

Offshoring Versus Reshoring? Rather, Shouldn't It Be Rightshoring?

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Abstract In the latest years location strategies of firms are gaining growing attention due to the recent rise of reshoring announcements, which cannot be considered just an outcome of new political platforms based on protectionism. Most of them aim at coping with problems determined by unsuccessful offshoring decisions. But, when considering how to implement a relocation choice, namely in terms of geographical destination and in terms of governance of the new manufacturing footprint, several concerns rise and a wide array of relevant factors can be identified, which can drive the effectiveness of a reshoring project. In this setting, offshoring and reshoring can be seen as possible outcomes of a “rightshoring” approach, regarded as the decision making process that leads towards sound location decisions. This paper proposes and empirically tests a theoretical framework according to which factors that should be considered in the location decision making process are the following: (1) strategic alignment; (2) business environment’s factors; (3) firm’s specific factors; (4) contingency factors. The preliminary evidence stemming out from the case-studies supports our framework.

Keywords Reshoring · Rightshoring · Operations management · Location decision · Case-studies

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1 Introduction

The recent phenomenon of reshoring of manufacturing facilities back to Western countries is leading both practitioners and academicians to a deep analysis of the reasons why several offshoring decisions have proven to be unsatisfactory. While emerging political platforms oriented toward protectionism seem to be one of the main drivers of this new trend, it is becoming more and more apparent that the decision making process behind a location choice is more complex than expected and requires an assessment of several aspects, concerning both exogenous and endogenous factors. In this perspective, the suitability of a location can be different, depending on such conditions as the competitive and functional strategies of the firm, the specificities of its business, the scale of its operations, to mention a few. Recent contributions have started observing the offshoring/reshoring phenomena from the viewpoint of the inherent decision making process, developing the concept of “rightshoring”, regarded as the process that leads to identify the correct location for a specific company (Tate and Bals 2017; Joubioux and Vanpoucke 2016), taking into account all the relevant factors.

The aim of this paper is to understand how and why the factors discussed in the extant literature can affect the location decision, determining the success of an offshoring/reshoring strategy. In the remainder of this paper, the literature background will be framed, then the evidence of a case-based study will be reported. Finally conclusions and managerial implications will be drawn.

2 Literature Background

2.1 *Offshoring, Reshoring and Rightshoring: A Brief Description*

In the recent years several contributions as well as the international business press have highlighted the rise of the reshoring phenomenon, regarded as the decision to relocate production activities in the country of the parent company (Stentoft et al. 2016). The scale of such a new trend seems to be relevant. It has been reported that 14% companies endowed with a global footprint are considering reshoring or nearshoring options, and 38% of them think that their competitors have already undertaken this process (Tate and Bals 2017). The magnitude of these numbers has raised much attention among researchers, who are now investigating this phenomenon from several perspectives, ranging from the reasons behind a repatriating choice, to the most suitable governance structure, to the geographical destination of relocated activities (Fratocchi et al. 2015). As a matter of fact, while in the early stages of such a new trend the relevance of new political platforms with slogans as “bring jobs back home” as a driver of reshoring was overestimated (Tate 2014), it is now apparent that most of these initiatives are driven by deliberate and voluntary

corporate decisions, often determined by the need to overcome problems (e.g., relating to process alignment, quality, flexibility, human capital) generated by unsuccessful offshoring processes.

Pursuing a reshoring strategy poses specific problems, mainly concerning where to perform manufacturing activities, and who should be in charge of them, i.e., governance of the production system (Gray et al. 2013). Concerning the former aspect, alternatives to an offshore production can be either the home country of the parent company, or a country belonging to the firm's region, as Mexico and Canada for the U.S. The first solution is exactly what is called "reshoring", while the second is known as "nearshoring" (Fratocchi et al. 2015; Gray et al. 2013). The latter aspect, concerning the governance of the production system, recalls issues related to make-or-buy decisions, which can shape the perimeter of transformation activities carried out inside the company. The wide number of combinations of these choices, coupled with a similar degree of variety of the offshore production footprint solutions that a firm can have, clearly shows how complex it is to decide whether and how to relocate. Even the related theories proposed to cope with such problems, namely the Transaction-Cost-Economics and the Resource-Based-View, suggest different and incompatible solutions in particular for the governance structure, thus providing a further confirmation to the inherent complexity of the offshoring/reshoring process (McIvor 2013).

