NAVIGATING GLOBAL SHIFTS: ORGANISATIONAL BEHAVIOUR AND STRATEGIC RESPONSES TO SHIFTING BUSINESS ENVIRONMENTS

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Abstract

Outsourcing has become integral to international manufacturing over the past few decades, enabled by technological advances that exploit cost differences between economies. However, a notable trend is emerging where firms are shifting back to in-house production or local subcontracting. In this context, this thesis explores the dynamic interplay between global shifts and organisational behaviour, focusing on strategic responses to evolving business environments. It analyses firm behaviour from two perspectives: earlycomer international manufacturers and latecomer contract manufacturers, aiming to provide a comprehensive understanding of organisational behaviour under shifting business conditions.

The thesis first explores how location decisions are made amid global economic shifts. It analyses how firms that previously offshored production evaluate economic variables, navigate uncertainties, and capitalise on opportunities. It also underscores the complexities and impacts of strategic decisions influenced by operational and geopolitical factors.

Next, the thesis shifts to an empirical analysis from the perspective of earlycomer firms. It explores how these firms make relocation decisions in response to geopolitical shifts and evolving global dynamics. It also highlights the growing importance of geopolitical considerations over traditional economic factors, showing that earlycomer firms adopt a phased approach to relocation that balances market logics with state logics to mitigate risks and ensure long-term stability.

The thesis then presents the perspective of latecomer subcontractors, focusing on their strategies for upgrading and surviving within global value chains (GVCs). It identifies dynamic capabilities that enable these firms to thrive despite resource constraints and power asymmetries. It integrates concepts from business ecosystems and dynamic capabilities to explain how latecomers navigate and adapt to changing GVCs.

Finally, the thesis synthesises insights and discusses the interconnectedness of its findings, stressing the relevance of earlycomer strategies for latecomers and vice versa. It highlights how understanding and aligning with each other's strategic priorities can enhance resilience and adaptability. The thesis contributes to academic discourse and offers practical implications for management and policy by providing a holistic understanding of corporate decision-making in the context of shifting global dynamics.

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List of Abbreviations

AI	artificial intelligence
CEE	Central and Eastern Europe
CEO	chief executive officer
COO	chief operating officer
CTO	chief technology officer
DC	dynamic capabilities
EU	European Union
GVC	global value chain
HQ	headquarters
IB	international business
IPR	intellectual property rights
ITRI	Industrial Technology Research Institute (Taiwan)
JIT	just-in-time (manufacturing)
MNEs	multinational enterprises
NA	North America
OB	organisational behaviour
OBM	original brand manufacturer
ODM	original design manufacturer
OEM	original equipment manufacturer
OLI	ownership, location, internalisation (from the Eclectic Paradigm)
R&D	research and development
RBV	resource-based view
RQ	research question
SLR	systematic literature review
SME	small and medium-sized enterprises
TCE	transactional cost economics
TCT	transactional cost theory
TQM	total quality management
TSMC	Taiwan Semiconductor Manufacturing Company
VRIN	valuable, rare, inimitable, and non-substitutable

Chapter 1

Introduction

1 Introduction

This manuscript-based thesis explores organisational behaviour within the context of shifting global value chain (GVC) dynamics. It consists of three manuscripts that were published in peer-reviewed academic journals or conferences. This chapter provides the overall research context, explains the author's motivation, details the research objectives, outlines the research philosophy and approach, and presents the structure of the thesis.

1.1 Research context and background

Outsourcing has become a cornerstone of international manufacturing, driven by technological advancements that enable firms to exploit cost differences between economies (Lewin and Peeters, 2006; Boehm, Flaaen, and Pandalai-Nayar, 2020). Over recent decades, globalisation has significantly reshaped international manufacturing, often driven by firms from developed countries outsourcing to subcontractors in developing economies (Gereffi, Humphrey, and Sturgeon, 2005; Varadarajan, 2009; Contractor et al., 2010). In this thesis, the terms '*earlycomer firms*' or '*earlycomers*' will be used to refer to multinational companies that entered global value chains early—predominantly Western firms with a history of offshoring manufacturing to developing economies.

In light of long-standing offshoring practices, the conversation around globalisation and the future of global value chains (GVCs) is evolving (UNCTAD, 2020). A notable trend involves western firms, particularly those operating in Asia, shifting back to in-house production or local subcontracting—a process known as 'reshoring' (Fratocchi et al., 2014; Tate et al., 2014). The pandemic and rising geopolitical tensions have intensified financial, operational, political, and strategic pressures on businesses, prompting them to enhance resilience or diversify their operations.

For earlycomer firms, topics such as de-internationalisation and supply chain resilience are increasingly prominent. Governments worldwide are advocating for the repatriation of manufacturing sectors for national security reasons (Trump, 2017; Biden, 2021; European Commission, 2023). Geopolitical rivalries further complicate the situation with decoupling concerns (Black and Morrison, 2021; Bateman, 2022; Cui et al., 2023; Freund et al., 2023). In recent years, reshoring has attracted considerable academic attention. Relocation decisions are understood to be process-driven and influenced by various intricate factors (Benstead, Stevenson, and Hendry, 2017; Baraldi et al., 2018). However, the fragmented body of literature across diverse disciplines leaves gaps in understanding the broader implications. For instance, it remains unclear why mimetic isomorphism is not observed among similarly situated firms facing comparable drivers and challenges for relocation (Pedroletti and Ciabuschi, 2023).

On the other side of the story lie subcontractors from developing countries or regions. As outsourcing has been the major international business practice for decades (Mihalache and Mihalache, 2016), we have seen established patterns of international division of labour, with subcontractors positioned on the powerless side of this business order (Magnani, Zucchella and Strange, 2019). In this thesis, we refer to these subcontractors as '*latecomer firms*' or '*latecomers,*' which are companies that entered global value chains at a later stage compared to earlycomer firms. While GVC

arrangements enable the rapid enhancement of manufacturing capabilities, latecomer firms often find themselves locked into 'traps' where existing business relationships limit functional upgrades (Humphrey and Schmitz, 2002; Kadarusman and Nadvi, 2013). As competition intensifies, the narrowing differences among firms necessitate timely and effective business model upgrades to avoid business failure (Lanzolla and Markides, 2020).

