Reshoring and offshoring have been investigated separately by the literature, undermining a deeper comprehension of the firms’ international expansion paths. Our paper seeks to fill this gap by: identifying common pattern in offshoring and reshoring initiatives; understanding the interdependencies among offshoring and reshoring motivations; and exploring whether reshoring is a “failure” of the offshoring initiative, or rather an evolution of the firm’s strategy. We review literature on offshoring and reshoring motivations and conduct a multiple-case study analysis. This allows us to discuss how the motivations (Why) connect with the How (governance modes), and Where (geographical locations) of offshoring and reshoring.

KEYWORDS: Global Operations, Manufacturing, Reshoring, Offshoring

INTRODUCTION

Since the early 1990s, offshoring has emerged as one of the most widespread strategies adopted by Western companies in order to maintain or to foster their competitive advantage (Contractor et al., 2010). Although offshoring is far from petering out, in the last decade a counter trend has emerged whereby companies that had offshored their production have started bringing production operations back to their home countries or are adopting a regionally-based location strategy (Kinkel, 2012; Ellram et al., 2014). This phenomenon, known to most with the label “reshoring”, was first discovered by the popular press, which built a case out of the fact that some prominent large manufacturers were bringing jobs back to the home country. While at first reshoring seemed to be confined to large companies, there is now solid evidence that it also affects SMEs (Fratocchi et al., 2016). Further, reshoring does not appear to be tied to specific industries, since it spans heterogeneous sectors in terms of knowledge and technology content (Kinkel, 2012; Fratocchi et al., 2015b, 2016). In the scholarly debate on reshoring the question that has attracted the greatest attention has been “Why do firms reshore?”. Motivations for internalization/de-internalization patterns have been defined as always “purposeful and goal oriented” (Benito, 2015), and therefore their
investigation represents a key element of firms’ international deployment. In addition to responding to “Why” sort of questions, the analysis of motivations provides the basis for understanding which value activities are involved in internationalization, where activities are located, and how they are governed (ibid.).

A wealth of very different reshoring motivations have been proposed in the literature (Fratocchi et al., 2016; Foerstl et al., 2016; Stentoft et al., 2016a; Bals et al., 2016). The very first hypothesis put forward posited that reshoring arises from the correction of managerial errors such as insufficient planning and knowledge of the offshore location (Kinkel & Maloca, 2009). Later, reshoring was acknowledged as the reverse of a fully rational offshoring decision, motivated by contingencies and changes in the offshore or home country environment, such as the rising total costs of ownership in China, or the lower costs of energy in the West (Simchi-Levi et al., 2012; Tate et al., 2014; Martínez-Mora & Merino, 2015). Other scholars have argued that reshoring may follow from the inability of firms to solve complex challenges created by offshore production (Manning, 2014). The heterogeneity of motivations identified by scholars hints to the fact that “multiple” reshoring typologies may be at play (Foerstl et al., 2016), possibly influenced by factors such as the firm’s offshoring/internationalization path, the firm’s dimension, its strategic focus, and the industry of activity. Finally, other authors have linked reshoring to consumers’ pressures on companies, stemming from perceived higher quality of western productions ("made in" effect”; Ancarani et al., 2015; Fratocchi et al., 2016; Grappi et al., 2015; Martínez-Mora & Merino, 2014; Tate et al., 2014; Robinson & Hsieh, 2016) or to the perception of the moral righteousness of producing at home.

With few exceptions, the investigation of the motivations underlying reshoring has mostly been undertaken independently from the analysis of the offshoring that predated them (Gylling et al., 2015). This is in contrast with the idea of Joubioux & Vanpoucke (2016) that "the reshoring decision-making process depends on the offshoring process: i.e., why activities were previously offshored, when and where they were offshored, and to whom these activities were delegated".

The joint analysis of offshoring and reshoring is a missing link that could throw light on long-term internationalization strategies and could help understand when reshoring actually follows from a “failure” of the offshore strategy. Further, from a theoretical standpoint, this disconnection between the analysis of offshoring and reshoring implicitly denies the possibility that reshoring is one of the possible further steps in the internationalization strategy of firms (Fratocchi et al., 2014a, 2015a), and rather depicts it as an “odd” phase when compared to a more “orthodox” linear model of international expansion, as predicted by theoretical approaches such as Internationalization theory (Vernon, 1966) and Internationalization Process Theory (Johanson & Vahne, 1977).

Our paper attempts to fill this gap by pursuing the following goals: first, to identify common pattern (if any) in offshoring and subsequent reshoring initiatives; second, to understand the interdependencies (if any) among offshoring and reshoring motivations; third, to explore whether reshoring is a “failure” of the offshoring initiative, or rather an evolution of the competitive strategy.

Because addressing the above research goals requires detailed historical company information, the case study methodology emerges as the optimal approach. Further, since reshoring is a phenomenon still in the making and only partially investigated, we select the inductive case study methodology with multiple cases (Yin, 2003; Patton, 1990; McCutcheon & Meredith, 1993). We focus on Italian companies operating in labour intensive sectors (footwear, fashion, and travel gear and accessories), and for which the product’s country of origin” is likely to represent an important element of customer value (“made in” effect), and therefore a potential motivation for reshoring.
Results allow us developing six propositions encompassing three key aspects of offshoring and reshoring decisions: Why, i.e., the “nature” of offshoring/reshoring motivations; How, i.e., the offshoring and reshoring governance modes; Where, i.e., the geographical location of the offshored and reshored activities. Moreover, results allow qualifying reshoring as a result of strategic change, more than the correction of a managerial error.

The paper is organized as follows. The next section presents the adopted multiple case study methodology. We then analyze the background literature concerning the main offshoring and reshoring motivations and present the framework used to probe the cases for communalities/dissimilarities. In order to answer our research questions, we undertake a within case and a cross case analysis, leading to the formulation of research propositions. Finally, we present some concluding remarks.

METHODOLOGY

Because of the lack of an established theory on reshoring, we employed the inductive case study methodology with multiple cases (Yin, 2003; Patton, 1990; McCutcheon & Meredith, 1993). This approach, being “particularly oriented towards exploration, discovery, and inductive logic” (Patton, 1990), is well suited to the development of data grounded testable theories (Eisenhardt, 1989; Voss et al., 2002). In addition, it fits international business research well, because data are collected from cross-border and cross-cultural settings (Ghauri, 2004; Piekkari & Welch, 2004).

The research protocol adopted consisted of the following steps: Literature analysis to identify the key motivations involved in offshoring and reshoring initiatives. To this end, we adopted a content-based structured literature review methodology, which ensures objectivity, rigor, and transparency. Structured literature review has been defined as “a systematic, explicit, and reproducible design for identifying, evaluating, and interpreting the existing body of recorded documents” (Fink, 2005: 6). Content-based literature review is a type of structured literature review in which content analysis is employed as a tool for examining the studies (Seuring & Gold, 2012). In particular, we follow the step-based process model for content-based literature review proposed by Seuring & Gold (2012): (1) “material collection”; (2) “category selection”; (3) “material evaluation”. Based on the literature review, first we identify elementary reshoring and offshoring motivations, and next we propose a framework of aggregation and interpretation of the motivations identified (see Literature Review section).

Development of a checklist structured into three sections: (1) company and interviewee characteristics (e.g., turnover, number of employees, industry, market, location of the main customers, interviewee role and experience in the company); (2) elements affecting the offshoring decision (e.g., offshore location, year, offshored product/production phase, entry mode, offshoring motivations); (3) elements affecting the reshoring initiative (e.g., year, product/production phase, re-entry mode, supply network of the reshored unit, sales market of the reshored products, reshoring motivations).

Sample selection. The sample selected was composed of four manufacturing companies that offshored and then partly reshored their production. This number of cases is considered acceptable for a multiple case study analysis (Eisenhardt, 1989; Barratt et al., 2011). We included companies operating in labor intensive sectors (fashion, footwear and travel accessories), whose products are also expected to be sensitive to the production location, that is the “made in” effect. This expectation is reinforced by the fact that the four companies are headquartered in Italy, i.e., a country where “made in” is indeed an important competitive factor. Our case firms are also characterized by the status of small and medium enterprises (SMEs). This choice, though reducing the possibility to generalize conclusions to the overall phenomenon of reshoring, avoids possible confounding factors arising from the inclusion in
the sample of large firms (e.g., easier access to finance and global value chains), and therefore adds robustness to our findings. In addition, at least by conventional wisdom, SMEs may be more likely to reshore because of error corrections, since they lack the planning and market forecasting resources of large firms, and are also more likely to have offshored because of “bandwagon” effects (i.e., imitation of competitors). Therefore, the sample chosen may allow drawing interesting conclusions on the relevance of reshoring as “error correction” (Kinkel & Maloca, 2009). The main features of the sampled firms are described in Table 1.