In light of this complexity, it is now accepted that a key challenge for managers is "rightshoring", regarded as the decision making process that should lead a company to properly address the location decision (Tate and Bals 2017; Joubioux and Vanpoucke 2016). In this perspective, it is worthwhile mapping all the factors and enabling conditions that can drive the success of a location decision and that should therefore be taken into account in the related decision making process.

2.2 Offshoring and Reshoring as a Location Decision

In the operations management literature, the location decision can be observed from the perspective of the strategic alignment approach, according to which the design and management choices that shape the operating system of the company must guarantee an overall consistency among the competitive strategy of the firm, its functional improvement objectives and, ultimately, the hardware and software elements of its production system (Belvedere and Gallmann 2014; Wisner and Fawcett 1991; Leong et al. 1990; Skinner 1974, 1969). Several contributions have argued and empirically demonstrated that when such an alignment is not achieved the ability of operations to positively contribute to the competitiveness of the firm can be threatened, as is the case of companies that adopt managerial practices or IT systems popular in a given period of time, without checking whether the operational performance improvements brought about by these investments are actually in line with their value proposition to the customer (Dixon et al. 1990). In this concern,

both the offshoring and re-shoring decisions peculiar to the latest years can be seen as “cures” common to many firms that, in the case of offshoring, are mostly willing to take advantage in particular from cost cutting opportunities coming from location choices in emerging countries (Gylling et al. 2015; Tate 2014; Tate et al. 2014; Gray et al. 2013; Kinkel and Maloca 2009). In the case of reshoring they want to achieve such results as increasing the responsiveness of their logistic processes and/or more properly dealing with pressures exerted by the stakeholders as far as environmental and social sustainability issues are concerned (Ellram 2013; Ellram et al. 2013; Gray et al. 2013).

If we frame the offshoring/reshoring decision in the strategic alignment process, it is first of all necessary to outline the operational performances that can be influenced by the location decision. According to the literature on manufacturing and logistic performance, a general consensus has been achieved by practitioners and academicians on the taxonomy of such performance, which can be deployed as follows (Belvedere 2015; Grando et al. 2007; Neely 2005; Neely et al. 1995; Leong et al. 1990): (1) cost, regarded as ability to achieve a satisfactory productivity of the production resources; (2) quality, mainly understood as conformance to specifications; (3) time, referred to the ability of producing and delivering fast and in a dependable manner; (4) flexibility, regarded as the ability of a system to react to a need of change in a rapid and cost-effective way. On top of these attributes, recent literature has also highlighted the remarkable effects that operations and logistic processes can have on the environmental and social performance of the company, which is now accepted as the fifth performance dimension of such processes (Belvedere and Grando 2017; Gauthier 2005; Elkington 1997).

Indeed, extant contributions have highlighted how most decisions to repatriate production activities aim at overcoming problems determined by previous offshoring projects whose overall impact on the above mentioned performance attributes was unfavourable (Stentoft et al. 2016). Concerning the “cost” performance, the most common drawbacks of offshoring refer to increasing labour and logistics costs (Tate 2014; Tate et al. 2014), higher-than-expected coordination efforts and transaction costs (Gylling et al. 2015; Gray et al. 2013; Kinkel and Maloca 2009), productivity gaps (Pearce 2014), batch size constraints (Canham and Hamilton 2013). As far quality is concerned, several offshoring experiences report on the poor degree of conformance to specifications achieved in foreign plants (Joubioux and Vanpoucke 2016; Stentoft et al. 2015; Arlbjørn and Mikkelsen 2014; Tate et al. 2014). Also in terms of time and flexibility, the decision to produce abroad either through owned facilities or through outsourcing solutions often results in longer delivery times, as well poorer manufacturing and logistics dependability that turned into a higher exposure to the risk of demand volatility (Fratocchi et al. 2016; Bailey and De Propris 2014; Fratocchi et al. 2014). Focusing on the sustainability performance, as environmental and labour regulations become synchronized and standardized, incentives to offshore in loosely regulated countries become weaker and weaker, while the risk for the brand reputation of the company increases (Ellram 2013; Ellram et al. 2013; Gray et al. 2013).

