ARTICLE IN PRESS

Industrial Marketing Management xxx (xxxx) xxx–xxx

Contents lists available at ScienceDirect

Industrial Marketing Management

journal homepage: www.elsevier.com/locate/indmarman

A network perspective on the reshoring process: The relevance of the home- and the host-country contexts

Enrico Baraldi[a], Francesco Ciabuschi[b,*], Olof Lindahl[b], Luciano Fratocchi[c]

[a] Division of Industrial Engineering & Management, Department of Engineering Sciences, Uppsala University, Box 534, S-751 21 Uppsala, Sweden
[b] Department of Business Studies, Uppsala University, Box 513, S-751 20 Uppsala, Sweden
[c] Department of Industrial and Information Engineering & Economics, University of L'Aquila, c/o ex Felix Impianti, Via G. Gronchi 18, Zona Industriale Pile, 67100 L'Aquila, Italy

A B S T R A C T

While research on reshoring generally focuses on the host-country to explain why a company brings its previously offshored activities back home, this paper stresses the relevance also of the home-country context. Specifically, relying on the IMP (Industrial Marketing & Purchasing) perspective we show how offshoring and reshoring processes and decisions are both enabled and constrained by the micro-interactions and interdependencies in the industrial networks stretching over the home-country and the host-country. This work relies on a longitudinal case study about an Italian manufacturing firm to develop a model indicating how offshoring/reshoring is a long-term process which unfolds depending both on the focal firm's strategy and on its interplay with the embedding network. Next to this interactive process perspective, we contribute to the literature on reshoring and the global factory also the concept of "selective reshoring", whereby companies bring back a very specific sub-set of activities, which were previously fine-sliced and offshored, and re-embed these activities in their local home context. The more flexible and selective nature of this relocation of activities between different supply markets depends both on the firm's strategy and on the structure, overlap and evolution of the network elements located in the home- and host-country contexts.

1. Introduction

Since the early 1990s, offshoring –the location of firm activities in foreign countries– has emerged as an important strategy implemented by Western manufacturing companies to support their competitive advantage (Contractor, Kumar, Kundu, & Pedersen, 2010). Manufacturing activities in particular have often been offshored due to costs (especially labor costs, Schmeisser, 2013), access/development of a local market (e.g., Jensen & Pedersen, 2012), or to follow customers (Kinkel, 2012). However, the benefits of offshoring have often proven elusive (Manning, 2014). Moreover, as the conditions that create the (real or perceived) benefits of offshoring in different countries have changed, so have patterns of offshoring, with companies often chasing the intended benefits of this strategy by moving activities from country to country.

Instead, in this paper we focus our attention on manufacturing *reshoring*, defined as the voluntary process of repatriating manufacturing *activities* previously offshored to a foreign country, either through outsourcing or in-sourcing (Fratocchi, Di Mauro, Barbieri, Nassimbeni, & Zanoni, 2014). Research about reshoring has mainly focused on its reasons (Foerstl, Kirchoff, & Bals, 2016; Fratocchi et al., 2016; Stentoft, Olhager, Heikkilä, & Thoms, 2016), the most cited being related to rising costs, poor product quality, and scarcity of skilled human resources in the host country. Therefore, these reasons belong to the host country characteristics or to a comparison with those of the firm's home country. These motivations for reshoring often revolve around economic rationales and typically rely on international trade theory, strategic management theories (e.g., Resource Based View and Transaction Cost Theory), international business (IB) frameworks (e.g., eclectic paradigm and internalization theory) or location theories (e.g., industrial clustering). However, drivers specifically related to the home country have been less investigated.

It has recently been suggested that additional perspectives need to be taken into account for a fuller understanding of reshoring (Bals, Kirchoff, & Foerstl, 2016). In particular, the aforementioned perspectives focus on macro-level issues (e.g., wages, educational levels, or transportation costs), and consequently seldom consider the micro-level issues pertaining the specific interactions between the single firms involved in reshoring processes. These important but partly neglected

* Corresponding author.
E-mail addresses: enrico.baraldi@angstrom.uu.se (E. Baraldi), francesco.ciabuschi@fek.uu.se (F. Ciabuschi), olof.lindahl@fek.uu.se (O. Lindahl), luciano.fratocchi@univaq.it (L. Fratocchi).

http://dx.doi.org/10.1016/j.indmarman.2017.08.016
Received 18 October 2016; Received in revised form 3 August 2017; Accepted 25 August 2017
0019-8501/

issues are instead captured by the IMP (Industrial Marketing & Purchasing) perspective (e.g., Ford & Håkansson, 2006; Håkansson, 1982; Johanson & Mattson, 1988). Following the IMP network view, we assume that reshoring, similarly to business activities in general, seldom occurs in isolation. Rather, the activities concerned are closely connected to a business network comprising important suppliers and customers (Håkansson & Snehota, 1995). In line with this assumption, we argue for the necessity to better understand how reshoring is influenced by the existing network connections in both the home- and host-country contexts, which affect the “return home” of the previously offshored activities and how they eventually can be *re-embedded* (Baraldi, Gregori, & Perna, 2011; Ford et al., 1998) in the local context. Thus, expanding the existing literature, this paper argues for the value of looking at the phenomenon of reshoring not only from the host-country viewpoint, but also in conjunction with the home-country context. In particular, the IMP network view enables penetrating the interactions between such specific elements as actors, resources and activities (Anderson, Håkansson, & Johanson, 1994) located both in the home and the host-country network contexts (e.g., Ciabuschi, 2011).

