Guest editorial

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OMR Special Issue on “Reshoring: A Supply Chain Innovation Perspective”

Over the last three decades we have seen extensive outsourcing and offshoring of manufacturing from Western economies to low cost countries in Asia and Eastern Europe. Extant research is comprehensive documenting the drivers and barriers for such relocation of manufacturing. Among the drivers for moving manufacturing to low cost countries is to reduce the unit price due to lower salaries and to get proximity to customers. Some companies have decided to get manufacturing produced in a low cost country and then get it shipped to other parts of the world for sale. Other companies’ experience that some of their customers move to low cost countries and they require following them if they still should do business together. However, decisions about location of manufacturing are not static but dynamic. Economies are changing with fluctuating prices for raw material and fuel, currency fluctuations and increased living standards that have put pressure on salaries as well as other social benefits. From a state government perspective, the movement of manufacturing abroad to low cost countries has also created problems in losing jobs in the home countries. Within the last couple of years there has been an increased traffic of moving manufacturing back to home destinations – a phenomenon

generally labelled as either “reshoring” or “backshoring” – or to other locations in the world. From an academic point of view, it is important to monitor this development in order to better understand the motivations and their implementation practices, and eventually improve the comprehension of what drives the internationalization process of corporations’ value chain activities (e.g., manufacturing and sourcing).

Supply chain-related factors are becoming more important in manufacturing location decisions (Ellram et al. 2013). Accordingly, they can play a major role in driving reshoring choices. Fratocchi et al. (2016) found several supply chain-related motivations for reshoring, of both cost efficiency and customer perceived value types. In fact, firms can decide to reshore manufacturing and/or sourcing as they realize that the costs, and efforts, of managing a widely dispersed supply chain are too high, and can eventually overcome the benefits of, e.g., access to low-cost productions. On the other hand, they can bring manufacturing and other value chain activities back home to fulfil the customer requirements in terms of quality and service, and to quickly react to market variations. In some cases, the motivations could be more ‘subtle’ although equally important: for example, firms may realize how difficult to engage in effective innovation with distant suppliers can be, or, they may have to comply with customer requests for ‘truly local’ products (i.e., ‘made-in’ effect), and/or social and environmental friendly supply chains. Supply chain factors could be either variable in time, or difficult to estimate: for these reasons, they are relevant for both the extant interpretations of reshoring – either a rational adjustment to changed conditions in the internal and the external contexts of the firm, or a correction of a prior misjudged location decision.

Reshoring is intimately related to the idea of innovation in the supply chain. Supply chain innovation has been defined as ‘an incremental or radical change in structure, processes, or

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technology (or a combination of these) that takes place in the supply chain so as to create value for all stakeholders' (Arlbjørn et al. 2011; Arlbjørn and Paulraj 2013). Reshoring can be seen as a form of supply chain innovation as it typically implies modifications in the structure and processes of the supply chains. In fact, the change in manufacturing and/or sourcing location in many cases involves the replacement of supplier relationships (and perhaps of the governance mechanisms with suppliers), and the reconfigurations of business processes and coordination activities among the different functions, inside and outside the company. Besides, changes in technology and process could lead to changes in the supply chain structure, particularly in the sense of favoring the repatriation of production activities. For instance, increased automation or adoption of more efficient production systems (e.g., lean manufacturing) can improve product manufacturability, reduce production time and waste, and eventually decrease the firm's dependence on the lower labor cost of offshore locations – making reshoring a viable and perhaps preferable option.

This special issue contains seven papers that address the different aspects of reshoring of value chain activities, both in terms of technical subjects and the type of paper (conceptually versus empirical founded) and the methods applied. Particularly, the papers cover three main areas of investigation for the reshoring phenomenon: conceptualization, motivation, and implementation. *Conceptualization* mostly pertains to the definition and characterization of the object of study, also in light of the knowledge accumulated in the extant literature. *Motivation* refers to the identification and discussion of the drivers of reshoring. *Implementation* is about “how to put reshoring in practice”, e.g., based on the decision-making process, or according to the priorities. An overview of the seven papers included in this special issue is shown in Table 1.

Conceptualization of reshoring is developed in paper 1 by Jan Stentoft, Jan Olhager, Jussi Heikkilä and Lisa Thoms. Their paper includes systematic literature review on manufacturing reshoring. The review consists of 20 articles published from 2009 to early 2016. The papers are analyzed and discussed according to publication year, research methodology, industry type, and firm size. Accordingly, 25 factors are identified using content analysis which is divided into seven clusters that influence the decision to move manufacturing back. These clusters are: cost, quality, time and flexibility, access to skills and knowledge, risks, market, and other factors. The paper concludes with proposing a research agenda for further research on the phenomenon of moving manufacturing back.

Motivation of reshoring are exposed and analyzed in three papers of this special issue. While motivation is probably the most studied reshoring topic to date, we believe the selected manuscripts provide significant and original contributions: the work by Weifeng Zhai, Shiling Sun and Guangxing Zhang is

one of the very first large-scale, quantitative studies on reshoring motivations. The paper by Alison Ashby, and the other paper by Pamela K. Robinson and Linda Hsieh adopt case study approach – a more diffuse methodological approach in reshoring studies – for in-depth investigations of two relevant although scarcely studied drivers of reshoring: the relevance of strict, collaborative relationships with local suppliers for economic, environmental and social sustainability, and the importance of local supply chain to ensure brand authenticity.