Table 1 – Summary of cases

<table>
<thead>
<tr>
<th>Company</th>
<th>Sector / product</th>
<th>Revenue (min €)</th>
<th>Export (%)</th>
<th>Employees</th>
<th>Offshore location</th>
<th>Offshoring year</th>
<th>Reshoring year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aku</td>
<td>Mountain and outdoor shoes</td>
<td>21.79 (2014)</td>
<td>75%</td>
<td>~330</td>
<td>Romania</td>
<td>1999</td>
<td>2010</td>
</tr>
<tr>
<td>Roncato</td>
<td>Suitcases and travel accessories</td>
<td>41.80 (2014)</td>
<td>40%</td>
<td>~100</td>
<td>China</td>
<td>1970</td>
<td>2012</td>
</tr>
</tbody>
</table>

Data collection: Structured interviews with the CEOs of the sampled companies using the checklist developed were the first source of data. The checklist was sent to each respondent prior to the interview. Each interview was performed by three members of the research team. The information gathered was supplemented with internal documents (e.g., project plans, reports, market performance, balance sheets) provided by the companies and by external secondary sources (e.g., press reports on the offshoring or reshoring initiatives). Triangulation of multiple sources of evidence provided a stronger substantiation of results (Eisenhardt, 1989). All interviews were recorded and fully transcribed. We created a database for each case consisting of the interview transcripts, field notes, and archival data. We then developed preliminary versions of the case studies reports that were subsequently sent to the company respondents in order to verify the accuracy of the information. As a result of the feedback received, the final versions of the case studies reports were developed.

Within-case and cross-case analysis. Coding and data analysis were conducted manually by three members of the research team to ensure inter-coder reliability (Duriau et al., 2007). An additional researcher was assigned the role of “resident devil’s advocate” in order to discuss and resolve any disagreements. Each case was described in terms of the following main macro categories (background of the company, offshoring, reshoring, and present). Sub-categories were then defined for each macro-category. Offshoring and reshoring motivations were classified according to the theory grounded framework presented in the literature review section (see Figure 1 and 2). After the within-case analysis, the cross-case analysis was performed and findings tabulated, to identify common themes and internationalization paths.

Validation of case study results. As suggested by Yin (2003) and Eisenhardt (1989), a number of strategies and actions were adopted to enhance construct validity, internal validity, external validity, and reliability.
LITERATURE REVIEW

In order to define a list of offshoring and reshoring motivations to discuss with companies’ respondents, we developed literature reviews of reshoring and offshoring motivations. We followed the step-based process model for content-based literature review proposed by Seuring & Gold (2012): (1) “material collection”; (2) “category selection”; (3) “material evaluation”.

Reshoring motivations

In a recent literature review, Fratocchi et al. (2016) identified 33 studies on reshoring. Taking this review as a starting point, we searched for more recent references. In so doing, we initially focused on academic papers belonging to the Elsevier’s Scopus dataset and containing the following words in title, keywords and abstract: “reshoring”, “re-shoring”, “backshoring”, “back-shoring”, and “back-reshoring”. Since the topic is addressed by several disciplines, we decided to perform a keyword search without any reduction in the scope of the journals. We focused our attention only on (1) papers written in English; (2) papers focusing on reshoring of manufacturing activities. This search led to the identification of 30 new papers.

We searched for possible classifications of reshoring motivations adopting an inductive category selection approach. In this respect, we proceeded in two steps: first, we identified elementary reshoring motivations, next we searched for grouping criteria of these elementary motivations. All papers were analyzed and coded. To avoid misinterpretations and improve process reliability (e.g., Denyer & Tranfield, 2009), each paper was independently analysed and elementary motivations were coded by two researchers (researcher triangulation) and in a few cases of disagreement all authors were involved to reach a common conclusion/decision. This coding activity led to 38 elementary reshoring motivations.

Concerning grouping criteria of reshoring motivations, the literature includes both empirically based and theory grounded criteria. The former consist of classifications based on general categories of reshoring motivations (costs, home/host country characteristics, access to skills and knowledge) (Fratocchi et al., 2015a; 2015b; Stentoft et al., 2015; Li et al., 2015). Among theory-based criteria, Ellram et al. (2013) and Ancarani et al. (2015) adopt the dimensions of location advantages from the Eclectic Paradigm (Dunning, 1998). In so doing, both papers indicated that some motivations “cut across all of the categories of factors noted by Dunning (1998)” (Ellram et al., 2013, p. 17). Furthermore, Dunning himself (1998) acknowledged that the motivations defining a specific “raison d’être” evolve over time. More recently, Foerstl et al. (2016) proposed a classification of reshoring and insourcing motivations according to Transaction Cost Economics (TCE) and Organizational Buying Behaviour (OBB) theories.

Based on an extensive literature review, the authors found 29 reshoring and insourcing motivations which were classified according to a three level framework. Firstly, two macrocategories were defined (namely “Human and Behavioural Factors” and “Transactional Factors”). Each macrocategory was then divided in two categories (“Bounded rationality” and “Opportunism” vs. “Environmental Uncertainty” and “Asset Specificity”) which were finally articulated in eight different subcategories. While we recognize that a firm simultaneously shift from offshore outsourcing to domestic insourcing, we think that location and governance mode are distinct choices and should therefore be analyzed separately (Fratocchi et al., 2014).

Fratocchi et al. (2016) developed a theory-driven classification framework, grounded in both international business and strategic management theories, which distinguishes reshoring motivations based on two variables: the company’s strategic goal (i.e., increasing customer perceived value vs. improving cost-efficiency), and the predominant factors affecting the
Di Mauro et al.  
Offshoring and reshoring in the internationalization strategy

reshoring decision or “level of analysis” (internal to the company vs. relating to the external environment). Consistent with theoretical approaches such as the Resource Based View, the authors argue that customer perceived value goals may explain a relocation in terms of the firm’s need to improve, protect, and maintain the critical attributes driving customer value, such as perceived quality (Eggert & Ulaga, 2002), product innovation (Rivièreme, 2015; Lindič & Silva, 2011), and customer services (Stringfellow et al., 2008). Hence, this class of relocations occurs when the current location hinders the firm’s ability to develop and/or maintain distinctive capabilities (e.g., intellectual property protection; product quality; innovation potential; etc.), to access external knowledge and/or other critical resources, to understand customers’ needs and provide effective services. On the contrary, cost-efficiency goals explain relocations as the pursuit of lower production costs, for instance stemming from lower unit of labor costs or higher labor productivity, benefits from automation, shorter logistics lead times, fewer inventories, psychic distance, lower monitoring costs, etc.

Theoretical approaches such as International Trade Theory and Transaction Cost Theory can be applied to argue that manufacturing reshoring stems from reduced gaps in input costs between the home location and the offshore location, or the high costs of coordinating distant operations and relationships.

With respect to the predominant dynamics, relocations motivated by changes in the external environment account for changing characteristics of the business model in the industry the firm operates in, of the home and/or foreign countries, and of the global economy as a whole. In particular, the relative attractiveness of the home and host locations relies on changes in costs and/or endowment of relevant production factors, in institutional factors, in country’s strategic assets, in country risk, in barriers to trade and tariffs. On the contrary, the internal environment accounts for factors such as a strategic drift of the company, the company’s supply chain complexity, innovation orientation, or quest for new valuable resources.

Crossing the two aforementioned dimensions leads to four categories of relocation motivations, i.e., the quadrants of a 2x2 matrix. Hybrid cases (relocations driven simultaneously by internal and external factors or by the quest for customer value and cost reduction) are accounted for explicitly, and are positioned in the sidebars of the matrix.

The framework proposed by Fratocchi et al. (2016) for aggregation of elementary motivations offers numerous advantages: (i) it is theory-based and it encompasses several theoretical approaches used in internal business and international operations management; (ii) it allows interpreting relocation motivations within the realm of firms’ purposeful goal-oriented (and sometimes strategic) decisions; (iii) unlike Dunning’s “raisons d’être” of relocations, it explicitly allows for hybrid cases; (iv) unlike Foerstl et al. (2016), it does not mix location and governance mode decisions. Therefore, in the material evaluation phase, in order to ensure construct validity and reliability, all members of the research team positioned elementary motivations within Fratocchi et al.’s (2016) framework separately. Discrepancies (less than 5% of motivations) were solved through a discursive alignment of interpretations.

Figure 1 presents the results of the classification highlighting the 30 motivations proposed by Fratocchi et al. (2016) and the further 8 motivations found in the additional reviewed papers (the total list of motivations and relative references is presented in Appendix A). Motivations cover all the four quadrants, suggesting that reshoring is a very heterogeneous phenomenon, in the sense that it represents a common response to diverse challenges firms may face. Further, the fact that the various motivations belong to all the quadrants, imply the relevance of different theoretical approaches and the usefulness of a holistic approach. For a detailed discussion of motivations, we refer to Fratocchi et al. (2016).