This thesis therefore dives into the shifting world of international manufacturing and seeks to understand how businesses in different contexts navigate evolving global dynamics. It pays particular attention to organisational behaviours and scrutinise how firms strategically respond not only to risks and uncertainties but also to opportunities. By forming a dual perspective, this research aims to inform theory, practice, and policy effectively.

1.2 Research motivation

The motivation for this project originates from the author's personal background in the management consulting industry, where the author observed many Taiwanese manufacturers struggling to effectively adapt to rapidly changing market dynamics, most of which are subcontractors. On one hand, these firms find it difficult to maintain competitiveness as international competition intensifies. On the other hand, they struggle to transition to manufacturing for themselves instead of for others, often finding themselves locked into relationships that limit functional upgrades. The cultural inclination towards avoiding risks makes the situation worse, as it hinders the willingness to experiment and innovate, particularly in the realm of business models. Therefore, numerous companies fail to take advantage of chances to innovate and break free from the 'subcontracting trap.'

Over the course of the research, the author encountered the rise of the 'reshoring' phenomenon, where, after decades of offshoring efforts, Western focal firms began to terminate subcontracting relationships with Asian firms and either start producing in-house or subcontracting locally. This shift marks a significant change in international business practices and offers a rich area for study. The pandemic further accelerated changes in the international business environment, with widespread disruptions to global supply chains underscoring the increased attention on the weaknesses linked to global manufacturing. Moreover, the influence of international politics on the commercial sector has grown significantly, with geopolitical conflicts and trade disputes creating more complexities in business decisions. All these factors have made the relocation of manufacturing an even more interesting and timely topic for scholars to investigate, as it holds potential impactful implications for both industrial practices and public policy.

With a keen interest in observing organisational behaviours and predicting future developments in international business, the author deemed it necessary to investigate both sides of the coin to gain a comprehensive understanding: the firms that outsource and offshore their operations, and the firms that perform the subcontracting work for them. Although these might seem like very different research topics, the author believes that this dual perspective can provide deeper insights into the dynamics of today's international business landscape and its implications for global business strategies. Ultimately, it becomes an examination of organisational behaviour and strategic responses from both the earlycomers' and the latecomers' perspectives, offering a nuanced view of the evolving landscape of international manufacturing and its strategic implications.

1.3 Research objectives

The global business environment undergoes rapid and sometimes unpredictable changes influenced by economic shifts, geopolitical relations, technological progress, and changing market patterns—now more than ever. To remain competitive and stay relevant in the industry, companies in this environment must constantly adjust their strategies promptly. However, firms at different stages of their lifecycles face a myriad of challenges, and environmental changes impact their behaviour in diverse ways. This thesis, therefore, seeks to investigate the varied effects of global changes on organisational behaviour and strategic decision-making, specifically in the manufacturing industry. More precisely, this research is guided by an overarching research question:

'What are the impacts on organisational behaviour when navigating global shifts, and what are the strategic responses to shifting business environments?'

This overarching research question is further dissected into three sub-questions, each corresponding to a specific aspect of organisational behaviour and strategy as explored in three distinct chapters. As a manuscript-based thesis, each chapter is an adaptation from a published journal or conference article. Together, they form a comprehensive understanding of how different organisations respond to changes in their business environments.

RQ1 'What is the decision-making process like for determining manufacturing locations, given today's evolving global economic landscape?'

The first sub-question examines the relocation decision-making processes of manufacturers who have previously offshored their production. It delves into how companies evaluate and adapt to global economic variables, explores the interplay

between firm capabilities and external pressures, analyses the methods firms use to navigate uncertainty and capitalise on potential opportunities, and scrutinises the impacts of their decisions. In Chapter 2, we will address this question by critically reviewing the existing literature, uncovering the complexities of strategic decision-making, and identifying unresolved gaps in our understanding. This review will provide a foundation for understanding the evolving landscape of manufacturing relocation and highlight areas where further inquiry is needed.

RQ 2 'How do earlycomer multinational manufacturers navigate the strategic complexities of location decisions in response to changing geopolitical and economic environments?'

The second sub-question explores strategies from the perspective of earlycomers, focusing on firms that have long engaged in offshoring and outsourcing manufacturing to other countries or regions. Despite their experience in handling the complexities of international operations, these firms may or may not have developed effective strategies to address current geopolitical and economic changes. In Chapter 3, we will empirically investigate how they leverage their experience and resources to make informed location decisions, considering the influence of institutional logics, cultural factors, and risk management. By examining earlycomers' strategies, the question aims to provide deeper insights into current industry trends and inform theory, practice, and policy on future expectations and responses. The analysis will reveal how experienced firms adapt to new challenges and leverage their established capabilities to maintain a competitive edge in a changing global environment.

RQ 3 'How do latecomer subcontractors leverage dynamic capabilities to sustain their competitive advantages amid shifting global value chain dynamics?'

The third sub-question shifts the focus to latecomer subcontractors, who often face significant challenges in maintaining competitiveness and achieving functional upgrades within global value chains. These challenges include resource scarcity, power asymmetries, and other barriers. In Chapter 4, we will thoroughly analyse the strategies employed by successful long-standing companies, referred to as the 'survivors.' Using empirical data, we aim to identify the critical capabilities that enable these firms to thrive in a highly competitive and rapidly changing business environment. This analysis will uncover the dynamic capabilities and adaptive strategies that contribute to their sustained success amidst global challenges.

Together, these research sub-questions provide a comprehensive understanding of the nuances of shifting international business landscape and the behaviours of organisations from both earlycomer and latecomer perspectives. The first question examines the broad impacts of global economic changes on strategic decision-making, setting the stage for the study. The second question focuses on earlycomer firms, exploring their sophisticated strategies and the lessons they offer. The third question investigates latecomer firms, highlighting the unique challenges and dynamic capabilities that drive their success. These questions underscore the diverse strategies and capabilities firms must develop to navigate an increasingly complex global business landscape, ultimately enhancing our understanding of how businesses can effectively respond to global changes, sustain competitiveness, and achieve lasting prosperity.

1.4 Research approach

The design structure of this research project will follow the 'research onion' framework proposed by Saunders, Lewis, and Thornhill (2019), as shown in Figure 1.1, with the addition of a literature review as a standalone study methodology (Snyder, 2019). In this section, we will explore the philosophical positions taken for this research, the research designs and methodological choices, and the detailed strategies and procedures.

