参与者的允许下，整个访谈过程将被录音。研究人员将在研究过程中妥善保管相关信息和数据。为了研究需要，数据也将被妥善备份。若参与此次研究的公司或个人决定退出此次研究项目，所有的相关信息和数据将不被使用，并被销毁。参与此次研究的公司或个人有权在任何时候要求获得和自己相关的数据信息。

### 参与者的权利

您没有义务必须接受此次邀请。如果您决定参与此次的研究项目，您拥有如下的权利：

- 拒绝回答任何特定的问题；
- 在访谈或数据分析阶段开始之前可退出此次研究；
- 在参与过程中询问任何和研究相关的问题；
- 除非得到您的同意，在任何研究报告中，您都不会被具名；
- 当项目的研究结果完成后，您将获得一份摘要；
- 在访谈过程中，您有权在任何时候要求终止录音。

### 研究人员联系方式

如果您有关于此次研究项目的任何问题，请您联系以下研究人员：

张磊 (Lisa Zhang)

[REDACTED]

[REDACTED]

Email: [lzhang2@massey.ac.nz](mailto:lzhang2@massey.ac.nz)

### 梅西大学人类道德委员会批准声明

此次研究项目得到了梅西大学人类道德委员会的评估和批准：编号南部 A, Application SOA 18/74。如果您有任何关于此次研究的问题，请您联系 Lesley Batten 博士，梅西大学人类道德委员会（南部 A）主席，联系电话 +64 63569099 x 85094, email [humanethicsoutha@massey.ac.nz](mailto:humanethicsoutha@massey.ac.nz)。

## **Appendix F: Participant Consent Form - English**

I have read and understand the Information Sheet. I have had the details of the study explained to me, any questions I had have been answered to my satisfaction, and I understand that I may ask further questions at any time. I have been given sufficient time to consider whether to participate in this study and I understand participation is voluntary and that I may withdraw from the study at any time.

1. I agree/do not agree to the interview being sound recorded.
2. I wish/do not wish to have data placed in an official archive.
3. I agree to participate in this study under the conditions set out in the Information Sheet.

### **Declaration by Participant:**

I \_\_\_\_\_ [print full name]\_\_\_\_\_ hereby consent to take part in this study.

**Signature:** \_\_\_\_\_

**Date:** \_\_\_\_\_

## Appendix G: Participant Consent Form - Chinese

### 参与者知情同意书

我已经阅读并理解了《调研项目介绍说明》。 研究人员已经向我解释了此次研究的细节。我的问题也得到了满意的回答。我了解我可以在任何时候询问相关问题。我已经被给予了充分的时间考虑是否参加此次研究项目，我了解我的参与是自愿的，我也有权在访谈进行过程中或数据分析开始之前，决定退出此次研究项目。

1. 我同意/不同意访谈过程被录音。
2. 我同意/不同意我的相关数据信息被官方存档。
3. 在《调研项目介绍说明》所陈述的相关条件下，我同意参与此次研究项目。

### 参与者声明：

我，\_\_\_\_\_（参与者全名）同意参与此次的研究。

签名：\_\_\_\_\_ 日期：\_\_\_\_\_

## **Appendix H: Interview Question List - English**

Date:

Venue:

Background information about the company:

- Name of the company:
- Company ownership:
- Company structure:
- Which sector/industry:
- The number of employees/proxies for scale:
- Description of products or service:

Background information about the interviewee:

- Name:
- Position:
- The number of years employed by your employer:
- The number of total working years:

### **Questions:**

1. Could you please give a brief background about your company and its production/business conditions? How long have your company worked with foreign enterprises? Do you work with any local companies in China or produce products with your own brand?
2. In your opinion, what motivated foreign enterprises which you are working with to offshore their production or service to China?
3. In your experience, how does working with foreign enterprises benefit your company?
4. In your opinion, what are the most important factors for successful cooperation with foreign enterprises? What advantages do your company have?
5. In the process of cooperation with foreign enterprises, how do you communicate with each other? Do you encounter any communication difficulties? If so, how do you overcome these difficulties?
6. When working with foreign enterprises, what problems and challenges have your company encountered? How would you overcome them?
7. What are the main products your company produces for foreign enterprises? Which party provides the design and production technology for these products? How do you and foreign companies control quality during production?

8. When you two companies worked with each other, how would you share knowledge? Any knowledge exchange process involving technology, systems or remote training. What knowledge have the foreign company shared with you? What are the methods to share? Based on your experience, how does this affect your past and future collaborations?
9. Does the cooperation with foreign enterprises have any impact on your staff management? Are there any measures your company take to let your employees get used to this partnership?
10. In the past three years, did the foreign enterprises your company are working with increase or decrease their orders? In your opinion, why did they make such decisions?
11. In the next three years, based on your experience, please estimate the change of orders of foreign enterprises. Has your company taken this into account and developed any additional measures to respond to it?
12. Could you predict the development trend of your company's cooperation with foreign enterprises in the future? How will it affect your company, foreign companies and your employees?