However, according to Fratocchi et al. (2015), several decisions of re-shoring are not rooted in mistakes made by the company when addressing the location decision, but in changes in the business environment and in firm's specific factors. The former can refer to cultural differences, changes in fiscal policies, availability of new production technologies, reduction of productivity gaps among countries, unfavourable trends in the exchange rates of currencies or emerging political choices aimed at reinforcing the internal production, as America's reshoring policies after Trump's election (Fratocchi et al. 2015; Stentoft et al. 2015; Arlbjørn and Mikkelsen 2014; Bailey and De Propriis 2014; Tate et al. 2014; Ellram et al. 2013; McIvor 2013). Firm's specific factors, in turn, may include the proximity to R&D centers that can foster the innovation capabilities of the firm, risks of Intellectual Property leakages, the strategic value of the "Made in", necessity to be closer to the client (Joubioux and Vanpoucke 2016; Fratocchi et al. 2016; Stentoft et al. 2015; Bailey and De Propriis 2014; Tate 2014; Tate et al. 2014; Canham and Hamilton 2013; Gray et al. 2013).

A further bundle of reasons that can drive location decisions concerns firm's contingency factors. Within this category, product portfolio and supply chain complexity can be found, which are likely to make coordination efforts unbearable, thus leading to possible failures of an offshoring strategy (Bals et al. 2016; Ellram et al. 2013; McIvor 2013). Also organizational readiness, understood as the availability of internal capabilities necessary to manage the outcomes of an offshoring decision (as an international supply base or production network), should play a relevant role in such a decision making process (Bals et al. 2016; McIvor 2013). Indeed, the lack of these capabilities, even in front of a strong organizational willingness to offshore production activities, can result in failures. This contingency factor is closely related to the one concerning the size of the firm, which can deeply influence the possibility to adopt suitable organizational solutions (as directly owned plants, new departments in charge of managing and controlling foreign facilities and suppliers etc.) in a process of globalization of the production footprint (Bals et al. 2016; Fratocchi et al. 2015). Finally, the governance of foreign production activities (i.e., ownership of the foreign plant as opposed to the decision of buying from foreign suppliers) can be a critical contingency factor (Fratocchi et al. 2015). In cases where companies would be better off with a foreign direct investment in a production facility, being aware of the role of such a plant is a major driver of success. Building on the seminal work of Ferdows (1997), several contributions have investigated on the bundle of competences that the foreign plant must have, depending on the strategic reason for its location. In this regard, it has been empirically demonstrated that the reason why the company decides to establish a foreign factory involves a certain bundle of competences (e.g., maintain technical processes, manage local suppliers and logistics, contribute to the new product development process, supply from global markets etc.) and of autonomy of the plant (Feldman and Olhager 2013; Vereecke and VanDierdonck 2002).

3 Methods

The review of the operations management literature concerning offshoring and re-shoring choices highlights the existence of a number of drivers of their success and of conditions that must be met in order to get the most from a location choice. These can be synthetized as follows:

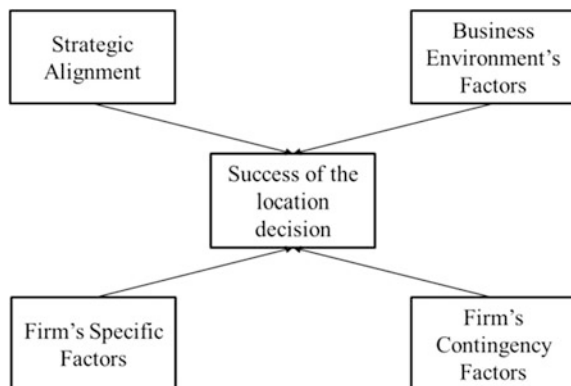
- Strategic alignment of the location choice with the competitive strategy of the firm and with its operations strategy;
- Business environment's conditions, which refer to changes in exogenous factors that can affect the outcome of a location decision;
- Firm's specific factors, referring to specificities of the industry and to situations in which, even though the location decision can actually support and strengthen the operations strategy of the firm, on the other hand it can be detrimental of other functional performances (e.g., those concerning R&D activities and Marketing & Sales ones);
- Firm's contingency factors, which concern endogenous conditions that must be met in order to even start considering an offshoring options.