1.4.1 Research philosophy

The term research philosophy is defined by Saunders et al. (2019) as a 'system of beliefs and assumptions about the development of knowledge,' which comprises three fundamental assumptions: (1) assumptions about the nature of reality ('ontological'), (2) assumptions about what constitutes knowledge ('epistemological'), and (3) the role of values and ethics that influence the research process ('axiological'). Together, these beliefs and assumptions inform a philosophical position and guide research designs.

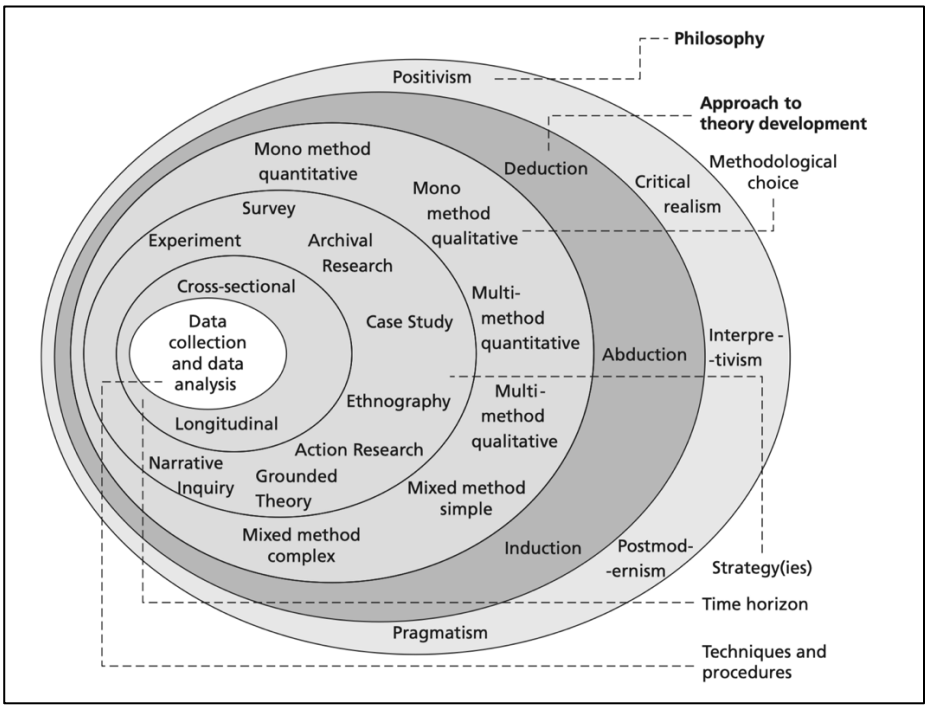

Figure 1.1. The research onion (Saunders et al., 2019)

Philosophical position. After careful consideration and reflection on our beliefs and assumptions, with the help of the HARP tool proposed by Saunders et al. (2019), the thesis demonstrates a *critical realism* philosophical position towards knowledge. Firstly, the ontological assumption we believe in is that reality is stratified. We believe that the events observed (i.e. firms' relocation actions and subcontractors' business model shifts) are merely a part of the 'empirical' layer, and that an 'actual' layer (i.e. the reasonings behind actions) is only partially uncovered, whereas the causal mechanisms and objective structures forming the 'real' layer that lead to our understanding of the 'actual' layer are still mostly under question. Secondly, we embrace epistemological relativism, which recognises the time-specific aspect of social constructions. As we will see in the following chapters, many of our analyses underscore the importance of timing, such as recognising tipping points for relocation or developing timely strategies to escape unfavourable subcontractor path dependencies. These are all essentially products of time. Thirdly, our axiological beliefs are that what we observe and understand is a consequence of social conditioning and that it is not possible to understand a phenomenon without social actors actively involving. This, however, implies that researchers who share this view are subject to biases from their cultural backgrounds or social experiences. Hence, we are fully aware of the presence of such biases and has put in the best efforts to carry out research as objectively as possible.

Approach to theory development. According to Saunders et al. (2019), critical realists tend to take a *retroductive* (or *abductive*) approach to theory development, as we emphasise the 'historical' or 'time' aspect of our work. This research is no exception. An abductive approach moves back and forth between theories and data, usually commencing with an observation of a 'surprising fact' and establishing plausible theories to explain it. In our case, the surprising facts include instances such as firms reversing or modifying

their offshoring decisions after decades of offshoring efforts, or the realisation that the business models that led to many subcontractors' success are not actually sustainable in the long run. To investigate these surprises, we applied existing theories and knowledge, such as transactional costs theory, to try and explain these empirically observed facts. In the process, we uncovered more 'surprising facts' (such as various behavioural factors of firms). We then moved on to attempt to integrate these explanations into conceptual frameworks, with the hope of developing or extending theories for further testing and modification. This iterative process helps to build a more comprehensive understanding of the phenomena and contributes to the ongoing development of theoretical knowledge.

1.4.2 Research designs

Methodological choice. Research methods range from qualitative and quantitative to mixed-method designs, as well as literature review as a research methodology (Snyder, 2019). As a critical realist, the choice of methodology is rather flexible and depends on the context of the subject matter. Moreover, our research questions are all open-ended, aiming to discover what is happening and gain insights into the topics of interest, indicating that our study is exploratory in nature (Saunders et al., 2019).

To stay current with cutting-edge research and avoid being too selective of evidence or building our research on flawed assumptions, it is essential to integrate findings and perspectives from numerous existing studies, empirical or otherwise. A comprehensive *literature review* can address research questions with a depth and breadth that no single study can achieve (Synder, 2019).

On the empirical end, if we decide to examine the effects of managerial cognition on organisational decision-making, we could adopt quantitative designs such as surveys and statistically compare variables to investigate the effects. However, such an approach, if framed properly, inherently removes subjective opinions, so the results might not be

able to completely explain the nuances observed empirically (Saunders et al., 2019). Given the nature of our subject matter, which involves rationalising subjective and socially constructed meanings behind organisational behaviour and managerial responses, we believe that adopting *qualitative* designs for the empirical parts of this research is the most prudent choice.

Research strategy/method. The research strategy could be understood as a plan which researchers attempt to answer their research questions through a clear and coherent manner with regards to their research philosophies.