## Appendix I: Interview Question List - Chinese

### 访谈问题

日期:

地点:

公司背景信息:

1. 公司名字:
2. 所有权性质:
3. 公司组织架构:
4. 所在行业:
5. 员工数量/相对规模（大/中/小型企业）:
6. 产品或服务描述:

被采访者背景信息:

1. 名字:
2. 职位:
3. 在所在公司服务的年限:
4. 合计工作年限:

### 访谈问题:

1. 请您大致描述下贵公司的背景，包括它的产品和业务情况。贵公司和国外企业合作有多久了？请大致描述下贵公司和国外企业的合作情况。贵公司是否也为国内企业供货或有自己的自主品牌？
2. 在您看来，是什么原因促使你们合作的国外企业选择把他们的生产或服务转移到中国来？
3. 从您的经验来看，和国外企业合作给您的公司带来了什么好处？

4. 在您看来, 哪些是和国外企业合作成功的重要因素? 您的公司具备了哪些?
5. 在和国外企业的合作过程中, 你们双方通常采用什么方式进行沟通? 是否存在沟通方面的困难? 如果有, 如何克服这些困难?
6. 在和国外企业合作过程中, 你们公司遇到的问题和挑战有哪些? 你们是如何克服的?
7. 目前贵公司为国外企业主要生产哪些产品? 这些产品的设计和生产技术是由哪一方提供的? 贵公司和国外企业如何在生产过程中进行质量把控?
8. 在和国外企业合作过程中, 你们双方是否有知识共享的过程? 包括技术, 系统或远程培训等任何知识交换的过程。共享的知识有哪些? 共享的方式有哪些? 根据您的经验, 这对于你们过去和未来的合作有怎么样的影响?
9. 和国外企业合作, 是否对于你们的员工管理有所影响? 你们是否采用了一些措施让员工适应双方的合作?
10. 在过去三年, 与您合作的国外企业目前是在增加还是在减少他们在中国订货量? 在您看来, 是什么原因造成他们做出这样的决定?
11. 在未来三年, 根据您的经验, 请您估计下国外企业的订货量变化。您公司是否已经考虑到这点, 制定了任何应多措施?
12. 您能否预测下未来贵公司和国外企业合作的发展趋势是怎样的? 对于你们公司, 国外公司和你们的员工会有怎么样的影响?

**Appendix J: Statement of Contribution for Chapter Three**  
**Doctorate With Publications/Manuscripts**



GRADUATE  
RESEARCH  
SCHOOL

**STATEMENT OF CONTRIBUTION**



**DOCTORATE WITH PUBLICATIONS/MANUSCRIPTS**

We, the candidate and the candidate's Primary Supervisor, certify that all co-authors have consented to their work being included in the thesis and they have accepted the candidate's contribution as indicated below in the *Statement of Originality*.

Name of candidate:	<b>Lei Zhang</b>
Name/title of Primary Supervisor:	<b>Dr. James Lockhart</b>
In which chapter is the manuscript /published work: <b>Chapter 3</b>	
<p>Please select one of the following three options:</p> <p><input type="radio"/> The manuscript/published work is published or in press</p> <ul style="list-style-type: none"> <li>Please provide the full reference of the Research Output:</li> </ul> <p><input checked="" type="radio"/> The manuscript is currently under review for publication – please indicate:</p> <ul style="list-style-type: none"> <li>The name of the journal: <b>Journal of Supply Chain Management</b></li> <li>The percentage of the manuscript/published work that was contributed by the candidate: <b>70%</b></li> <li>Describe the contribution that the candidate has made to the manuscript/published work:</li> </ul>	

I completed the first draft of this paper and presented it at the *2nd Asia Conference on Business and Economic Studies (ACBES 2019)* at the University of Economics Ho Chi Minh City, Vietnam. After that, I made a significant modification to it and sent it to my supervisors for feedback. Based on their feedback, I added more content for analysis. Dr. James Lockhart also helped to edit the final version for meeting the requirement of publication. The paper, "*The Host Company Omission from Reshoring*" was submitted to the *Journal of Supply Chain Management* for review in September 2021, with the co-authors of my supervisors Dr. James Lockhart and Dr. Wayne Macpherson.

☐ It is intended that the manuscript will be published, but it has not yet been submitted to a journal

Candidate's Signature:	
Date:	20th September, 2021
Primary Supervisor's Signature:	
Date:	20th September, 2021.

This form should appear at the end of each thesis chapter/section/appendix submitted as a manuscript/ publication or collected as an appendix at the end of the thesis.