In this setting, offshoring and reshoring choices can be seen as outcomes of a decision making process that, when properly carried out, will lead to a "right-shoring" choice, which can even consist of giving up offshoring options. Thus, we assume that location failures are going to occur when one or more of these factors are overlooked or undervalued. Addressing this issue is relevant because, on the one hand, some of the above mentioned factors have not been adequately discussed in the extant literature (Bals et al. 2016; Fratocchi et al. 2015). Furthermore, the remarkable number of failures in offshoring initiatives, which are now leading to reshoring or nearshoring projects, demonstrates that the inherent decision making process is still poorly performed and this makes such a topic of paramount importance for both academicians and practitioners (Tate and Bals 2017; Bals et al. 2016; Joubioux and Vanpoucke 2016).

The aim of this paper is to understand how and why the above mentioned factors can affect the location decision, determining the success of the location strategy. To conduct this study, a multiple case-study approach has been adopted, which is the most suitable methodology for the aim of this paper (Yin 2003; Voss et al. 2002; Meredith 1998; McCutcheon and Meredith 1993; Eisenhardt 1989). The empirical evidence stemming out from the case-studies has been analyzed through the pattern matching approach, which is considered the most appropriate when the research aims at stating whether in-field evidence is coherent with previous contributions to the topic (Yin 2003). Thus, on the basis of the extant literature, we have developed the reference framework represented in Fig. 1.

Due to the wide array of specific factors that can be found in the four typologies of factors described in Fig. 1, we have decided to investigate several case-studies, each of them with their own specificities in terms of industry, competitive strategy, size, ownership structure. Totally we have included in this paper 8 case-histories. In

Fig. 1 The reference framework



all of them, the unit of analysis was a specific location decision taken in the recent past (offshoring or reshoring). In the cases where no offshoring project has ever been recently experienced, or when it dated back to several years ago, the unit of analysis was the production footprint in its current setting.

Interviews and data collection were carried out according to a research protocol aimed at addressing the main constructs in the reference framework. For this aim, the operations manager was interviewed as well as managers directly involved in the location decision or able to report about its history and outcomes.

4 Empirical Findings

4.1 *Company A*

Company A was established nearly one century ago in a famous Italian eyewear district, where it started producing eyeglasses' cases initially for the national opticians and, since the '30s, also for foreign clients.

The '80s were the years of remarkable growth for the Company, due to the advent of luxury firms that started licensing their brands to eyeglasses producers, with an evident positive effect on their supply network. In this period the OEM Division was created to properly deal with the specificities of the eyeglasses producers and, to cope with the increased demand, four new production plants were established and one in Romania was acquired. In the same period commercial branches were opened in USA, first, and then in Germany, France and Hong Kong. In 2003 a new product line was launched, concerning leather goods and accessories. Due to the relevant increase in the volumes, Company A decided to establish a new plant in China for the production of cases, so as to take advantage from the low cost of labour, which is a major cost driver in this industry given the nature of the production process. However, the higher and higher relevance of speed for the competitiveness of the eyeglasses firms, Company A has considered a "near

shoring” option, consisting in moving the production volumes allocated the Chinese plant back to Europe, in particular to the Romanian factory. This solution could enable a reduction of the total lead time from the current 4–5 months to 45 days, in line with the needs and the timing peculiar to the big luxury brands, which are moving toward a new product development process based on the concept of continuous innovation. Furthermore, the Romanian plant could be able to deal with smaller batches, thus granting a higher degree of responsiveness even in the case of a low and erratic market demand.

4.2 *Company B*

Company B is a big player of the aerospace/defence industry and, for the purpose of the study, we focused on the aircraft division. The activities carried out by such a division range from the design and development of the vehicle, to its production and final test, with a remarkably high degree of vertical integration. Even though the Company operates on a world-wide level, its production footprint is mostly national and its supply base encompasses a majority of Italian suppliers (nearly 90%), whose selection depends first of all on the quality level that they can grant, and then on their operational flexibility and costs. Due to the extreme relevance of product quality and to the tight regulatory constraints peculiar to this industry, only low value-adding operations are outsourced, which involve the production of standard parts. Thus the phenomenon of offshoring takes the form of outsourcing options managed with an opportunist approach, whose adoption is possible because of the nature of the activities carried out by the suppliers. This kind of organization is considered reliable and is not going to be modified in the near future.