Analyzing reshoring motivations belonging to the most recent contributions, it is interesting to note that several authors have pointed out the relevance of the firm’s competitive strategy as a key driver of the reshoring decision. For instance, Grandinetti & Tabacco (2015), Robinson & Hsieh (2016) and Huq et al. (2016) describe cases of companies that revised their global
production strategy, and consequently decided to repatriate manufacturing activities earlier offshored. This is consistent with Bals et al. (2016) who retain that in taking reshoring decisions “firms may have more strategic considerations towards global production location and sourcing than in the early stages of the primarily cost-driven offshore” decision. In this respect, reshoring may be conceptualized not as the mere correction of a prior misjudged decision (Gray et al., 2013; Kinkel & Maloca, 2009) but also as a “deliberate strategy” (Mintzberg, 1985) to respond to exogenous or endogenous changes (Mugurusi & de Boer, 2014; Martinez-Mora & Merino, 2014; Fratocchi et al., 2015a; Gylling et al. (2015). Bals et al. (2016) suggest future studies should approach the such two types of reshoring decisions (failure vs. strategy) assuming differentiated perspectives. Among reshoring motivations deriving from very recent contributions, it is worthy of notice the relevance of customers’ perceptions of firm’s competitive strategy. For instance, Grappi et al (2015) propose that customers’ willingness to buy reshored products may motivate companies to relocate production activities in the home country (customer perceived value – external environment quadrant). This is confirmed by case studies regarding companies in the fashion industry, as recently showed by Robinson & Hsieh (2016) analysis of the Burberry case. Finally, attention has been paid also to environmental and social sustainability elements as possible reshoring motivations, stemming from either a deliberate firm’s strategy (Ashby, 2016; Robinson & Hsieh, 2016) or environmental legislations in the home country (Sardar et al., 2016).

**Figure 1 – Reshoring motivations highlighted in the literature**

(Adapted from Fratocchi et al., 2016; new motivations are underlined)
Offshoring motivations

Since offshoring is a multidisciplinary topic, we decided to perform a keyword search without any reduction in the scope of the journals (Seuring & Gold, 2012). The following string was searched in Elsevier’s Scopus: (1) (“offshoring” OR “off-shoring”) AND (“motivation” OR “driver”) referred only to title, keywords and abstract. This allowed us to identify 280 papers on offshoring motivations. We then employed a set of inclusion criteria: (1) peer-reviewed journal papers; (2) papers written in English; (3) papers focusing on offshoring of manufacturing activities; (4) papers highlighting/discussing at least one offshoring motivation based on empirical data. The final list consisted of 35 papers.

We applied the theory-based framework proposed by Fratocchi et al. (2016) as the coding scheme also for literature on offshoring motivations. The classifications of offshoring motivations adopted by the reviewed studies were based on Dunning’s (1988) Eclectic Paradigm and therefore share the same limitations of the Dunning-based classification adopted by reshoring studies (see above). We identified 21 offshoring motivations (see Figure 2 and Appendix B). Our motivations are aligned with those recently identified by Mihalache & Mihalache (2015).

The offshoring motivation most frequently cited concerns the costs and productivity of unskilled labour in the host country (quadrant cost efficiency – external environment). Several authors (Kinkel & Maloca, 2009; Gylling et al., 2015) rank it as the most important offshoring motivation or one of the most important ones.

Another frequently cited offshoring motivation is the availability of skilled labour (quadrant customer perceived value – external environment). Mykhaylenko et al. (2015) argue however that this driver is important but less significant for manufacturing than for service offshoring. Some authors (e.g. Arlbjørn & Lüthje, 2012; Persaud & Floyd, 2013) emphasise the quality improvement (quadrant customer perceived value – external environment). Slepniov et. al. (2013) specify that this improvement originates from the combined effect of some factors available in the host country (e.g. the availability of skilled labour and the local knowledge). Mohiuddin & Su (2013) quote the new product development (quadrant customer perceived value – internal environment) and argue that it is particularly true when the knowledge of the local needs and habits is a requisite for selling abroad. Since this finding is however based on a case study analysis of high tech manufacturing SMEs, future research is needed to understand its validity and generalizability to other contexts (e.g., large firms, low tech firms).

Finally, we found only one motivation in the quadrant cost efficiency – internal environment cited by only one paper focused on SMEs, i.e., the economies of scale (Mohiuddin & Su, 2013). This suggests a possible lower relevance of this category of motivations for offshoring decisions.

A cursory look at both reshoring and offshoring motivations (Figure 1 and Figure 2), that there is a significant overlap. The explanation for this is twofold: first, some companies reshore production because the expected offshored benefits were not met in practice (“operational flexibility” for offshoring, “reduced operational flexibility” for reshoring). Second, some strengths of the offshore location in time became the strengths of the homecountry, due the evolving economic and political situation (e.g., “government incentives” for offshoring, “national subsides for relocation” for reshoring). This result suggests that a deep comprehension of the reshoring phenomenon cannot leave aside a joint/comparative analysis of offshoring and reshoring motivations. Such analysis is missing in the present literature. However, a closer look at the matrixes (Figure 1 and Figure 2) also reveals that, despite the offshoring motivations cover all the four quadrants, there is a higher density in the two right quadrants (i.e., cost efficiency – external; value driven – external) when compared to the reshoring ones. This suggests that offshoring tends to be driven predominantly by
external dynamics, whereas reshoring by factors internal to the firm. The case analysis will delve into communalities and differences between offshoring and reshoring motivations.

**Figure 2 – Offshoring motivations highlighted in the literature**

<table>
<thead>
<tr>
<th>Internal Environment</th>
<th>External Environment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Customer Value creation</strong></td>
<td><strong>Value creation</strong></td>
</tr>
<tr>
<td>Delivery reliability</td>
<td>Quality improvement</td>
</tr>
<tr>
<td>Time to market</td>
<td>Availability of skilled labour in the host country</td>
</tr>
<tr>
<td>Operational flexibility</td>
<td>Countertrade requirements</td>
</tr>
<tr>
<td>New product development</td>
<td>Foreign market access or development</td>
</tr>
<tr>
<td>Proximity to foreign customers</td>
<td>Host country supply base</td>
</tr>
<tr>
<td>Access to know-how</td>
<td></td>
</tr>
<tr>
<td><strong>Cost efficiency</strong></td>
<td><strong>Cost efficiency</strong></td>
</tr>
<tr>
<td>Economies of scale</td>
<td>Costs and productivity of unskilled labour</td>
</tr>
<tr>
<td>Costs and productivity of skilled labour</td>
<td></td>
</tr>
<tr>
<td>Capacity bottlenecks in the home country</td>
<td></td>
</tr>
<tr>
<td><strong>Total Cost of Ownership</strong></td>
<td></td>
</tr>
<tr>
<td>Production and logistic costs (except labour costs)</td>
<td></td>
</tr>
</tbody>
</table>

**WITHIN CASE ANALYSIS RESULTS**

This section presents the results of the within case analysis of the four cases, focusing on the following aspects: company background, offshoring, reshoring, and present situation (i.e., following the implementation of reshoring). For each case, the motivations for offshoring and reshoring cited by the interviewed CEOs have been classified by the research team using the four quadrant matrices described in the Literature Review section (see Figure 3-4-5-6). Offshoring and reshoring motivations were further rated by the interviewee as “very relevant”, “relevant” or “not relevant”. Offshoring and reshoring motivations rated as “Very relevant” by the interviewee are highlighted in bold inside the matrices.

**Aku**

*Background:* Aku is a medium sized company operating in the outdoor and mountain shoe sector. The company evolved from a workshop to the current establishment, which was established in 1991. The headquarter is located in the “mountain shoe” district of Montebelluna in the North-east of Italy.  

*Offshoring:* In the early nineties, due to the growing competition of East-European countries, whose labor costs (both skilled and unskilled) and total costs of ownership were more advantageous than in Western Europe, Aku began approaching Eastern Europe with several (outsourcing and insourcing) offshore arrangements. R&D, quality controls and sourcing of
raw material remained located in Italy. At first, Aku experimented by opening own workshops with the aim to develop a local production culture compatible with the high quality standards required by its market position, and by establishing outsourcing contracts with local producers. Having gained sufficient knowledge of the local production culture, in 1999 Aku opened an own plant in Romania (Cluj Napoca), an offshoring location supported by the availability of skilled manpower. The transfer of operations abroad resulted from the imitation of competitors’ strategies, who were too setting up shop in Eastern Europe. In fact, the leading business model of the sector called for cost cutting to face the fierce price competition. The long process of building local knowledge, of adapting to the offshore context, and of developing offshore workers and suppliers, led to quality standards offshore analogous to those at home. As the CEO of Aku puts it: “In Romania we started from scratch. It was a long story of endurance, but now the quality of product in Romania is analogous to that in Italy”. Hence, offshoring was mainly driven by cost reduction considerations in order to stay apace with competitors (Quadrant 2). However, given that Aku served medium to high segments of the market, the quality of human resources was a key factor in the choice of the offshore location in order to maintain the same quality of the insource production (Quadrant 1).

At the beginning of the years 2000, Aku also started sourcing light shoes from third parties in the Far East. A small portion of turnover continued to derive from shoes designed and produced in Italy.