For the SLR part of this thesis, we select the *systematic literature review* (SLR) method (Tranfield, Denyer and Smart, 2003) to synthesise previous scholarly efforts in a in a transparent and replicable way. The purpose of a systematic review is to gather a comprehensive set empirical evidence that meets predefined inclusion criteria that addresses a specific research question or hypothesis (Synder, 2019), leading to reliable results that could inform conclusions and decision-making (Moher et al., 2009).

For the qualitative parts of this thesis, we utilised *grounded theory* and *case studies* respectively. For the earlycomer study, grounded theory is used to construct theory through an iterative process of collecting and analysing data (Saunders et al., 2019). This strategy is especially advantageous in areas where existing theories are inadequate to explain the observed phenomenon, as it allows new theoretical insights to be developed from grounded empirical data until theoretical saturation.

For the latecomer study, we opted for the case studies method as it allows for an in-depth exploration of complex phenomena within their real-life context, providing a rich, holistic understanding of the subject matter (Yin, 2018). Since the boundaries between the context and the phenomenon we are observing in this study are not clearly apparent,

this strategy is particularly suitable (Saunders et al., 2019). It is capable of offering rich, empirical descriptions that facilitate theory development (Eisenhardt, 1989).

For both empirical studies, detailed and comprehensive information is mainly obtained from participants through the use of *in-depth interviews*. This approach allows participants to share their opinions, emotions, and encounters in their own language, uncovering hidden reasons and viewpoints not easily identified by other techniques (Kvale, 2007). In-depth interviews are highly beneficial in examining delicate subjects or grasping the unique viewpoints of participants, aiding in a more profound comprehension of the subjects in question (Brinkmann & Kvale, 2015).

Time horizon. Our research questions mainly seek to 'describe the incidence of a phenomenon' as well as 'explain how factors are related in different organisations,' which favours a cross-sectional time horizon (Saunders et al., 2019). Moreover, we are also under the necessary time constraints of this doctoral programme, making a longitudinal study relatively impractical.

Data collection. For the SLR study, a preliminary scoping study was conducted to evaluate the relevance and size of the literature. In this study, we examined the most frequently cited articles and research notes, identified commonly used theories and concepts, and analysed the current academic landscape to develop a review protocol. A combination of keywords and subject areas yielding a manageable number of results was finalised after iterative rounds of refinements. The paper search was based on two of the most widely used academic databases with selective journal-based inclusion policies to avoid omitting any high-impact articles in the literature body.

The sources of evidence used in the empirical studies in this thesis are primarily semi-structured interviews. This method is developed in accordance with the 'funnel

model,' which starts with open-ended questions and concludes with more concrete questions during the interviews (Yin, 2018). Secondary data on the companies will be collected in advance for triangulation purposes as well as to save interview time for more in-depth questions. Project brochures and interview outlines are provided to the interviewees to allow necessary preparation.

For the earlycomer study, the selection of companies for this study was conducted through a strategic process aimed at capturing a comprehensive and diverse range of organisational perspectives on relocation decision-making. We included a wide range of industries, company sizes, and geographical representation in our data collection. The identification of potential companies was facilitated through a combination of industry reports, academic literature, and professional networks. The interview structure followed pre-developed theoretical frameworks, allowing us to explore emerging areas of interest in detail during the discussions.

For the latecomer study, the selection of case companies for the latecomer study followed a rigorously designed protocol, with feedback from a pilot case incorporated to refine the selection criteria. Case firms were targeted across the Taiwanese manufacturing sector with the objective of selecting a diverse sample of 'subcontracting survivors' to ensure the generalisability of the results. Firms had to meet specific criteria to be included in this study.

Details on data collection can be found in the methodology sections of each individual chapter.

Data analysis. For the SLR study, an inductive coding approach was adopted, aiming to uncover previously unhighlighted or unconnected facets, allowing our framework to evolve from the sizable sample. Themes that surfaced from the cases were then organised in alignment with Lyles' (1981) model of strategic problem formulation.

For the earlycomer study, the analysis involved a meticulous coding process, where text segments were organised to uncover patterns indicative of particular logics. This was a qualitative effort aimed at interpreting and categorising the data, not quantifying it. We adopted a conceptual model from existing literature and concentrated on particular aspects highlighted within it. Our analysis involved creating categories through reflective data engagement. Arguments were framed in conjunction with extant theory to provide new insights into the phenomenon under study. Furthermore, we consistently compared our findings with other studies and across different cases within our research.

For the latecomer study, we thoroughly reviewed existing literature to build a comprehensive understanding of the fundamental theoretical constructs. This foundational review shaped our analytical perspective and served as a reference point for interpreting empirical data. We then utilised the dynamic capabilities framework as our main theoretical lens for pattern matching with the data collected from the sampled firms. Employing the systematic combining approach (Dubois and Gadde, 2002, 2014), we engaged in a continuous cycle of theoretical deduction and empirical induction. This iterative process led to the creation of first-order and second-order categories, which were further aligned with the nine dynamic capabilities that form our main findings.

Details on how data is analysed can be found in the methodology sections of individual chapters.

Quality and Rigour. To ensure the quality and rigor of our studies, we adhere to the recommendations in literature for assessing research quality. In our systematic literature review, we ensured *construct validity* by precisely defining the concepts under review and selecting appropriate keywords to capture studies addressing these constructs. *Internal validity* is maintained through a well-documented quality rating process during the review. *External validity* is enhanced by incorporating a large number of studies in the

review. *Reliability* is achieved by adhering strictly to the guidelines set by Tranfield et al. (2003) for conducting a systematic, transparent, and replicable review.

In the qualitative studies, *construct validity* is maintained by utilising multiple sources of evidence and having key informants review draft manuscripts (Yin, 2018). *Internal validity* is enhanced through pattern matching and seeking evidence of observed relationships in the literature (Creswell and Creswell, 2018). *External validity* is achieved by applying replication logic across our samples. Finally, *reliability* is ensured by adhering strictly to case protocols and creating detailed databases.

1.5 Thesis outline

The structure of this thesis is as follows. Chapter 2 presents the literature review study on the relocation phenomenon, aiming to understand how decision-making operates amid the recent shifts in the international business landscape. Chapter 3 takes an empirical view from the earlycomers' perspective, examining how relocation decisions are made under shifting global dynamics. Chapter 4 turns around and takes the latecomers' perspective and investigate what capabilities firms have in order to survive the shifting global value chains. Chapter 5 concludes the thesis by discussing the collective implications of the chapters, addressing the thesis's contributions, acknowledging the research project's limitations, and offering final reflections.