Specifically, this study is concerned with: (1) how reshoring is a process that involves interrelated decisions and changes both at the host- and at the home-country levels, and with (2) how the reshoring process is affected by the focal company's network as manifested both in its host- and home-country contexts. Our work centers on the analysis of a case study of the Italian company Fitwell operating in the mountain shoes industry. Having offshored manufacturing activities to Romania in 1999, the company in 2009 decided to partially reshore them. Framed within the IMP view, this paper discusses how the reshoring process is affected by the firm's business strategy and by the adaptability of the host- and home-country network contexts. Within the broader business network surrounding a focal firm (Ford, Gadde, Håkansson, & Snehota, 2003; Gadde, Huemer, & Håkansson, 2003; Håkansson, 1982), these localized network contexts may both facilitate and hinder the process of reshoring, depending on how their specific *interdependencies* (Araujo, Dubois, & Gadde, 1999; Håkansson & Waluszewski, 2013) relate to the particular activities to be re-embedded in the home-country context. In fact, from an industrial network perspective, reshoring can be viewed as a process of *re-embedding activities* in a particular network context, with all the potential issues of re-creating activity links around the focal activities (and also indirectly resource ties and actor bonds) that this re-embedding of activities entails (Håkansson & Snehota, 1995).

By extending the analysis to the home-country context and by applying the IMP network perspective, this study contributes with a dynamic long-term view of offshoring/reshoring as a process whereby a firm relates with different supply markets via micro-level interactions occurring within a transnational network. In particular, we identify first the interplay between a firm's strategy and the surrounding network and then the enabling and constraining effect on the reshoring decisions and process of both the home- and the host-country sides of this network. Moreover, the paper introduces the concept of “selective reshoring”, which shows how a focal firm can interact with specific supply market contexts though a more calibrated and flexible approach than the general and relatively static idea of fine-slicing value chains via offshoring within "global factories" (Buckley, 2004, 2007, 2011).

The paper is structured as follows. The next section provides a theoretical background to frame the study from an IB and IMP perspective. Having presented our methodology, we move on to describe the case of Fitwell. The case is then analyzed based on the IMP perspective so to advance the conceptualization of the reshoring process. Moreover, a number of key aspects important for understanding reshoring are identified and integrated into a model. We conclude by outlining our contribution, pinpointing the limitations of our study, and suggesting further research as well as managerial implications.

2. Theoretical framing

Before turning to reshoring, and especially how this phenomenon can be understood from an IMP perspective, we start by discussing the antecedents of reshoring, that is, internationalization and offshoring.

2.1. Internationalization and offshoring

An important stream within IB research has been concerned with the internationalization processes of firms (Johanson & Vahlne, 1977, 1990), highlighting how the interplay between learning and commitment drives firms to successively increase their degree of internationalization. Reflecting the core ideas of the IMP view, the Scandinavian IB tradition of business networks (e.g., Johanson & Mattson, 1988; Forsgren, Holm, & Johansson, 2005; Johanson & Vahlne, 2009) focuses on the importance of business relationships and networks for the firm's internationalization. More specifically, this literature views internationalization as driven by relationships and networks rather than by, for example, geographical and psychic distances to different markets.

In the long-term, the outcome of firms' internationalization can be a fine-slicing of a firm's activities as these are performed by separate business units or external contractors located in different countries, yet connected via a complex transnational network (Furlan, Grandinetti, & Campagnolo, 2009; Hertz, 1998) or global value chain (Gereffi, Humphrey, & Surgeon, 2005).

Research on the “global factory” (e.g., Buckley, 2011; Buckley & Ghauri, 2004) takes the perspective of the single firm that orchestrates the value chain by fine-slicing and allocating activities. In this stream of research, each specialized activity is located (via offshoring) in those countries that best enable such an activity. However, unlike the Scandinavian IB and the IMP views, the main concern of research on the global factory is not the process of internationalization per se, or the interplay of actors within a network, but the optimization of the global factory from the perspective of the orchestrating firm and based on macro-level factors which firms cannot directly affect, such as country-specific wages.

The offshoring of business activities typically occurs from a high-cost or low-growth country to one characterized by low costs and high growth (Ferdows, 1997). Although much of the literature on offshoring emphasizes it benefits, there is also a growing focus on its challenges, such as loss of sensitive data (e.g., Khalfan, 2004), violation of intellectual property rights (e.g., Carmel and Agarwal, 2002), and critical cost-estimation errors (e.g., Larsen, Manning, & Pedersen, 2013). Moreover, the benefits sought through offshoring often do not materialize or are later jeopardized due to market-, country-, or industry-related changes (e.g., Canham & Hamilton, 2013; Coxon, Ritter, & Sternfels, 2008). Therefore, new challenges or the increasing awareness of unfavorable conditions lead firms to consider the possibility to reshore.

2.2. Reshoring

Even if slightly different terms are employed (e.g., reshoring, backshoring, on-shoring), the relation between location decisions (offshoring vs. reshoring) and governance mode (in-sourcing vs. out-sourcing) remains a much-debated issue. In this paper, we follow Gray, Skowronski, Esenduran, and Rungtusanatham (2013) in viewing reshoring as a manufacturing location decision of activities which can be insourced or outsourced, thereby distinguishing between the governance mode and the location decision.

The reshoring literature focuses on motivations (Barbieri et al., 2017), with reshoring decisions being viewed as either a correction of a