**Reshoring:** Between 2010 and 2011 Aku implemented the reshoring of high segment productions previously carried out in the Romanian plant. Production was repatriated to the historic plant in Italy. High-end sport shoes exhibit a higher technological content, offer greater possibilities of exploiting process automation, and are less dependent on the cost of manpower. According to Aku’s CEO, the need to protect the company’s knowledge and competencies, the fear of loss of innovation potential, and the need to guarantee proximity of production to R&D and to marketing were the main motivations of the decision to repatriate production. “A company like ours produces a highly technical product that encompasses also a craftsmanship component. In order to remain globally competitive, we must be able to tell our customer an authentic story and be able to claim that yes, we make the shoes by ourselves, and our knowledge allows us to make the shoes differently from other competitors…” Currently the “top outdoor end” is entirely designed and produced in Italy, medium-end trekking outdoor are produced and assembled either in Italy or in Romania, while light shoes continue to be outsourced to Asia, given that these low-end segments are more sensitive to price and have a low-technology content. Other key motivations encompass the loss of company’s know how because of offshore production, and the need to re-establish roots in the local industrial culture and with the home region, given that the company is historically rooted in its territory. Hence, reshoring motivations are mainly positioned in the upper quadrants of the matrix (Quadrants 1 and 4), given that the need to enhance customer value (through innovation and improved quality of production) explain the reshoring initiative.

**Present:** Following reshoring turnover has shown a rising trend: from 14 million euro in 2011 to 21.5 in 2014. Currently the “top outdoor end” is entirely designed and produced in Italy, medium-end trekking outdoor are produced and assembled either in Italy or in Romania, while light shoes continue to be outsourced to Asia, given that these low-end segments are more sensitive to price and have a low-technology content.
Fitwell

**Background:** Fitwell is a small company operating in the sector of outdoor and mountain shoes and whose headquarter is located in the shoes district of Montebelluna in North-East Italy. The firm was created in 1979 when Giuliano Grotto founded ONESport, a company specializing in the production of highly technical mountain shoes and quickly acquiring a reputation as producer of boots for Himalayan expeditions. Therefore, the company occupied a niche market characterized by high-reliability and high-quality, also thanks to the local tradition in leather processing techniques. In 1997 ONESport started a collaboration with the French group Lafuma, which bought the brand ONESport the following year. Grotto continued to work for Lafuma as a contract manufacturer producing free climbing shoes - a collaboration that continues up to now. However, Mr Grotto also launched his own new brand, Fitwell, and opened new product niches such as canyoning and freeride. The company adopts an open innovation approach by collaborating with other external entities in developing its new products.

**Offshoring:** In 1999 Fitwell began outsourcing its production to Eastern Europe, first in Hungary and in the Czech Republic and then in Romania, where there was a tradition for shoe manufacturing. One of the main reasons for outsourcing offshore were pressures from the key customer Lafuma, asking for more competitive costs that could only be achieved by producing in low cost countries (low labor costs and lower TCO), similarly to what was being done by most of the companies in the same sector (imitation of competitors’ strategies). The company also benefited from a looser country legislation with respect to labor and contracts with suppliers, and more favorable taxation with respect to Italy. According to Fitwell’s CEO: “I went offshore also because of the politics of globalization. With hindsight, it was a mass mistake. But if 15 years ago I hadn't done it, I wouldn't be here now. There was no other solution”. However, the high quality standards of Fitwell’s shoes required a long period of supplier development and training in order to guarantee to customers standards comparable to the Italian ones: “The cultural approach (to work) in Romania and in Italy are deeply different”. Consistent with the goal to maintain high quality standards, the development function remained in Italy, and so suppliers of raw materials, while production was totally offshored. Therefore, similarly to Aku, Fitwell too was induced to offshore by the need to follow competitors in a race to reduce total costs, and especially costs of labor, given the high labor intensity of its productions.
Reshoring: In 2009 Fitwell partially reshored the Romanian production, deciding to manufacture in Italy all top end shoes (mountain shoes and boots accounting for 40% of turnover) and two out of the three main production stages for medium end shoes. Since all raw materials are produced in Italy, Fitwell can boast today a 100% “made in Italy” product: “After the global crisis, Italian companies that had offshored lost identity, therefore their strategy has changed to “top of range” products in order to acquire visibility in the market”. Currently only the upper boot for medium range products is manufactured in Romania, given their higher sensitivity to price competition. Romanian contract manufacturers are responsible for high labor intensive production stages, while final high value added phases (e.g., assembling and gluing of the upper shoe) are carried out in Italy. Design and prototyping are outsourced to local companies. The company argues that it would be nearly impossible to reshore production stages now carried out in Romania, because over the years, local competences and know how have dwindled: “There is a scarcity of specialized manpower and this makes a full scale reshoring impossible”. Among the reasons for the return to Italy, the strategy to sell Fitwell as a “made in Italy” brand features as prominent, as this helps the company charge a premium price. In addition, the company’s need to sustain the brand’s identity by improving product quality was a key driver of the decision. The quality differential more than offsets the higher TCO resulting from reshoring. Fitwell’s CEO says: “I am convinced that there is still market space for a small company that can make good shoes”. Another driver was the loyalty to the home region and sense of belonging to the local territory (emotional elements): “We came back because we are rooted in the territory, because we are able to manufacture a product but to make it a quality product we must produce it in Italy” and “With the concept of made in Italy we have gained as far as quality is concerned, but we have also regained the pride to produce here at home”. The main motivations of reshoring are the direct consequence of the firm’s repositioning of its product offering towards high end segments, and of its becoming a direct provider of end customers rather than being simply a subcontractor of Lafuma. This required investing in quality and branding, in addition to regaining its authenticity as a craftsmanship product. Present: Following reshoring, the company’s performance has improved and turnover has risen to the levels before the global economic and financial crisis. Actually the company sales are mainly focused on products sold with its trademark, while contract manufacturing account for less than 20%. Fitwell has opened new niche markets in areas such as canyoning and freeride. The company adopts an open innovation approach by collaborating with other external entities in developing its new products.
Roncato

Background: Roncato is a medium sized company specialized in suitcases and travel accessories. The heydays of Roncato go back to the ‘40s when the small craft company began production, while the industrial set up dates back to the ‘70s. The company boasts a record of innovation in the sector: first to use an assembly line for suitcases, first to develop a trolley, first to build light hard shell suitcases made of polypropylene.

Offshoring: Roncato’s offshoring initiatives predate those of many other competitors. The company started relocating production offshore already in the early ‘70s, by outsourcing the production of soft shell suitcases (approximately 65% of the turnover) to suppliers in South Korea, followed by a further transfer of production to China. Competitive advantage in this segment, in fact, hinged strongly on price, and the Far East undoubtedly offered savings in terms of labor costs and total costs of ownership. In 2000, the creation of a “project and style” department in Italy allowed unifying styling between the Chinese and Italian production lines, whereas beforehand the project and concept differed in the two countries. This change provided the company with the opportunity to maintain its brand characteristics throughout the range of products offered. The advantages of offshore production were further enhanced by the fact that suitcases imported from China into Europe – the main market of Roncato – are subject to low duties.

Reshoring: Starting in 2009 Roncato began the reshoring of high-end productions of hard shell suitcases previously taking place in China. Production was inshored to the historical plant of the company, whereas in China it was outsourced to local producers. Several reasons were at the root of the reshoring decision: the first concerns the strategic repositioning of the brand, which aimed to increase its share in foreign markets building on a “made in Italy” image that commands a premium price. In Roncato CEO’s words “If you want to grow abroad, well it is a different world with respect to Italy where price drives the purchase. Abroad, Italy is seen as an icon of good taste, style, quality, so for foreign buyers a product that is made in Italy not only provides a guarantee of, but also has a greater appeal.” However, the return of top end productions to Italy was motivated not only by the quest for legitimacy in the eyes of foreign customers but also by the need to be able to improve product quality with respect to offshore production and boost innovation potential. “We’ve come back for reasons tied to quality control and know how of production and technological innovation. It is not possible to develop certain (high quality) products in the Far East yet. Control of quality is easier in Italy than in China. Although quality on average has risen in China in the last few years, it is still lower than in Italy”.

Present: Following reshoring, turnover has remained constant and around 40 million euros per year, while employment has risen due to the production lines relocated in Italy.

Figure 5 – Summary of offshoring and reshoring motivations - Roncato
(Critical motivations in bold, * not included in the literature review)
Ska Italia

Background: Ska Italia is a medium sized company which produces zippers for the fashion sector. The company was founded in 1999 out of a previous company in the same sector; since its onset, it has been characterized by a global reach and high efforts innovation. The company’s market encompasses two main segments: footwear, fashion and leather requiring a high quality, and generic apparel requiring less stringent quality standards. While competitors on the first segment are located in the West, competitors on the latter are generally located in China.

Offshoring: Ska Italia located its production facilities in China in the area of Canton, while only high value added activities such as R&D remained in Italy. The Chinese location clearly responded to the need to exploit labor cost advantages and a lower total cost of ownership, and to reap the benefits of proximity to customers (apparel and suitcase producers) (access and development of foreign markets). In order to comply with the past Chinese legislation (that prohibited the creation of WFOEs), Ska Italia entered the Chinese market through a joint venture with a local partner. The search for a suitable partner proved to be long, due to the difficulty in finding a medium sized enterprise that could guarantee attention to product quality. The Chinese industrial landscape was in fact characterized predominantly by large companies yielding large volumes. “Because we were looking for a quality product we did not want to lean on a big partner with respect to which we would be a flea. That would have meant being unable to implement technological and qualitative changes to the Chinese equipment. By partnering with a medium sized company we have managed to achieve a quality level comparable to that obtainable in Europe”. In addition, the company benefited from government incentives for western firms locating in Chinese Special Economic Zones in the form of free granting of land and favorable taxation.