Specifically, paper 2 by Weifeng Zhai, Shiling Sun and Guangxing Zhang investigates the industry distribution of reshoring companies and motivations for reshoring manufacturing by American companies from China in the period of 2009–2015. The paper is based on archival studies of 139 manufacturing reshoring cases. Quality, and not the rising labor cost, is the primary single factor urging the relocation of manufacturing. The cost as a group factor is still the most important motivation for reshoring. Data also reveal that the companies operating in different industries reshore their manufacturing for the same motivations. The regression analysis indicates that the most likely reshored business activities are the ones serving the US market.

Paper 3 by Alison Ashby focuses on the reshoring case of a UK specialized clothing SME. Reshoring was motivated by the misalignment between the company's system of values, and the global configuration of its supply chain – which had been driven by resource-seeking reasons. Particularly, the company wanted to pursue a more sustainable business model which could merge economic, social, and environmental goals, moreover it wanted to escape the highly formal and scarcely collaborative relationships with overseas suppliers, in favor of local, more collaborative, long-term oriented partnerships. Interestingly, this changing process also required to completely re-establish certain supplier capabilities which had been lost since decades.

Paper 4 by Pamela K. Robinson and Linda Hsieh reports the path towards reshoring of a leading UK luxury clothing company. By analyzing the case history, the authors highlight the changes occurred in the firm's supply chain over time, particularly with respect to suppliers' location. They show how the loss of focus and reduced authenticity affected the customer perception of the brand value, and despite the declaration of intents, in the past actual implementation of reshoring initiative was difficult to pursue in the absence of strong conviction. However, the recent trend of the company is again towards reshoring, seen as a necessary move to fully exploit the brand's core values; besides, reshoring enables the recent, faster business model through a more agile and seamless supply chain – again providing evidence of relation between supply chain innovation and reshoring.

Finally, implementation of reshoring is the common underlying theme in the last three papers. Contributions to this

Table 1 Overview of the papers

Focus	Conceptualization		Motivations		Implementation		
Author(s)	Stentoft et al.		Weifeng et al.	Ashby	Robinson and Hsieh	Bals et al.	Vanpoucke and Joubiou
Country	Denmark, Sweden and Finland		China	UK	UK	Germany	Belgium
Purpose	To review and analyze in a systematic manner the current research published in peer-reviewed international scientific journals on the backshoring of manufacturing.		To investigate the motives to reshore manufacturing from China to USA	To investigate the reasons why firms decide to reshore, and whether local supply base enables better supply management and positively impacts sustainability	To analyze whether and how the renewal of supply chain strategy through reshoring enhances value and firm competitiveness	To identify reshoring issues that needs more research	To improve rightshoring decisions
Method	Systematic literature review		Regression analysis of 139 reshoring cases (based on secondary information)	Single case study	Single case study	Conceptual paper including gray literature	Multiple case studies
Industry focus	No specific		General industries	(Specialized) clothing industry	Luxury clothing industry	No specific	Aeronautic industry
Result	Identify 20 articles and outline 25 factors that are relevant for backshoring decision-making and categorize them into seven clusters that influence the decision to move manufacturing back		Top three motivations to reshore are product quality, lead-time and shipping cost.	Reshoring favors the development of stronger ties with local suppliers, and it can help to achieve higher environmental and social sustainability	Reshoring helps repositioning of the brand, that can in turn lead to improved economic performance	Outline four avenues for future research on reshoring	Decision making process for plant location decisions
							House building industry and construction industry; Broad range of industries
							Flexicurity played a role in the case studies and had some role in the survey

important but frequently overlooked aspect are both conceptual and empirical in this special issue.

Paper 5 by Lydia Bals, Jon F. Kirchoff and Kai Foerstl explore the reshoring and insourcing decision making processes by presenting a conceptual framework. The applicability of the framework is conducted through a review of the United States and German business press. Four future research avenues are proposed. Firstly, to conduct more research on deliberate decisions of reshoring and insourcing instead of reactions to failure, as these offer different theoretical and managerial contributions. Secondly, to focus on the role of organizational readiness in reshoring and/or insourcing. Thirdly, to investigate the role of learning in reshoring and/or insourcing. Finally, to take into account the different contingency factors when the phenomenon is studied.

Paper 6 by Claire Joubioux and Evelyne Vanpoucke focuses on a comprehensive decision-making process in the location decisions of manufacturing plants and with this suggests a framework for “right-shoring” developed in two steps. First, the framework is developed based on literature studies. Second, using a multiple case study from the aeronautics industry, the motivations inherent in the framework for off- and reshoring framework is adjusted. The paper stresses that movements of manufacturing not only are motivated on short-termed cost considerations but also on strategies to develop long-term business relationships.

Finally, paper 7 by Jan Stentoft, Ole Stegmann Mikkelsen and Jesper Kronborg Jensen analyzes the labor market concept of ‘flexicurity’ in the context of reshoring manufacturing to high cost countries. Flexicurity is a combination of flexibility, measured by a high level of worker mobility between jobs; social security, representing a generous system of social welfare and unemployment benefits; and active labor market programs. The paper is based on a Danish questionnaire-survey and empirical insights from two illustrative case studies. The cases demonstrate that the flexicurity model had played an important role in the relocation of manufacturing to

Denmark, albeit data from the questionnaire-survey indicate some focus on flexicurity as a factor for moving manufacturing back to home countries.

The papers in this special issue provide different perspectives of reshoring. However, this phenomenon is complex and it continues to evolve in line with the developments in global economies and societies. We therefore recommend that future research on reshoring further explores differences in reshoring practices with respect to industry comparisons, firm-size and country practices based on empirical data. More research should also be dedicated to reshoring issues with respect to the use of disruptive technologies and how it affects true job creation. Finally, we welcome more research that address labor market related issues in relation to reshoring manufacturing.

We hope you find reading the seven papers in this special issue for being interesting and relevant.

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