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Chapter 2

Manufacturing Relocation

Decision-making in Shifting Environments

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2 Manufacturing Relocation

Decision-making in Shifting Environments

This chapter systematically reviews the literature on manufacturers' relocation decision-making after offshoring. It investigates how companies assess and adapt to various economic and operational factors, the interaction between firm capabilities and external pressures, methods for managing uncertainty and leveraging opportunities, and the impacts of their decisions. The chapter aims to elucidate the complexities of strategic decision-making, identify gaps in current understanding, and guide future academic research.

2.1 Introduction

In the wake of long-standing offshoring practices, the discourse surrounding globalisation and the future trajectory of global value chains (GVCs) has begun to evolve (UNCTAD, 2020). A rising trend has seen western firms, especially those with operations in Asia, either revert to in-house production or opt for local subcontracting — a process commonly termed as 'reshoring' (Fratocchi et al., 2014; Tate et al., 2014). Exacerbated by the pandemic and emerging geopolitical tensions, businesses now face multifaceted pressures—financial, operational, political, and strategic—prompting them to enhance resilience or diversify their operations.

In recent years, reshoring has garnered significant academic attention. Relocation decisions are widely understood to be process-driven, influenced by numerous intricate factors that shape the ultimate choice (Benstead, Stevenson and Hendry, 2017; Baraldi et al., 2018). Yet, the diverse disciplines exploring this topic, combined with the specific objectives and scopes of individual studies, have led to a fragmented body of literature. While various studies have delved into specific connections, such as how certain challenges might instigate changes in location or ownership (Huq, Pawar and Rogers, 2016; Moretto, Patrucco and Harland, 2020), gaps remain in understanding the broader implications. For instance, the influence of factors like industrial norms or political views on managers' perceptions of these challenges is unclear. Such influences not only affect the initial decision-making but also the firm's subsequent evaluation of the decision's success and the ramifications of such evaluations on future decisions.

Ideally, literature reviews bridge such gaps by synthesising diverse perspectives. However, upon analysis of several such reviews on relocation, it becomes apparent that there are certain constraints in their comprehensiveness. Some esteemed literature reviews, for instance, have based their findings on a relatively limited selection of papers (≤ 20), potentially side-lining a broader range of viewpoints (e.g. Stentoft et al., 2016; Fratocchi and Di Stefano, 2019a; Boffelli and Johansson, 2020). Other commendable studies have centred their focus primarily on specific facets of relocation such as motivations (e.g. Wiesmann et al., 2017), sustainability (e.g. Sirilertsuwan, Ekwall and Hjelmgren, 2018; Cosimato and Vona, 2021), or particular industries (e.g. Fratocchi and Di Stefano, 2019b). The literature thus beckons for a review offering a comprehensive journey, from the germination of relocation thoughts to decision-making and final evaluation. This gap underscores the intricate task of weaving together the diverse threads of decision-making and calls for a unified research direction distinguishing 'reshoring' from its predecessor, 'offshoring.'

Furthermore, a few theories predominantly shape the discourse on this subject within the literature, namely transactional cost economics (TCE; Williamson, 1975, 1985), resource-based view (RBV) of the firm (Barney, 1991; Peteraf, 1993), and the eclectic theory (Dunning, 1980, 1988). While these theories offer insights into firms' regional preferences and production strategies, they are not without critique. Academics have expressed concerns that both TCE and RBV may be painting with broad strokes, while the eclectic theory might be overly inclusive in its approach (Fratocchi et al., 2016; Barbieri et al., 2018). Additionally, these theories tend to offer relatively static analyses, often overlooking the dynamic nature of international manufacturing, particularly in today's rapidly evolving geopolitical landscape.

For instance, TCE argues that firms should make decisions based on minimising transaction costs, considering the total cost of ownership and asset specificities. However, its heavy focus on transaction costs potentially overlooks other strategic factors or risks, such as innovation, flexibility, or geopolitical uncertainties. Its short-term orientation can also encourage decisions based on immediate cost reductions rather than long-term value creation. While RBV offers a complementary inward focus on firm-specific resources, considering innovation and flexibility, it may overemphasise internal resources, thereby neglecting the strategic benefits of engaging with external partners or markets and underestimating external risks. On the other hand, the eclectic theory, though providing a comprehensive framework for understanding location and governance choices, does not fully address the trade-offs between cost efficiency and flexibility, nor does it account for the complexity and interdependence of global supply chains.

These limitations become evident when firms' strategies diverge from established theories, or when comparable firms act differently, suggesting that these frameworks may not fully capture the complexity of modern business practices. The literature's reliance on these theories has inadvertently limited its depth, creating a discernible theoretical gap.

In this review, we propose enriching the discourse by integrating alternative frameworks, such as the institutional logics perspective (Thornton, Ocasio, and Lounsbury, 2012) and managerial cognition (Stubbart, 1989), with a particular focus on the behavioural and cognitive dimensions of decision-making.

Acknowledging the abovementioned gaps, we see a pressing need for a comprehensive review that seamlessly integrates the myriad facets of relocation decision-making. This review should cohesively bring together the various elements of relocation decision-making, tracing the evolution from initial relocation considerations to final evaluation, all the while ensuring the study's replicability in future research. Our approach distinguishes itself in multiple ways: we draw from an expansive set of 158 papers from 2009 to 2022, encapsulating discussions on the pandemic, geopolitical shifts, and evolving globalisation trends. Instead of solely focusing on firms returning to their home countries, we have broadened the traditional perspective on 'reshoring' perspective to cover all secondary production movements. Due to the evolving nature of this research area, our study includes papers from all peer-reviewed journals, moving beyond the typical preference for only high-impact publications. We aim for a holistic understanding by embracing the entire relocation continuum rather than isolated decision aspects. This broad and inclusive strategy ensures our review offers a depth and breadth surpassing that of more specialised studies.