Reshoring: In 2010 the company decided to reshore part of production to Italy by opening up a new plant in the north west (through a joint venture) devoted to the production of high quality zippers for the leather fashion market. New lines were also opened to accommodate the demand from the very top segment of production coming from the fashion and the leather products markets. The rationale for relocating the high end lines back to Italy was many-fold: first, a strategic re-positioning of the company towards the higher segment of the market required a re-organization of production sites. In fact, it was necessary to improve product quality with respect to offshore production: “There have been improvements in quality that we have been able to undertake in the Italian plant and that were difficult in the Chinese one”. This reason aligns with brand image and the need of Ska Italia’s top customers (e.g., Gucci, Ferragamo, Tod’s) to certify a product fully manufactured in Italy: “The fashion market demands a made in Italy product, even if sometimes made in Italy is just a cliché rather than a reality”. The Italian plant carries out only specific stages of the production process, while dying and some types of galvanic coatings are outsourced to other Italian producers. The repositioning towards higher segments also required continuous innovation. However, the innovation potential was at risk in the offshore location partially due to inadequate protection of IP in the offshore location: “We prefer to produce our high tech range in Italy in order to protect our know-how. Taking this knowledge to China would invite the Chinese to take advantage”.

Therefore, the key motivations for reshoring and for offshoring have been those of following customers and complying to customer needs. These included the need to improve operational flexibility and reduce purchase order rigidity, i.e., the possibility of ordering “just in time” small lots, both of which were impossible to achieve through the Chinese plant.

Present: Following reshoring, turnover has remained constant and around 4 million euro per year, while employment has risen due to the production lines relocated in Italy. The new plant is still to produce profits, due to the high initial investment.
**CROSS CASE ANALYSIS RESULTS AND DISCUSSION**

Following the within case analysis, a cross case comparison is performed with the aim to identify common patterns in the firms’ offshoring and subsequent reshoring initiatives. The cross case analysis is organised around three issues concerning offshoring and reshoring (Why, How, Where). While the “Why” question is directly related to motivations (Mugurusi & De Boer, 2013; Fratocchi et al, 2014a), the other two questions arise because “important issues in companies’ internationalization differ systematically across different types of motives” (Benito, 2015). Motives are interconnected with “How” the offshored/reshored activity is organised in terms of governance mode. The “Where” question about the geographical location of the offshored/reshored activities is likely to be tied to the Why question, because relocations that occur for different motives are likely to be related to different places. Based on the cross case analysis, some propositions for future research will be derived.

**Why? The “nature” of offshoring/reshoring drivers**

The four couples of matrixes reported in the within case analysis section (Figure 3, 4, 5, and 6), highlight that there are indeed common motivations among the four firms, regarding both the type of factors explaining relocation and the “goal” dimension. Our discussion will focus on those motivations considered as very relevant by the companies. With respect to the external/internal environment dimension, all four companies offshored almost exclusively on the base of “external environment” motivations (right-hand side quadrants). This argument seems to be supported by the presence of location strategies either imitating competitors (“bandwagon effect”) (Aku and Fitwell) or following customers (Ska). The finding that external dynamics were more relevant than internal factors in offshoring choices can be partially explained by the small/medium size of the four firms, since large and multinational companies are more likely to implement pro-active strategies that influence the external environment (Mariotti et al., 2008).

Turning to the reshoring decision, “internal environment” motivations become more prominent for all firms, especially those regarding innovation potential and logistics (e.g., purchase order rigidity). However, these motivations appear to weight more for the three medium size companies, while Fitwell (the only small one in the sample) is partially affected by them. The lower amount of in-house resources and competences that small firms can generally leverage to accommodate their growth aims (Jarillo, 1989) may explain this finding.
With respect to the “goal” dimension, offshoring is generally driven by “cost-efficiency” motivations (mainly the cost of the labor component; Quadrant 2). While this finding is common to many low technology, labor intensive industries, its interest lies in the fact that it shows that even companies producing goods characterized by a significant “country of origin” effect were not deterred from relocating production in low-cost countries. Though seemingly contradictory, this strategy is generally coherent with the product range analyzed firms offered at the time of offshoring. In particular, at the time of offshoring, Fitwell was mainly a subcontractor (70% of total sales deriving from other companies’ trademark products). Further, it never offshore high range products (high-tech mountain boots) sold with its own brand, and for which the “made in” effect was more strongly felt by customers. In a similar vein, Roncato offshore hard-shell suits (medium to high range). However, it never offshore the production of polycarbonate hard-shell suitcases, which are more hi-tech and top of range. Unlike the purely cost-driven offshoring strategies of Fitwell and Roncato, Aku was motivated also by the “availability of skilled human resources in the host country” (Quadrant 1) and Ska by the “foreign market access or development” (Quadrant 1).

When reshoring was undertaken, cost-efficiency goals were never relevant. This is particularly noteworthy since salaries in both offshoring countries involved (Romania and China) have risen considerably in the last few years (UNCTAD, 2015). All companies' implemented reshoring decisions driven by “customer value creation” motivations (upper quadrants). Except for Aku, the “made in Italy” image strongly influenced the decision to reshore. Improving quality by linking production to R&D was relevant for all companies: while the three medium size companies linked to in house R&D, Fitwell leveraged on the network of the Montebelluna district for innovation of materials and styling. Since the quest for innovation and quality concerns high end products, the four firms generally reshored high end segments while lower end products continue to be manufactured offshore. For illustration, Roncato reshored only the manufacturing of hard shell suitcases, in order to improve quality and give visibility to its brand, while it still produces the soft shell ones in China. Similar decisions of partial reshoring were implemented by Aku and Ska. Conversely, low-end segment products with low technology content are never involved in reshoring processes (e.g., Aku’s shoes in China and Roncato’s soft-shell suitcases).

The case analysis suggests that reshoring follows from a shift in the firms’ competitive strategy, from a “cost leadership” strategy to a “differentiation” one (Porter, 1990). On this subject, a very interesting case is that of Fitwell, which reduced the weight of sales as subcontractor from 70% of total revenues (at the time of offshoring) to 20% (after the reshoring implementation), developing an own trademark for high- and medium-end products. More generally, the “made in” effect was a key reshoring driver for Fitwell and Roncato and partly for Ska. The above discussion leads to the formulation of the following propositions that are consistent with extant literature on the role of strategy changes (Grandinetti & Tabacco, 2015; Huq et al, 2016) and the “made in” effect (Martinez- Mora & Merino, 2014; Robinson & Hsieh, 2016) on reshoring decisions.

**Proposition 1** – While the predominant motivation for offshoring is cost-reduction, reshoring follows from a strategic shift aimed at increasing the value perceived by the customer.

**Proposition 2** – Companies whose product offering included high-end products for which the “made in” effect is relevant, either do not offshore these products (e.g., high-end products for Fitwell) or, if they offshore, they later reshore.
How? An Analysis of Governance Modes

While the four companies differ in the governance mode (outsourcing vs. insourcing) adopted in the offshore location, governance for reshoring is always insourcing. Elaborating on Gray et al. (2013)’s taxonomy of offshoring/reshoring and outsourcing/insourcing yields, analyzed cases’ findings may be summarized as in Table 2.

Location and governance have been acknowledged “strategies used to orchestrate the firm’s overall value chain” (Mudambi & Venzin, 2010: 1511). However, since “Value creation ‘travels’ in terms of location and control, […] firms need to frequently re-evaluate and adapt their offshoring and outsourcing decisions.”(p. 1512). Offshoring involves the assessment of which parts of the firm’s product offering and which stages of the production process are to be deployed in the offshore location. This requires the evaluation of whether core resources need to be transferred offshore from the inshore location and/or whether core resources are to be sought offshore (Hamel & Prahalad, 1990). In turn, discourse over resources is tightly connected to that of resource control, with increasing emphasis being placed on competences and knowledge intensive production stages (Mudambi, 2008). According to Transaction Cost Economics, the firm should hold close control over processes or stages through which the firm can generate and withhold the highest value and for which there is a risk of opportunistic behavior from third parties (Williamson, 1985).

Table 2 – Offshoring-reshoring options

<table>
<thead>
<tr>
<th>Inshore outsourcing</th>
<th>Offshore outsourcing</th>
<th>Offshore insourcing</th>
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<tbody>
<tr>
<td>Inshore insourcing</td>
<td>Fitwell (medium end segment, Romania)</td>
<td>Aku (high and medium end segments, Romania)</td>
</tr>
<tr>
<td></td>
<td>Roncato (high and medium end segments, China)</td>
<td>Ska (high end segment, China)</td>
</tr>
<tr>
<td>Not reshored</td>
<td>Aku (low end segments, Romania)</td>
<td>Aku (partially medium end segments, Romania)</td>
</tr>
<tr>
<td></td>
<td>Fitwell (one labour intensive stage of medium end segment production process)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Roncato (low end segments, China)</td>
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Knowledge transfer and resource control preoccupations were certainly at the root of the offshoring governance decisions of some of the case firms. Both Aku and Ska see know-how and continuous innovation as a key source of differentiation and competitive advantage. For these reasons, high value creating activities such as R&D and marketing have always been located in Italy. Further, and consistent with the above, only a small portion of turnover has been outsourced to third parties (10% in the case of Aku and none in the case of Ska).