4.3 *Company C*

Company C was established in the '50s as a wool mill, but eventually extended the scope of its activities also the production of fabric targeted to the main international high end fashion companies. Due to this strategy, in the '60s Company C enjoyed a remarkable increase of sales on both national and international markets and, as a consequence of this expansion, it decided to secure the availability of good quality raw materials through the acquisition of several South-American suppliers.

Eventually this Company launched a new product line of apparel products, with an operations system characterized by a high degree of vertical integration, from the yarn to the final production of apparel items sold mainly through directly operated stores. However, in response to the need of a higher degree of flexibility necessary to cope with the evolution of the competitive arena of the fashion industry, Company C undertook an outsourcing process aimed at delegating all of the

production stages of the apparel items to a wide network of suppliers and sub-contracts based in Italy. This choice has been confirmed even when the Company was acquired by a major Italian player of this industry in the late '90s. The adoption of a national production footprint relies on the necessity to guarantee the "Made in Italy" label, which is a most relevant value driver in the high end fashion system, and to be close to the Italian market, where a "tailor made" service is offered, which involves a high degree of proximity of the production system to the customer. For the near future no relevant changes will be made to this organization.

4.4 *Company D*

Company D was established in the '60s as a producer of thermoplastic and rubber components mainly for the automotive industry and, more recently, for the home appliances one. The footprint of the Company is characterized by a high degree of internationalization, obtained over the years through the establishment of several manufacturing plants, the location of which has been influenced primarily by the necessity to achieve a high proximity to the clients to guarantee product customization. The company is active also in low cost countries with owned production facilities, but this is not due to the opportunity to take advantage from the low cost of local resources, being the production process highly automated. All plants show a high degree of vertical integration, regardless of their location. This is due to the possibility of exploiting the deep internal know-how concerning both the products and the processes, which lets the Company reach outstanding levels both of product quality and production efficiency. According to the interviewees, the choice of a high degree of vertical integration is made possible by the structure of the product, which is characterized by a low level of complexity and a short bill of materials.

4.5 *Company E*

Company E is a small firm active in the fashion industry and specialized in high end menswear. Although the company was established in the '60s, its first collection with own brand was presented in the '80s and, since then, it gained a solid commercial position in several foreign countries, in Europe, Asia, North and South America. Currently most of the turnover is driven by the export.

Although the design process is managed in the headquarter in Milan, all production activities are outsourced to suppliers, which are located exclusively in Italy. Nearly ten years ago, Company E experienced a process of off-shoring, namely with the aim of establishing a partnership with an Indian large corporation. However, this project soon turned in a failure due to several reasons. First of all, in order to guarantee a high enough level of efficiency in the Indian production, the

batch size should have been at least as double as the average order quantity placed by Company E. Furthermore, product quality was not in line with the standards of the Company and its management team soon realized the need of having its own quality control manager at the site of the Indian supplier. However, this solution was unfeasible for a company like E, endowed with a rather small management team. Consequently, two years later Company E re-shored its production.

Italy's share of the world's clothing, textiles and leather industry has declined significantly since the 1980s.

The wage gap between the largest European economies and Asia is still wide, but advancements in some EU countries' productivity in recent years are reducing the advantage. At the higher end of the market, brands are focusing on quality linked to the 'Made in Italy' brand. At the lower end, where cost remains a key driver of sales, there will unlikely be a significant reshoring impact.

4.6 *Company F*

Company F is a major brand of canned tuna, owned by an Italian multinational company active in the fast moving consumer goods industry. For the production of canned tuna, the Company has adopted an organization characterized by suppliers of raw material located in foreign countries, where tuna is fished. Such vendors are also in charge of the initial steps of the production process that encompasses the cleaning and steaming of tuna loins, which are later frozen and shipped to Company F in Italy. Once received by the Italian factory, tuna loins are (mostly, olive oil) packed and sterilized. The production footprint adopted by Company F is different from the one of most competitors, which have fully outsourced the production process to their foreign suppliers, so as to take advantage from cost cutting opportunities. On the opposite, Company F has chosen to compete on the quality of the product, which would have been poorer with a fully outsourced transformation process. Furthermore, by carrying out the final production activities in Italy, it is possible to better cope with the increasing products' differentiation (size, product origin, preserving agents, etc.), local trends and demand volatility, adapting the production volumes to the actual orders placed by customers. Managing this phenomenon with the finished product being shipped from plants based around the equator—where most of the tuna is fished—would have been more expensive (since it would have required supplying the production plants with olive oil and various format cans) and logistically complicated since the shipping time from these countries to Italy is equal to 45 days on average. Finally, the production footprint of Company F allows a higher degree of product flexibility, which results in the ability to bring to the market innovative items as lighter (in calories) products, salads and mixes, whose developments generally requires the proximity of the factory to the market and to the R&D centers of the company.