This study's contribution to the manufacturing relocation literature is threefold. First and foremost, we build upon the 'offshoring' research by Mihalache and Mihalache (2016) adopting a similar inductive approach to craft a 'relocation' decision-making framework. This framework outlines a three-stage relocation journey, encompassing the phases of consideration, decision, and evaluation, complemented by seven specific decisional elements. Such coverage paves the way for the creation of more encompassing theories. It is crucial to underscore that decisional elements and their surrounding

environments can evolve. Hence, ensuring the adaptability and replicability of our review becomes paramount.

Second, this study addresses the longstanding issue of inconsistent terminologies in the realm of manufacturing relocation by presenting clear and logical definitions. Current literature has myriad terms like 'reshoring' and 'backshoring', and their varied usage, as noted by Wiesmann et al. (2017), leads to confusion and hinders meaningful cross-study comparisons. This disparity often arises because researchers lean towards definitions prevalent in their reference literature or, at times, those that best support their arguments. By offering a consolidated and clarified terminology, we aim to foster uniformity and alignment in future studies. Through this, we aspire to usher in a greater consensus within the academic domain.

Third, this study illuminates potential avenues for future theoretical and methodological research, anchored by our framework. Through our comprehensive review, we spotlight areas like driver relevance and outcome evaluation that warrant further investigation. Our findings reveal knowledge gaps spanning the seven decisional aspects of the relocation journey, presenting researchers with clear avenues for exploration. To deepen understanding, we advocate for three primary research avenues: emphasising the cyclical nature of relocation decisions, congregating multi-disciplinary theories to address the recent evolution of GVCs, and combining decisional aspects for wider policy debates.

The remainder of this chapter is as follows. Chapter 2.2 illustrates the systematic methodology used in our review process. Chapter 2.3 summarises the manufacturing relocation repertoire and clarifies the usage of various terminologies. Chapter 2.4 synthesises the literature body and presents a novel C-D-E decisional framework based on various units of analysis. Chapter 2.5 summarises the research gaps and proposes suggestions for future research. Finally, Chapter 2.6 draws on the main conclusions and limitations of this literature review.

2.2 Review methodology

This study utilised the systematic review methodology, which is a well-established literature review method with rigorous protocols and explicit documentation of reviewing steps (Tranfield, Denyer and Smart, 2003). The aim of this review is to provide a comprehensive framework of the relocation landscape to date, and we encourage future researchers to periodically carry out similar reviews to build on our framework. Therefore, we chose the systematic reviewing methodology, since it ensures transparency during the process, allows replicability for future researchers, and counteracts selection bias by explicitly stating various assumptions. This study follows Tranfield et al.'s (2003) three-step approach of planning, conducting and reporting the review (see Figure 2.1).

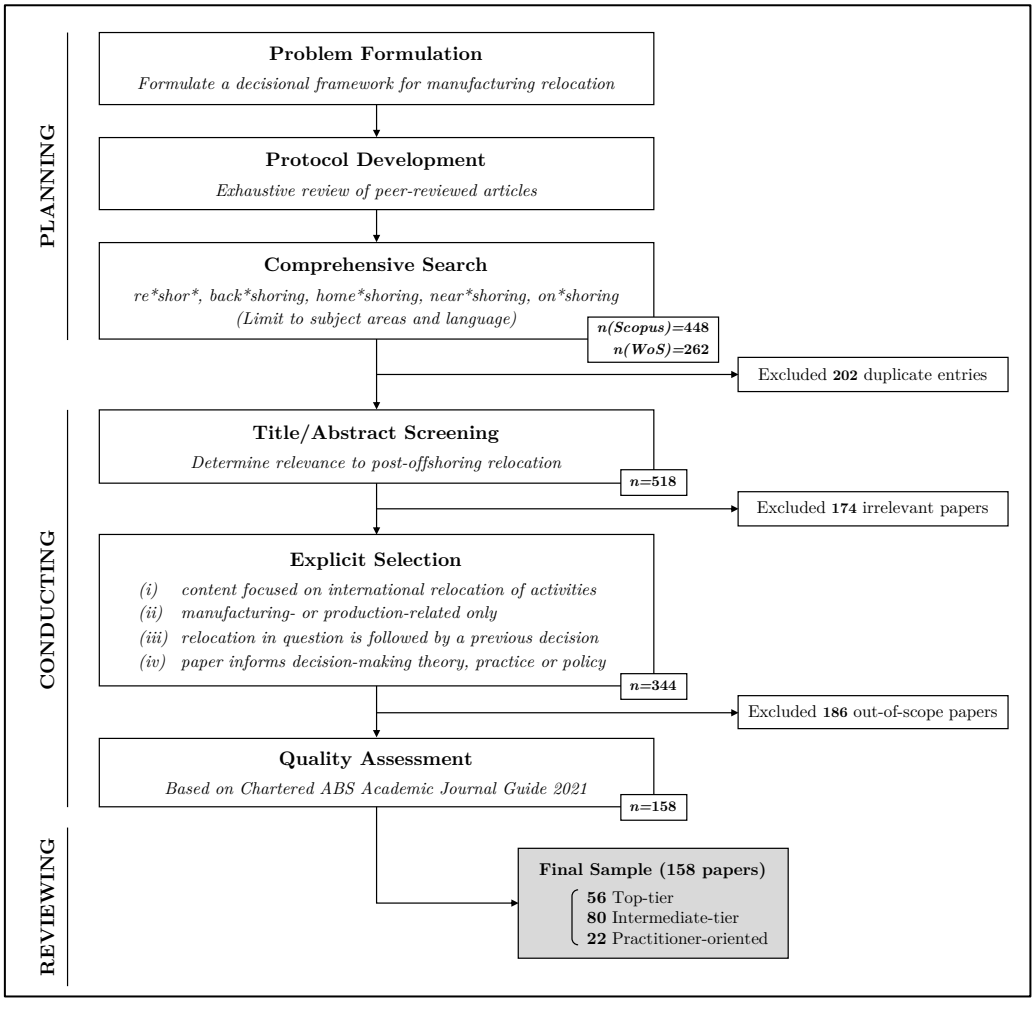

Figure 2.1. The systematic reviewing process

Planning the review

Problem formulation. The aim of this study is to formulate a decisional framework to determine and evaluate manufacturing relocation decisions. A preliminary scoping study was conducted to evaluate the relevance and size of the relocation literature, as suggested by Tranfield et al. (2003). During the study we reviewed the most-cited relocation articles and research notes, mapped frequently used theories and concepts, and contextualised the current academic landscape to formulate a research protocol.

