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Notes and debates

## When manufacturing moves back: Concepts and questions

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## ABSTRACT

Interest in back-reshoring strategies – intended as companies' decisions to reverse previous off-shoring by bringing manufacturing back home – has gained momentum recently. However, little is known so far about the magnitude of this phenomenon, about its geographical boundaries, and about the underlying motivations.

In this paper a characterization of back-shoring as part of the dynamics of firms' internationalization strategies is offered. Next, building on emerging empirical evidence, open questions are identified and an agenda for research is proposed.

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## 1. Introduction

In last few years numerous manufacturing companies have announced the return of part of their off-shored production (either in-sourced or out-sourced) to their home countries. Industrial giants such as Caterpillar, Bosch, and Philips are featured among them, but also a plethora of small- and medium-sized enterprises that are reconsidering their international location strategy.

The reversal of off-shored decisions is not a new phenomenon and it has been documented since the eighties (Mouhoud, 2007), but cases of repatriation of production are being increasingly reported in the economic press (The Economist, 2013) and in consulting firms' reports. Though the magnitude of return relocations is highly heterogeneous in terms of business value and of the number of jobs created in the home country, policy makers' attention to the phenomenon is on the rise and the recent recognition by UNCTAD (2013) of the relevance of return strategies for companies and for international trade policies is a testament to this.

In spite of this interest, academic attention is lagging behind, and research is characterized by the lack of a shared definition, of a

full understanding of the extent and causes of the phenomenon, and of a model that may help predict its future trends within the overall process of manufacturing internationalization. On the one hand, recent cases of back-shoring can be dismissed as the direct and short-term consequence of the global crisis and of government incentives to bring jobs back to the home country of the company. On the other hand, the global scale of the phenomenon and its presence also in those countries where no government incentives are offered (Kinkel, 2012), together with the co-existence of back-reshoring and off-shoring, all suggest that complex dynamics involving locational, industry, and firm-level factors are at issue and deserve closer attention.

The aim of this note is threefold. First, it attempts to clarify whether the phenomenon represents a new business concept or whether it falls into the realm of other known international business and international operations concepts. Second, current empirical evidence is discussed, arguing that the return of off-shored manufacturing is becoming an important issue in firm's production and purchasing strategies. Finally, building on existing research, open questions are identified and an agenda for research is proposed.

## 2. Back-reshoring: a new business concept?

Given the heterogeneity of terms adopted by different scholars, in this paper we propose the term manufacturing "back-reshoring"

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**Table 1**

Comparison among theoretical concepts relevant for the definition of back-reshoring.

Concept	Definition	References	Unit of analysis	Key differences with proposed definition
<b>Back-shoring</b>	“Re-concentration of parts of production from own foreign locations as well as from foreign suppliers to the domestic production site of the company” (Kinkel and Maloca, 2009, 155)	Kinkel and Maloca (2009), Kinkel (2012), Dachs and Kinkel (2013) and Kinkel and Zanker (2013)	(In- and out-sourced) manufacturing activity abroad (partial vs. total)	<u>Not considered:</u> decision's voluntariness
	“The geographic relocation of a functional, value creating operation from a location abroad back to the domestic country of the company” (Holz, 2009, 156)	Holz (2009)	(In-sourced) manufacturing activity abroad (partial vs. total)	
<b>Re-shoring</b>	“Moving manufacturing back to the country of its parent company” (Ellram, 2013, 3)	Ellram (2013) and Gray et al. (2013)	(In- and out-sourced) manufacturing activity abroad (partial vs. total)	
<b>Back-sourcing</b>	“Production return relocation from an [...] external entity” (Holz, 2009, 156)	Holz (2009)	(Out-sourced) manufacturing activity abroad (partial vs. total)	
<b>De-internationalization</b>	“Any voluntary or forced action that reduces a company's engagement in or exposure to current cross border activities” (Benito and Welch, 1997, 9)	Benito and Welch (1997) Calof and Beamish (1995) and Benito and Welch (1997) Turcan et al. (2010)	“Cross border activities” Entire subsidiary or specific value chain activities Network of subsidiaries or single subsidiary	<u>Not considered:</u> (a) relocation to home country (b) in-/out-sourcing
<b>International divestment</b>	“A reduction of ownership percentage in an active direct foreign investment on either a voluntary or involuntary basis” (Boddewyn and Torneden, 1973, 26)	Belderbos and Zou (2006)	Foreign plant	<u>Not considered:</u> (a) relocation to home country (except Belderbos & Zou, 2006) (b) decision's voluntariness (except Boddewyn and Torneden, 1973; Benito, 1997) (c) in-/out-sourcing
		McDermott (1989), Tsetsekos and Gombola (1992); Benito (1997) and Fisch and Zschoche (2012)	Foreign plant	
		Boddewyn and Torneden (1973) and Benito (1997)	Subsidiary as a whole	
		Torneden (1975), Business International (1976), Chopra et al. (1978), Marois (1979), Boddewyn (1979, 1985), Mata and Portugal (2000), Berry (2013) and Engel and Procher (2010)	Subsidiary as a whole	
	Benito (2005)	“Units in foreign locations”		
	Ghertman (1988), Belderbos (2003) and Soule et al. (2013)	Subsidiary or foreign plant or single foreign production line		

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