4.7 *Company G*

Company G was founded in 1952. Since then, it grew steadily both organically and through acquisitions to become worldwide leader in precision equipment for measurement and control in the production environment.

More precisely, company G provides standard and custom systems for industrial applications to measure and control dimensions, geometries and surface quality of mechanical components and for control and monitoring of the machining process. Its main customers are machine tool makers that sell machines already equipped with gauging systems; gauge makers that buy measuring components to manufacture stations for end users and end users.

Currently 70% of the production volume is sold to the automotive industry. Sales and Technical Support companies are in 24 countries with 80 offices. Other 9 countries benefit from dedicated networks of Agents and Dealers. Thus, sales abroad (China, Japan, Germany and the U.S.) account for as much as 94% of Company G total revenues worldwide.

Most of the production is made in three main manufacturing locations, in Italy, in China and Korea, but also the acquired companies (in Italy, Germany, France, the U.S.) have their internal manufacturing organizations with the capability to customize, or sometimes to design and produce, specific solutions for their local market: this is consistent with the underlying idea of being present in all the places where customers operate and close to their way of thinking.

The largest plant outside Italy was originally established in China in joint venture with an automation company in 2006. In 2008 Company G bought out the partner company stake in the Chinese joint venture and currently has three divisions developing very fast and establishing a good relationship with an increasing number of local car manufacturers, providing them with tailor-made products and services. The reasons why Company G decided to establish the manufacturing plant in China referred to the low cost of labour, the possibility of serving a new fast growing market (the Asian one) and need of producing dedicated systems originally based on old generation cheaper technologies. Until now, the experience made in China is positive and also the product quality, which was a critical issue at the beginning of this offshoring process, has been later overcome. However, according to the management team, replicating an experience as the one made in China is hard, because of a problem of scale. Indeed, for most product lines that could be offshored to Asia, the batch size of Company G is largely below the threshold necessary to achieve a good enough level of efficiency. Thus, for the near future Company G is planning to keep the plant in China, but not to establish any other production facility in Asia.

4.8 *Company H*

Company H is one of the world leaders in ceramic tiles for both floor and wall use. It was established in the '60s in the tile district of Sassuolo—one of the largest Italian industrial districts. From its incorporation the company has led research into raw materials and production processes.

During the '90s the company grew through horizontal acquisitions and investments both in distribution and production activities. Among the latest, the most relevant were a production plant in the U.S. and a logistic center in Brazil. Currently most of the turnover is driven by the export.

The development of the U.S. plant started in 1991 with an equity partnership (15%) with a Thai group (among the world leaders in building materials), which already owned a 10% stake in the Italian group. However, in 1994 Company H decided to dispose its stake in the U.S. company, but the financial difficulties of the Thai partner created the conditions for a total acquisition of the U.S. production facilities in 2000, followed by the acquisition of the U.S. distribution activities. These investments allowed the firm to grow strongly internationally and aggressively target the U.S. market and the Southern-American market with the support of the Brazilian logistic center.

Products made under the Company H brands are sold to top customers and importers all over the world leveraging a favorable competitive position allowed by the associated use of the two centers of production based in Italy and the U.S. The location of the production activities guarantees proximity to the clients, consistent cost reduction and product customization thanks to the tight links with the distribution activities.

5 Cross-Case Analysis

The main outcomes of the case-studies are reported in Tables 1 and 2, which briefly describe the size of the company, its competitive position, the unit of analysis of each case study (i.e., offshoring project, reshoring project, current production footprint) and the relevant factors (among those described in the reference framework in Fig. 1) that have determined the success/failure of the project or have moulded the current footprint. In particular, for each typology of factors, we have reported those aspects that drove the initial location decision and/or that determined its success/failure.