Protocol development. As a result of the emerging nature of the relocation subject (unlike offshoring, where abundant studies were conducted), we made the decision to perform an exhaustive review, instead of restricting our study to high-impact journals, to involve as much evidence and academic effort as possible in this novel area. However, such a wide scope would have yielded a large number of articles with mixed quality and reliability, which led to the further decision to include only peer-reviewed studies in this study to ensure a maintainable standard of quality.

A combination of keywords and subject areas yielding a manageable number of results was finalised after multiple round of refinements. The aim of the refinements is to ensure that the search covers as much ground as possible without capturing too many irrelevant studies. The following keywords were used for our final search: *re*shor*, back*shoring, home*shoring, near*shoring, on*shoring.*[1] Papers were limited to subject areas including business management, operations management, engineering, economics, finance, engineering, social sciences and decision sciences. All articles written in

[1] A similar set of keywords was used by Wiesmann et al. (2017) in another reshoring systematic literature review. A Google Scholar search was performed and references were cross-checked on major papers to avoid missing any potentially important keywords. Initially, we thought of including 'relocation' in our keyword set. However, given that most papers favour specific terms such as 'reshoring' or 'backshoring' either alongside or in lieu of 'relocation', we decided against its inclusion to circumvent irrelevant papers. Furthermore, the term 'farshoring' was excluded from the keyword set as it was consistently mentioned alongside 'nearshoring' for comparative analysis and not utilised as a standalone term.

languages other than English were excluded. Furthermore, this study focuses on the relocation of 'manufacturing' activities, so all 'service' relocation studies will be removed at a later stage, as it is impractical to eliminate these studies effectively at this point.

Comprehensive search. We based our search on two of the most widely used academic databases with selective journal-based inclusion policies, namely, Scopus and Web of Science (WoS), to avoid omitting any high-impact articles in the literature body (Martín-Martín et al., 2018). Identical strings of keywords were used on both databases, and limitations on subject areas were set according to the review protocol.[2]

Conducting the review

Title and abstract screening. We skimmed through the title, abstract and keywords of 518 papers[3] and determined their relevance to post-offshoring relocation of manufacturing. During this stage, a total of 174 papers that focused on completely irrelevant topics (e.g. architecture, construction, oil production) were withdrawn from the pool.

Explicit selection. We then obtained the full text of the remaining 344 papers, wherever possible, to further evaluate the relevance of the manuscripts. Papers that were not peer-reviewed articles were excluded at this stage, including conference proceedings, working papers, books, book chapters, short surveys, news articles, magazine articles and industrial reports. Editorials and research notes from peer-reviewed journals were included, as they provide synthesised analyses or insights of relevant papers.

[2] For Scopus, the selected subject areas were 'Business, Management and Accounting', 'Economics, Econometrics and Finance', 'Engineering', 'Decision Sciences' and 'Social Sciences.' For WoS, the categories selected were 'Management', 'Business', 'Operations Research Management Science', 'Economics', 'Engineering Manufacturing', 'Engineering Industrial', "Engineering Electrical Electronic' and 'Business Finance.'

[3] The search was conducted on 30 June 2022 for both databases.

Content-wise, we considered an article to be relevant when it satisfied all of the following four criteria: (i) it focuses on the international relocation of activities regardless of the terminologies used; (ii) the relocating activities are manufacturing- or production-related (i.e. service reshoring studies are excluded); (iii) the relocation is followed by a previous offshoring (including nearshoring) decision (i.e. nearshoring as an initial offshoring practice is excluded); and (iv) it informs decision-making theory, practice or policy. 186 papers (including duplicate entries) were removed at this stage.

Quality assessment. We meticulously evaluated the remaining 158 papers, predominantly using the Chartered ABS Academic Journal Guide 2021 as our reference. Journals rated 3, 4, or 4* were recognised as top-tier; those rated 2 were categorised as intermediate-tier, while the others were identified as being more practitioner-oriented or not traditionally contributing to theoretical advancements. Journals not found in the guide underwent an independent quality assessment. This process led to the identification of 56 top-tier, 80 intermediate-tier, and 22 practitioner-oriented papers. In line with the recommendations of Xiao and Watson (2019), this study will predominantly draw from the top-tier papers, followed by insights from the intermediate-tier ones. The practitioner-oriented studies will serve as supplementary references, rather than central literature.

Reporting the review

Data extraction and synthesis. From the 158 papers that reached this stage, we sought insights into the reshoring decision-making process, specifically examining the reasons behind these decisions, the individuals involved in the decision-making, the subjects of these decisions, and the subsequent implications. We adopted an inductive coding approach, aiming to uncover previously unhighlighted or unconnected facets, and allowing our framework to evolve from this sizable sample. From our analysis, seven

distinct themes surfaced from the codes. We then organised these themes in alignment with Lyles' (1981) model of strategic problem formulation, which we detail in the subsequent sections. The details of the papers analysed are presented in the meta-table in Appendix 2.A.

2.3 Results and findings

2.3.1 Descriptive analysis

The *chronological distribution* of our reviewed literature sample is presented in Figure 2.2, showing a clear upwards trend in research interests, peaking at the end of the timeline. It also shows how much the literature base has grown since Barbieri et al. conducted their comprehensive review in 2018. Figure 2.3 further breaks down the *type of research*, *methodological choices* and *research strategies* used in empirical studies. The literature space contains a large number of quantitative studies employing existing datasets or archival data, while qualitative studies are largely exploratory. The quantitative studies, while providing more generalisable results, do not account for very recent events that have had a significant impact on industries, an impact that is investigated mainly by the qualitative studies. Therefore, we argue that the state-of-the-art of this research area is currently backed by exploratory qualitative studies that lack further quantitative verification. These reflect an interesting state of research, where the phenomenon investigated is relatively recent; hence, our knowledge remains nascent, but how scholars approach such knowledge (i.e. the composition of methodological approaches used) is in a relatively mature state given the bodies of offshoring work that have potentially transferrable knowledge and theories to be applied.