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DRC 19/09/10

**Appendix K: Statement of Contribution for Chapter Five**  
**Doctorate With Publications/Manuscripts**



**MASSEY**  
**UNIVERSITY**  
TE KUNGLA KI PŌREHURUA  
 UNIVERSITY OF NEW ZEALAND

**GRADUATE  
 RESEARCH  
 SCHOOL**


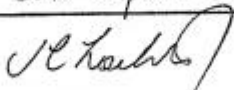
**STATEMENT OF CONTRIBUTION**  
**DOCTORATE WITH PUBLICATIONS/MANUSCRIPTS**

We, the candidate and the candidate's Primary Supervisor, certify that all co-authors have consented to their work being included in the thesis and they have accepted the candidate's contribution as indicated below in the *Statement of Originality*.

Name of candidate:	<b>Lei Zhang</b>
Name/title of Primary Supervisor:	<b>Dr. James Lockhart</b>
In which chapter is the manuscript /published work: <b>Chapter 5</b>	
<p>Please select one of the following three options:</p> <p><input type="radio"/> The manuscript/published work is published or in press</p> <ul style="list-style-type: none"> <li>Please provide the full reference of the Research Output:</li> </ul> <p><input checked="" type="radio"/> The manuscript is currently under review for publication – please indicate:</p> <ul style="list-style-type: none"> <li>The name of the journal: <b>The International Journal of Logistics Management</b></li> <li>The percentage of the manuscript/published work that was contributed by the candidate: <b>70%</b></li> <li>Describe the contribution that the candidate has made to the manuscript/published work:</li> </ul>	

I completed the first draft of this paper. My supervisors Dr. James Lockhart and Dr. Wayne Macpherson, provided feedback for modification. Dr. James Lockhart also helped to edit the final version for meeting the requirements of publication. The paper, "Competitive Responses to Reshoring: Exploration within the Dyad" was submitted to the Journal of International Logistics Management for review in June 2021, with the co-authors of my supervisors Dr. James Lockhart and Dr. Wayne Macpherson. The Editor provided comments to us and required us to resubmit the manuscript. We modified the paper based on the comments and resubmitted in July 2021. It is now under review.

☐ It is intended that the manuscript will be published, but it has not yet been submitted to a journal

Candidate's Signature:	
Date:	20th September, 2021
Primary Supervisor's Signature:	
Date:	20th September, 2021

This form should appear at the end of each thesis chapter/section/appendix submitted as a manuscript/ publication or collected as an appendix at the end of the thesis.

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**Appendix L: Statement of Contribution for Chapter Six**  
**Doctorate With Publications/Manuscripts**



**MASSEY**  
**UNIVERSITY**  
TE KUNENGA KI PŪSHURŌA  
 UNIVERSITY OF NEW ZEALAND

**GRADUATE  
 RESEARCH  
 SCHOOL**

**STATEMENT OF CONTRIBUTION**



**DOCTORATE WITH PUBLICATIONS/MANUSCRIPTS**

We, the candidate and the candidate's Primary Supervisor, certify that all co-authors have consented to their work being included in the thesis and they have accepted the candidate's contribution as indicated below in the *Statement of Originality*.

Name of candidate:	<b>Lei Zhang</b>
Name/title of Primary Supervisor:	<b>Dr. James Lockhart</b>
In which chapter is the manuscript /published work: <b>Chapter 6</b>	
<p>Please select one of the following three options:</p> <p><input type="radio"/> The manuscript/published work is published or in press</p> <ul style="list-style-type: none"> <li>Please provide the full reference of the Research Output:</li> </ul> <p><input checked="" type="radio"/> The manuscript is currently under review for publication – please indicate:</p> <ul style="list-style-type: none"> <li>The name of the journal: <b>The Journal of Purchasing and Supply Management</b></li> <li>The percentage of the manuscript/published work that was contributed by the candidate: <b>70%</b></li> <li>Describe the contribution that the candidate has made to the manuscript/published work:</li> </ul>	

I completed the first draft of this paper. Dr. Wayne Macpherson and Dr. James Lockhart provided feedback for modification and helped me edit it. Dr. James Lockhart also helped to edit the final version for meeting the requirements of publication. The paper, "*Host Company Responses to Reshoring: Recovering Competitiveness through Resource Orchestration*" was submitted to the Journal of Purchasing and Supply Management for review in September 2021 with the co-authorship of my supervisors Dr. James Lockhart and Dr. Wayne Macpherson.

☐ It is intended that the manuscript will be published, but it has not yet been submitted to a journal

Candidate's Signature:	
Date:	20th September, 2021.
Primary Supervisor's Signature:	
Date:	20th September, 2021.

This form should appear at the end of each thesis chapter/section/appendix submitted as a manuscript/ publication or collected as an appendix at the end of the thesis.

GRS Version 5 – 13 December 2019

DRC 19/09/10