How does governance link to motives? In the case of Aku, the goal of offshoring of medium and high range products was to cut costs, under the constraint that the offshore location possessed human resources allowing quality standards analogous to those at home. This entailed transferring to Eastern Europe knowledge and competences concerning medium- and high-end segments residing in Italy. The process of building local knowledge and of adapting to the offshore context went through a first attempt at subcontracting in Hungary, soon abandoned and followed by the establishment of an own plant in Romania. In fact, insourcing guaranteed better process control and easier coordination with the production phases that remained in Italy (R&D, quality control, sourcing of leather and other quality goods). On the contrary, the production of light shoes for lower end markets was outsourced to Chinese providers, given that little knowledge transfer was needed for these standardized lower end-segment products. Ska and Aku exhibit very similar patterns of offshoring with respect to quality goals and need for process control. Ska offshored to China since the early start of its activity and established a partnership with a similarly sized local company. The
rationale of the partnership (rather than a subcontracting arrangement) was again to allow adjustment of equipment and of production, processes to Ska’s quality requirements, and to ensure control over the company’s know-how. In addition, and unlike Aku, Ska was motivated not only by efficiency seeking but also by market seeking in China. In short, these two firms’ international expansion leveraged on in-house knowledge but at the same time was constrained by an industry business model that imposed cost cutting. Therefore, outsourcing/insourcing (control) and offshoring to low cost countries (location) can be considered simultaneous and interrelated, with no priority of the one decision over the other (Rugman & Verbeke, 2001).

Offshoring paths link logically with the reshoring decisions. Aku reshored only those productions for which there was a greater need to link production to R&D (i.e., top end shoes) in order to boost the innovation requirements of this segment. For the same reason, insourcing was the governance mode chosen for reshored activities. Low-end productions remained in China, while medium-end products are interchangeably produced in Romania or Italy, given the equivalent quality standards in the two locations. For Ska, the tight control allowed by offshore insourcing led to maintain part of its production offshore and to reshore only the production of high quality zippers for the leather fashion. As in the case of Aku, the repatriation via in house production was important to boost the innovation potential of the company, given that offshoring had entailed a mere transfer of competences to the Chinese partner, and not the integration and acquisition of new knowledge offshore. Though operating in the same sector as Aku (mountain and outdoor shoes), Fitwell’s governance strategy offshore was that of outsourcing to Romanian suppliers. At the time of offshoring, Fitwell was mainly a subcontractor of a larger company (LaFuma) that pressed for lower costs. Hence, Fitwell’s offshoring initiative was purely efficiency seeking. Offshore outsourcing was certainly motivated by Fitwell’s small size and fewer resources with respect to Aku, which made a captive form of offshoring too onerous. The other reason for outsourcing was that Fitwell never offshored the high-end segment, which leveraged on in-house knowledge relating to the production and assembly phases. Given its small size, Fitwell has never had a proper development department, and project, design, and prototyping take place through an open innovation mode. The offshore governance of Roncato’s offshoring governance – like Fitwell’s – was one of outsourcing, and was too cost driven: the offshoring concerned mainly soft-shell suitcases that, being price sensitive, were uneconomical to manufacture in Western countries. At the same time, Roncato did not leverage any specific knowledge on soft-shell suitcases, since this production was well developed in China with many local producers. Offshoring also included some ranges of hard-shell suitcases that can be classified as medium segment. Roncato maintained R&D and marketing activities in-house in Italy and through time succeeded in making styling homogeneous through its Italian and Chinese production sites.

A parallel can be drawn between Fitwell and Roncato also as far as reshoring is concerned. Fitwell’s decision to reshore medium end segments followed the strategic change from subcontractor of other producers to supplier of end customers with an own trademark that planned to appeal to customers based on a “made in Italy” image. Even if Fitwell has no in house R&D, reshoring has taken place through insourcing, in order to leverage on in-house production and assembly competences. Only one low value added, high labor intensive stage of the production process of medium price shoes continues in Romania. For Roncato, while the production of soft-shell suitcases still takes place in China, the need to re-orient the brand towards “made in Italy” has led to the reshoring of medium end, high-technology hard-shell suitcases for which knowledge on materials and design reside in Italy. The insourcing decision follows from the need to establish closer ties with R&D. To conclude, in the cases analysed reshoring always involves very high-end segment products characterized by a high technology content, for which proximity of manufacturing and R&D is important (Aku,
Roncato, Ska). This is true irrespective of the offshore governance mode. The reshoring of medium-end products is more likely when the company has adopted an offshore outsourcing mode and has no strong control on production process that is critical for “made in” sensitive markets (Fitwell in Romania).

As already noted, although the offshore governance modes differ, the four companies all adopted an insourcing mode for reshoring. From a strategic point of view, this reflects the need of these firms, which produce also for medium and high-end markets, to maintain a tight control on own competences. From an operational point of view, insourcing supports the effectiveness of quality controls and of inter-functional coordination between development/R&D and production. This leads to the following proposition already:

**Proposition 3** – Irrespective of the governance mode adopted offshore, reshoring of “made in” sensitive products takes place through an insourcing mode.

**Where? The impact on firms’ supply chains**

Offshoring and reshoring strategies implemented by the four companies may be investigated also with respect to the geographical dimension of such decisions. In this respect, two main questions arise:

a) What elements may explain the country where companies offshored?

b) Why companies decided to return in the home country (Italy) and not in a near-to-home one? In other words, why they did not nearshored instead of reshoring?

With respect to the offshoring country, it is worthy noticing that this choice does not correlate with either the timing of offshoring (the three late comers went to China and Romania) or the governance mode (insourcing and outsourcing solutions in both countries). Rather, the industry appears to be the main determinant of the offshore location. Large companies (e.g., Diadora and Lotto) in the mountain boot industry in Italy (and specifically the Montebelluna district) started relocating manufacturing offshore already in the mid ’70s. Production was subcontracted to companies in the Far East, following multinationals such as Puma, Adidas and Nike. At the beginning of the nineties, offshoring became an imperative also for SMEs operating in the industry. Following the fall of the Berlin wall in 1989, formerly Eastern Europe countries (and most notably Romania) emerged as both an interesting new market and a low-cost production location (Mutinelli & Piscitello, 1998) for SMEs, especially for simpler tasks like shoe assembling. Consistent with this model, for Fitwell and Aku imitation of competitors’ location strategy was a relevant motivation of their location decision.

The offshore location of the case firms is closely tied to the motives for reshoring. In particular, the influence of geographical distance on reshoring motives is suggested by the presence of supply chain management (e.g. Purchase order rigidity and container-size minimum orders) among the key motivations for companies that offshored to China. The fact that these motivations were cited also by Ska, a company that adopted an offshore insourcing governance mode, suggests that the issue concerns transportation and logistics rather than production and supply. While insourcing should have allowed to better size production lots and deliveries to the home market, the geographical distance forced the company to optimize the logistic costs with “full load” shipments. The joint effect of the geographic distance and the insourcing governance mode seems to be at the base of the high relevance assigned by Ska to the “reduced operational flexibility” driver for reshoring.

With this respect, it must be noted that, according to Robinson & Hsieh (2016), luxury product manufacturers are induced to reshore since the strategic need to shorten the supply chain and obtain a closer control on it. Accordingly, we formulate the following propositions:

**Proposition 4** – Supply chain related reshoring motivations are relevant in the case of geographically distant countries and they mainly concern transport and logistics.
With respect to the alternative reshoring vs. near-shoring (that is, relocation in a near-to-home country), preference for returning to the home country may be mainly explained by the positive “made-in-Italy” effect. As already noted, the “made in” effect was a key reshoring driver for Fitwell and Roncato and partly for Ska. The premium price that this effect commands more than offsets the higher costs of labor with respect to nearby countries, such as Slovenia. This is consistent also with recent case studies of British companies in the fashion industry (Robinson & Hsieh, 2016; Ashby, 2016). In this respect, it is interesting to note that the “made in” effect is considered so relevant that induce companies to reshore in the home country even when production may be placed in another country which benefit from an extremely positive “made in” effect. For instance, Burberry first decided to nearshore its out-sourced production activities to Italian suppliers and then to definitely reshore in UK (Robinson & Hsieh, 2016). Near-shoring is considered a useful alternative only if the specific manufacturing activity or material is not available in the home country (Ashby, 2016). The above discussion leads to the formulation of the following proposition: 

**Proposition 5** – The positive “made in” effect discourages companies from nearshoring and favours relocation of the entire value chain back to the home country.