As can be seen in Tables 1 and 2, all companies observed in this study have widely discussed on the relevance of the “Strategic Alignment” factors in the location decision. Indeed, regardless of the unit of analysis, all interviewees argued that a major driver of the decision concerned the necessity/opportunity to improve at least one operations performance. Among the most frequently cited, cost, product quality and flexibility (in its various forms) seem to be the most relevant areas of

Table 1 Synthetic information on the case studies (A–D)

	Case A	Case B	Case C	Case D
Firm size	Medium	Large	Small	Medium
Firm competitive position	World leader	Among the world leaders	Niche	World leader
Unit of analysis	Reshoring	Current footprint	Current footprint	Current footprint
Strategic alignment	– Speed – Responsiveness – Mix flexibility	– Quality	– Product flexibility	– Product flexibility
Business environment Factors	– Higher relevance of responsiveness		– Higher relevance of responsiveness	
Firm-specific factors		– Regulation	– Made in Italy – Proximity to the client	– Proximity to the client
Contingency factors	– Batch size			– Low product complexity

Table 2 Synthetic information on the case studies (E–H)

	Case E	Case F	Case G	Case H
Firm size	Small	Medium-Large	Large	Large
Firm competitive position	Niche	Niche	World leader	Among the world leaders
Unit of analysis	Reshoring	Current footprint	Offshoring	Offshoring
Strategic alignment	– Quality	– Quality – Volume flexibility – Product flexibility	– Cost	– Cost – Product flexibility
Business environment factors	– Increasing productivity gap			
Firm-specific factors		– Proximity to the client		– Proximity to the client
Contingency factors	– Batch size – Unavailability of quality controllers		– Batch size	

concern, the underrating of which can determine a later reshoring decision or even the decision to give up an offshoring option.

“Business environment’s factors” (regarded as changes occurred in the industry) have been mentioned by three companies (A, C and E), which reported on the

changes of the fashion industry, which they belong to. Indeed companies A and C told about the increasing relevance of the concept of market responsiveness and continuous innovation, which require prompt production and delivery processes. While this evolution has recently led Company A to nearshoring its production, Company C has decided not to make any change to its production footprint, already based in Italy. On the other hand, company E highlighted that the increasing productivity of western countries, compared to eastern ones, is making the offshoring option less attractive.

Moving to the “Firm’s specific factors”, two cases (B and C) made an explicit reference to the specificities of their industries, which are, in the former, the tight regulatory system, and in the latter the relevance of the “Made in Italy” label. These factors have led both companies to the decision of keeping their production system in Italy.

Within the “Firm’s specific factors” also issues concerning the interfaces of operations with other functional areas of the company are included. This condition has been mentioned by four companies (C, D, F and H) and in all cases the relevance of the proximity to the customer was highlighted. Indeed, the necessity to cope with demand volatility (interface with Marketing & Sales) and to adapt products to the needs of local clients (interface with R&D) is becoming more and more relevant and is resulting in remarkable effects on the production footprint.

Finally, looking at the “Contingency factors”, operating conditions of the production process have been mentioned by four companies as drivers of “rightshoring” (A, D, E and G). Indeed, in two cases the importance of the batch-size as an enabling condition of an offshoring decision has been highlighted, in that small batch sizes cannot lead to the necessary degree of efficiency that makes some offshoring options cost-effective. Furthermore, also the complexity of the product has emerged as a relevant factor, since products with a short bill of materials (as in the case of Company D) can guarantee an easier coordination of offshored/outsourced production activities. Finally, as highlighted by Company E, also the organizational readiness of the firm can be an issue. In this case, the small size of the company made it impossible to create those managerial roles necessary to oversee production activities outsourced to foreign vendors.

6 Conclusions

This paper builds on the extant contributions on offshoring/reshoring and on the ones concerning the location decision, grounded in the operations management literature (Fratocchi et al. 2015, 2016; Tate 2014; Tate et al. 2014; Ellram 2013; Ellram et al. 2013; Gray et al. 2013; McIvor 2013). As stated by recent studies (Tate and Bals 2017; Joubioux and Vanpoucke 2016), there is not a location that can be considered optimal for every company, since various factors, both endogenous and exogenous, can drive the final outcome of an offshoring/reshoring choice. In this paper we wanted to explore the concept of “rightshoring”, which builds on this

approach, trying to understand whether and how the relevant factors highlighted in the literature can drive the success of a location decision (Bals et al. 2016; Fraticchi et al. 2016; Joubioux and Vanpoucke 2016; Fraticchi et al. 2015; Stentoft et al. 2015; Arlbjørn and Mikkelsen 2014; Bailey and De Propriis 2014; Tate et al. 2014; Tate 2014; Ellram et al. 2013; McIvor 2013; Gray et al. 2013).