Another relevant motivation for repatriating manufacturing activities in Italy is represented, at least for Fitwell and AKU, by their belonging to the Montebelluna mountain shoes district. In other words, the two companies had the possibility to leverage on competences and resources offered by the local environment. In this light, it is worthy of notice that both companies cited the “lack of skilled workers in the host country (Romania)” and the “loss of innovation potential” as relevant motivations for moving back production in Italy. More specifically, the “loss of innovation potential” encompasses both the problem of the co-location between R&D and manufacturing activities and the issue of the interconnection with local business partners. In particular, AKU complained about the costs of identifying suitable local suppliers in Romania as another relevant motivation for reshoring. Finally, an important issue is the “sense of belonging” to the territory (emotional elements) clearly expressed by the founder of Fitwell. This findings are consistent with evidences collected by Belussi (2015) with respect to a sample of Italian industrial districts. We formulate the following proposition: 

**Proposition 6** – The firm’s belonging to an industrial district encourages reshoring to the home country instead of near-shoring due to network effects and for an emotive “sense of belonging”.

**Discussion**

The following discussion aims to summarize the findings from the four case studies by answering the research questions originally set forth:

a) Are there common patterns in offshoring and subsequent reshoring initiatives among firms operating in sectors that are sensitive to the “made in” effect?

b) Do motivations for offshoring link to reshoring motives?

c) Can reshoring be interpreted as a “failure” of the offshoring initiative, or rather as an evolution and adjustment of a sound competitive strategy consistent with the changes in the market environment?

Based on the within and cross case study analysis earlier conducted, the proposed research questions seem intimately interconnected. Therefore, we shall discuss them using a unified perspective. In so doing, we acknowledge Bals et al. (2016) who suggested that future research on reshoring decisions should differentiate between decisions deriving from “deliberate” firm’s strategies and those stemming from mistakes and failures. For our sampled firms, reshoring appears as the result of a strategic change (see, in this respect, Mugurusi & de Boer, 2014), more than the correction of an earlier managerial mistake (Kinkel
More specifically, the decision to (at least partially) repatriate manufacturing activities at home was part of a strategy meant to focus on high- and medium-end products. To this end, it is worth remembering Fitwell’s CEO: “I went offshore also because of the politics of globalization. With hindsight, it was a mass mistake. But if 15 years ago I hadn’t done it, I wouldn’t be here now. There was no other solution”. In other words, reshoring is not the correction of a mistake made by a single company but the result of a “global suggestion” focused on cost-efficiency. This is consistent with the recent advice of Bals et al. (2016) who retain that offshoring was often purely cost-driven while reshoring is based on a more strategic approach. Therefore, while the strategy of offshoring was fully rational when it took place, changes in the competitive strategy, prompted by the shift of the market towards higher quality products led these firms to re-evaluate their product offering and the manufacturing location of the different product lines. In the jargon of traditional strategic management (Porter, 1980) the firms’ competitive strategy shifted from a cost focus to a differentiation strategy. This result is in line with the latest evidence regarding case studies in the fashion industry (e.g. Robinson & Hsieh, 2016; Ashby, 2016).

Since reshoring was the result of a strategic shift, we found common patterns in offshoring and subsequent reshoring initiatives among the four case studies. More specifically, offshoring was mainly motivated by efficiency-seeking and resource-seeking motives, with the need to follow competitors or the market being the main driver for Aku, Fitwell and Ska. Differently, Roncato, though motivated by labor cost advantages, was rather a first mover.

Similarly, in spite of the higher costs of producing in the home country, reshoring took place to improve customer perceived value. This took the form of higher quality and innovation, through more qualified suppliers and tighter links with the company’s R&D. This result highlights the existence of a sectoral pattern not only of offshoring but also of reshoring, thus suggesting – as it will be argued below, that reshoring is one ingredient of a broader shift in the competitive strategy of specific industries.

CONCLUSIONS

Contribution to theory

Our paper contributes to Supply Chain Management (SCM) theory in five significant ways. First, we framed and summarized offshoring and reshoring motivations proposed by previous research and highlighted that a full comprehension of the reshoring phenomenon cannot leave aside a comparative analysis of the two phenomena, as recently stated also by Bals et al (2016).

Second, we identified offshoring and reshoring motivations of four manufacturing companies operating in labor intensive sectors. This allowed us to empirically refine the proposed frameworks and to provide the readers with a first estimation of the motivations’ importance in the above mentioned sectors.

Third, we shed light on the links between offshoring and reshoring motivations. In short, while there is a tight link between offshoring and reshoring motivations (some of them are the same), cost-driven motivations are more weighty in the case of offshoring, while value-driven motivations are more weighty in case of reshoring.

Fourth, we compared the case study findings and developed six propositions focused on the nature of the offshoring/reshoring motivations and their relationship with governance modes and country characteristics. This represent a relevant theory building effort in a research field mainly characterized by descriptive/exploratory investigations which do not adequately differentiate location and governance mode choices (Fratocchi et al., 2014, 2016; Bals et al., 2016; Stentoft et al., 2016b).
Fifth, we contributed to the debate of reshoring as a “failure” of offshoring initiative, or rather as an evolution /adjustment of a sound competitive strategy consistent with the changes in the market environment. Our study depicts reshoring as a result of a strategic change more than the correction of a managerial error, opening significant research avenues.

**Contribution to practice and policy**

The findings of our study have also significant managerial implications. Our detailed review and adoption of an integrated framework provides managers with a comprehensive list and classification of offshoring and reshoring motivations (Figure 1 and Figure 2). Moreover, our detailed "within case analysis" offers them some concrete experiences of location changes. Finally, our “cross case analysis” and the following discussion advice managers about the importance of the motivations and the factors affecting them (governance mode and country characteristics). In sum, our study helps managers to take more aware location decision, this way fostering competitiveness (Ellram et al., 2013).

Significant policy guidelines may also be drawn from our study. The comprehension of the offshoring and reshoring motivations and implementation models (including choices regarding in- and out-sourcing alternatives) may help policy makers in the understanding of the ways to limit the de-industrialization in their countries, and how re-attract offshored companies, improving the local GDP and the employment. The message of our study is that a sound policy should involve not only economic incentives, but also no-monetary levers, used ex-ante (i.e., before offshoring) for informing about potential shortcomings of the offshoring choice and ex-post (i.e., after offshoring) for driving the companies back to their home countries.

**Limitations and future research**

The results of our study should be viewed in light of two major limitations. First, we adopted a multiple case study method and performed qualitative data analyses. Despite several actions were performed by us to enhance validity and reliability of our findings (such as multiple sources of evidence were used; interviews and data analyses were conducted by three members of the research team; a detailed case study protocol was used to guide field research), statistical generalization to a broader population is not allowed.

Second, our sample consisted of four Italian manufacturing SMEs competing in labour intensive sectors. Despite these companies work internationally, caution is needed to extend the results to other countries and industrial contexts. Anyway, Italian is seen as one the most important countries for the reshoring phenomenon (Fratocchi et al, 2015b).

Future case based research may replicate our study in other geographical contexts, industries and on different company sizes. Surveys and/or secondary data quantitative studies could instead be applied to empirically validate our frameworks (Figure 1 and Figure 2), to estimate the relative importance of each offshoring/reshoring driver, as well as to test our propositions.
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1 Poor local products quality
2 Labour costs’ gap reduction
3 Logistics costs
4 Loss of innovation potential/Vicinity to R&D
5 Production and delivery time impact
6 Total cost of sourcing
7 Supply chain coordination costs
8 Loss of know-how in the host country/IP risks
9 Lack of skilled workers in host country/Availability in home country
10 Global supply chain risks
11 Reduced operational flexibility
12 Reduced responsiveness to customer demand
13 Exchange rate risk
14 National subsidies for relocation
15 Made-in effect
16 Energy costs
17 Freight costs
18 Redefinition of the global supply chain (including Vertical integration)
19 Home labour market flexibility (flexicurity)
20 High inventory levels
21 Increased home country productivity
22 Need to increase customer satisfaction
23 Automation of production process
24 **Miscalculation of actual cost/Adoption of new cost accounting methods**
25 Container-size minimum orders
26 Demand changes at home/host country
27 Lack of knowledge about the foreign destination
28 Lack of systematic location planning
29 Untapped production capacity at home
30 Emotional elements (e.g. nationalism, patriotism)
31 **Environmental & social sustainability**
32 High unemployment rates at the home country
33 Purchase order rigidity
34 **Change in firm’s business strategy** (e.g. new business area; focus on core activities)
35 Penalties for late orders
36 Customs duties for re-import
37 Customers’ gratitude and willingness to buy
38 Psychic distance
39 Technology clusters & spillover benefits
40 Payment terms

1 Authors and motivations not included in Fratocchi et al. [2016] are highlighted in bold.
### APPENDIX B: LITERATURE REVIEW ON OFFSHORING MOTIVATIONS

| Offshoring Drivers | Access to knowledge, technology | Availability of skilled labour in the host country | Costs and productivity of skilled labour | Countertrade requirements | Delivery reliability | Economies of scale | Foreign market access or development | Government incentives (including favorable taxation) | Host country supply base | Host country trade environment (including legislation) | Limitation of competitors' strategies ("bandwagon") | New product development | Operational flexibility | Production and logistic costs (except labour costs) reduction | Proximity to foreign customers | Quality improvement | Risk mitigation | Time to market reduction | Total Cost of Ownership |
|--------------------|---------------------------------|-----------------------------------------------|------------------------------------------|-------------------------------|--------------------------|------------------|----------------------|---------------------------------|-----------------------------------------------|-----------------------------------------------|-----------------------------------------------|-----------------------------------------------|-------------------------------|------------------------|------------------------------------------------|--------------------------|----------------------|-----------------|-------------------|-------------------|
| Nachum & Zaheer, 2005 | X                              | X                                             | X                                       | X                             | X                        | X                | X                    | X                               | X                                             | X                                             | X                                             | X                               | X                        | X                      | X                          | X                        | X                    | X               | X                | X                |
| Bock, 2008          | X                               | X                                             | X                                       | X                             | X                        | X                | X                    | X                               | X                                             | X                                             | X                                             | X                               | X                        | X                      | X                          | X                        | X                    | X               | X                | X                |
| Di Gregorio et al., 2009 | X X X X X X X X X | X                                             | X                                       | X                             | X                        | X                | X                    | X                               | X                                             | X                                             | X                                             | X                               | X                        | X                      | X                          | X                        | X                    | X               | X                | X                |
| Driffeld & Chiang, 2009 | X                              | X                                             | X                                       | X                             | X                        | X                | X                    | X                               | X                                             | X                                             | X                                             | X                               | X                        | X                      | X                          | X                        | X                    | X               | X                | X                |
| Guth, 2009          | X                               | X                                             | X                                       | X                             | X                        | X                | X                    | X                               | X                                             | X                                             | X                                             | X                               | X                        | X                      | X                          | X                        | X                    | X               | X                | X                |
| Hameri & Hintsa, 2009 | X                              | X                                             | X                                       | X                             | X                        | X                | X                    | X                               | X                                             | X                                             | X                                             | X                               | X                        | X                      | X                          | X                        | X                    | X               | X                | X                |
| Kinkel & Maloca, 2009 | X                              | X                                             | X                                       | X                             | X                        | X                | X                    | X                               | X                                             | X                                             | X                                             | X                               | X                        | X                      | X                          | X                        | X                    | X               | X                | X                |
| Lu & Van Mieghem, 2009 | X                              | X                                             | X                                       | X                             | X                        | X                | X                    | X                               | X                                             | X                                             | X                                             | X                               | X                        | X                      | X                          | X                        | X                    | X               | X                | X                |
| Aspelund & Butsko, 2010 | X                              | X                                             | X                                       | X                             | X                        | X                | X                    | X                               | X                                             | X                                             | X                                             | X                               | X                        | X                      | X                          | X                        | X                    | X               | X                | X                |
| Filarek & Veloso, 2010 | X                              | X                                             | X                                       | X                             | X                        | X                | X                    | X                               | X                                             | X                                             | X                                             | X                               | X                        | X                      | X                          | X                        | X                    | X               | X                | X                |
| Milberg & Winkler, 2010 | X                              | X                                             | X                                       | X                             | X                        | X                | X                    | X                               | X                                             | X                                             | X                                             | X                               | X                        | X                      | X                          | X                        | X                    | X               | X                | X                |
| Mudambi & Venzin, 2010 | X                              | X                                             | X                                       | X                             | X                        | X                | X                    | X                               | X                                             | X                                             | X                                             | X                               | X                        | X                      | X                          | X                        | X                    | X               | X                | X                |
| Simons & Isely, 2010 | X                              | X                                             | X                                       | X                             | X                        | X                | X                    | X                               | X                                             | X                                             | X                                             | X                               | X                        | X                      | X                          | X                        | X                    | X               | X                | X                |
| Temouri et al., 2010 | X X X X X                     | X                                             | X                                       | X                             | X                        | X                | X                    | X                               | X                                             | X                                             | X                                             | X                               | X                        | X                      | X                          | X                        | X                    | X               | X                | X                |
| Kusaba et al., 2011 | X                               | X                                             | X                                       | X                             | X                        | X                | X                    | X                               | X                                             | X                                             | X                                             | X                               | X                        | X                      | X                          | X                        | X                    | X               | X                | X                |
| Wang et al., 2011    | X                               | X                                             | X                                       | X                             | X                        | X                | X                    | X                               | X                                             | X                                             | X                                             | X                               | X                        | X                      | X                          | X                        | X                    | X               | X                | X                |
| Aribjorn & Luthje, 2012 | X                              | X                                             | X                                       | X                             | X                        | X                | X                    | X                               | X                                             | X                                             | X                                             | X                               | X                        | X                      | X                          | X                        | X                    | X               | X                | X                |
| Cai et al., 2012     | X                               | X                                             | X                                       | X                             | X                        | X                | X                    | X                               | X                                             | X                                             | X                                             | X                               | X                        | X                      | X                          | X                        | X                    | X               | X                | X                |
| Jensen & Pedersen, 2012 | X                               | X                                             | X                                       | X                             | X                        | X                | X                    | X                               | X                                             | X                                             | X                                             | X                               | X                        | X                      | X                          | X                        | X                    | X               | X                | X                |
| Kinkel, 2012        | X                               | X                                             | X                                       | X                             | X                        | X                | X                    | X                               | X                                             | X                                             | X                                             | X                               | X                        | X                      | X                          | X                        | X                    | X               | X                | X                |
| Ellram et al., 2013  | X                               | X                                             | X                                       | X                             | X                        | X                | X                    | X                               | X                                             | X                                             | X                                             | X                               | X                        | X                      | X                          | X                        | X                    | X               | X                | X                |
| Fontana & Prencipe, 2013 | X                              | X                                             | X                                       | X                             | X                        | X                | X                    | X                               | X                                             | X                                             | X                                             | X                               | X                        | X                      | X                          | X                        | X                    | X               | X                | X                |
| Mohiuddin & Su, 2013 | X                               | X                                             | X                                       | X                             | X                        | X                | X                    | X                               | X                                             | X                                             | X                                             | X                               | X                        | X                      | X                          | X                        | X                    | X               | X                | X                |
| Persaud & Floyd, 2013 | X                               | X                                             | X                                       | X                             | X                        | X                | X                    | X                               | X                                             | X                                             | X                                             | X                               | X                        | X                      | X                          | X                        | X                    | X               | X                | X                |
| Schröder, 2013      | X                               | X                                             | X                                       | X                             | X                        | X                | X                    | X                               | X                                             | X                                             | X                                             | X                               | X                        | X                      | X                          | X                        | X                    | X               | X                | X                |
| Slepniov et al., 2013 | X                               | X                                             | X                                       | X                             | X                        | X                | X                    | X                               | X                                             | X                                             | X                                             | X                               | X                        | X                      | X                          | X                        | X                    | X               | X                | X                |
| Ebringa & Kule, 2014 | X                               | X                                             | X                                       | X                             | X                        | X                | X                    | X                               | X                                             | X                                             | X                                             | X                               | X                        | X                      | X                          | X                        | X                    | X               | X                | X                |
| Larsen & Pedersen, 2014 | X                               | X                                             | X                                       | X                             | X                        | X                | X                    | X                               | X                                             | X                                             | X                                             | X                               | X                        | X                      | X                          | X                        | X                    | X               | X                | X                |
| Martínez-Mora & Merino, 2014 | X                               | X                                             | X                                       | X                             | X                        | X                | X                    | X                               | X                                             | X                                             | X                                             | X                               | X                        | X                      | X                          | X                        | X                    | X               | X                | X                |
| Szasz & Demeter, 2014 | X                               | X                                             | X                                       | X                             | X                        | X                | X                    | X                               | X                                             | X                                             | X                                             | X                               | X                        | X                      | X                          | X                        | X                    | X               | X                | X                |
| Fragoso-Diaz, 2015   | X                               | X                                             | X                                       | X                             | X                        | X                | X                    | X                               | X                                             | X                                             | X                                             | X                               | X                        | X                      | X                          | X                        | X                    | X               | X                | X                |
| Grappi et al., 2015  | X                               | X                                             | X                                       | X                             | X                        | X                | X                    | X                               | X                                             | X                                             | X                                             | X                               | X                        | X                      | X                          | X                        | X                    | X               | X                | X                |
| Gyiling et al., 2015 | X                               | X                                             | X                                       | X                             | X                        | X                | X                    | X                               | X                                             | X                                             | X                                             | X                               | X                        | X                      | X                          | X                        | X                    | X               | X                | X                |
| Heyman & Tingvall, 2015 | X                               | X                                             | X                                       | X                             | X                        | X                | X                    | X                               | X                                             | X                                             | X                                             | X                               | X                        | X                      | X                          | X                        | X                    | X               | X                | X                |
| Mykhaylenko et al., 2015 | X                               | X                                             | X                                       | X                             | X                        | X                | X                    | X                               | X                                             | X                                             | X                                             | X                               | X                        | X                      | X                          | X                        | X                    | X               | X                | X                |
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Di Mauro et al.  

Offshoring and reshoring in the internationalization strategy