The preliminary evidence stemming out from our study confirms that all the factors in our theoretical framework play a role in the decision making process concerning location, as well as on its success. It also demonstrates that the final choice and its outcomes depend on the specific mix of factors that the company copes with.

In this concern, it could be worthwhile further investigating on the correct sequence in which such factors and enabling conditions should be considered in the decision making process, so as to immediately drop possible initiatives that are unsuitable for the company, even though they could theoretically contribute to strengthening the operational performance. On the opposite, our study shows that most attention is devoted to the “Strategic alignment” factors, while the others gain relevance in a later stage, when an investment has already been done and can be hardly reversed.

In the longer term we expect that in the Western world reshoring will be boosted by firms’ upgrading to the upper segments of their markets and by the use of advanced manufacturing technologies that promise to alter the economics of the production, making it a far less labour-intensive process. In other words, modifying the factors that determined offshoring as a rightshoring decision.

Reshoring is often described as a response to both macroeconomic and internal business-related factors.

Besides the managerial implications of a rightshoring approach to strategic location decisions, the outcomes of this study imply robust policy implications. As a matter of fact, Governments around the world have used, announced or planned financial incentives in an effort to attract companies to move back to their countries. These range from hard cash and corporate-tax holidays to cheap loans. The rationale of these policies was aiming at supporting domestic economic growth and job creation. However, it is important not to overestimate the impact of reshoring on jobs and the effectiveness of tax incentives on companies’ decision to bring back the activities they had previously offshored.

On one side, reducing the tax burden on labour and building up key skills, widening access to finance measures, supporting innovative businesses and reducing capital costs through tax breaks are certainly Governments right movements to improve the national business environment and competitiveness. This will be likely to contribute to attracting foreign investments and might also help some companies to come back.

On the other side, evidence from our research suggests that generous fiscal incentives do not necessarily meet the goal of attracting companies to move back to their countries whenever the offshoring decisions were rooted in several factors beyond simply lowering operations costs.

The actual companies' decision on the relocation of their activities is likely to be driven by a new strategic positioning in the global marketplace, rather than by the existence of fiscal incentives per se. Further, reshoring does not necessarily imply recreating the once lost jobs and most likely not the same type of jobs.

Manufacturing work will often come back only when it has been partly automated, so the number of jobs returning will be smaller than the number lost in the previous location. Most companies that have recently built new facilities or expanded existing ones in America have brought in more automation (Booth 2014).

Many companies outsource to save money, following each other around the world in search of the lower-cost countries. Taking decisions on activities location implies more than just sending work to cheaper countries. Most firms do not give enough thought to choosing where to produce and continue indulging in herd behaviour when deciding where to base their operations and how to arrange their supply chains. The decision is not simply whether or not to reshore, but rather which activities to place in which location. And location means, mainly, availability of focussed capabilities and presence of global supply chain.

Future research should lead to a disciplined analysis allowing the management to make informed location decisions.

Being based on a qualitative analysis conducted across eight cases, this study suffers from the limitations peculiar to such a research strategy (Yin 2003; Voss et al. 2002). The authors' aim was to understand how and why the factors highlighted in previous contributions can drive the location decision of an industrial company. Although our paper points out some remarkable findings about this issue, we cannot exclude that further factors can actually play a relevant role in this decision making process. Replicating our study in other firms could lead to the identification of other drivers, not included in the framework presented in this paper. Furthermore, the relevance of such factors could be different depending on the specific industries, as the case of the fashion companies demonstrates as far the "Made in" issues are concerned. A quantitative study, based on the administration of a survey, could help in measuring the importance attributed by companies to the different typologies of factors.

Finally, and as already claimed, further research should be carried out in order to investigate about the sequence with which relevant factors are taken into account in the decision making process. Given the nature of this aim, a case-based research strategy could be considered the most suitable.

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