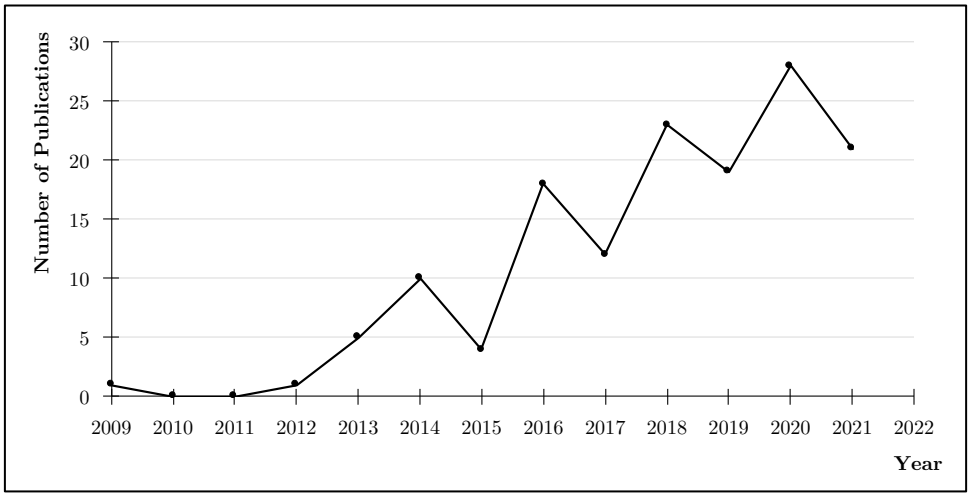

Figure 2.2. Chronological distribution of relocation research

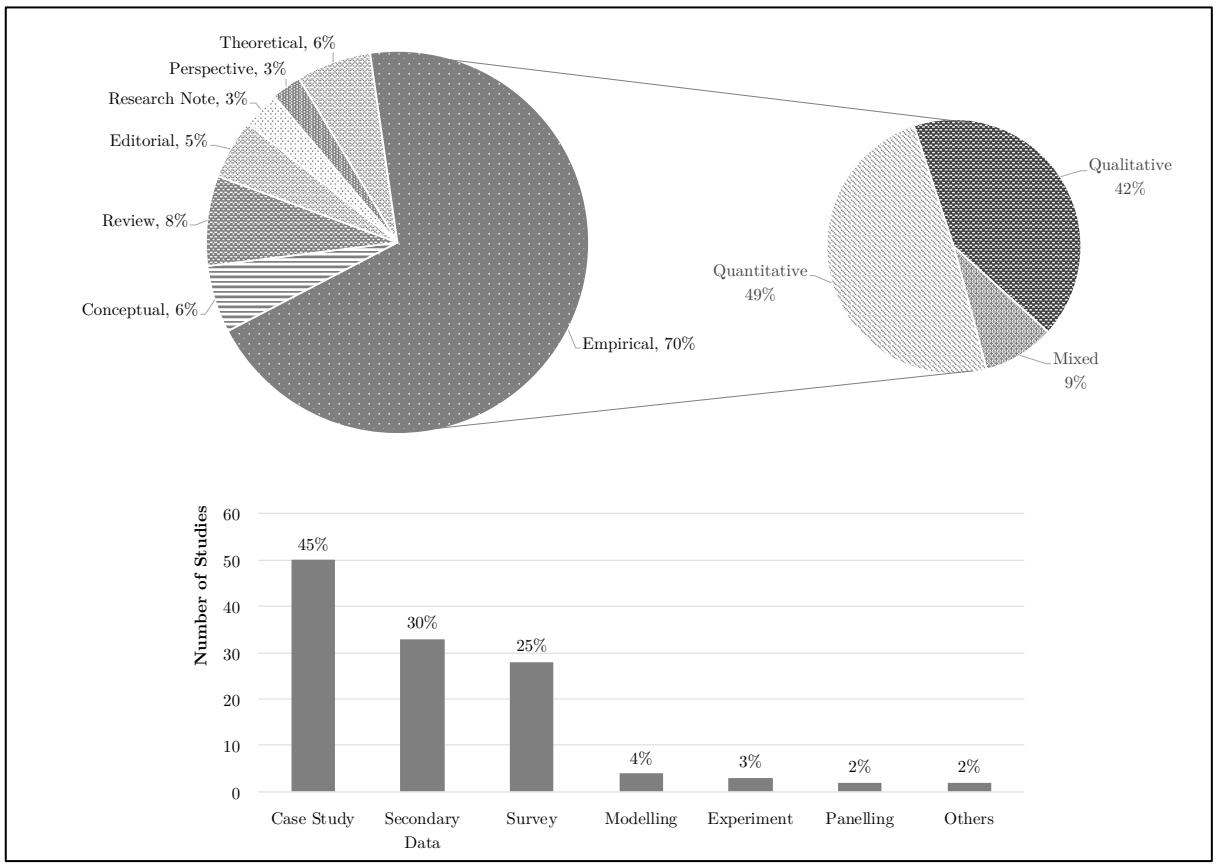

Figure 2.3. Breakdown by type of research and methodological choices[4]

[4] The distinction between 'conceptual' and 'theoretical' papers was based on the editorial comment by Gilson and Goldberg (2015). The authors argued that the former does not necessarily propose new theories, as the latter does; rather, it aims to bridge theories and raise propositions in insightful ways, or link cross-disciplinary work to provide interesting insights.

2.3.2 Terminological disambiguation

Academics have expressed a variety of understandings of concepts despite using common terms such as 'reshoring' to describe them, adding an extra layer of complication to the subject in question (Fratocchi et al., 2014; Wiesmann et al., 2017). Scholars argue that many terms that have been used interchangeably should not be considered synonyms in the first place (Lampón and González-Benito, 2020). Such ambiguity seriously impedes the accumulation of knowledge and has repeatedly been mentioned in studies over the past decade, but there are still no signs of convergence over the terminologies used in relocation studies (Wiesmann et al., 2017). Therefore, this study disambiguates the terms by utilising a coherent logic to select definitions used by the existing literature, meanwhile avoiding overlapping or contradicting terminologies. Hopefully, this could resolve any confusion in future research.

Although there is no ambiguity in the terms used to describe the ownership modes (namely, insourcing and outsourcing), there are various discrepancies in how researchers define the locational shifts (such as reshoring or backshoring). We start from the directional terms (i.e. terms that depict directional movements) and move on to purely geographical terms (i.e. terms that specify locational or regional characteristics). Figure 2.4 illustrates these terminologies from a pictorial perspective, whereas the tabulated summary is presented in Table 2.1.

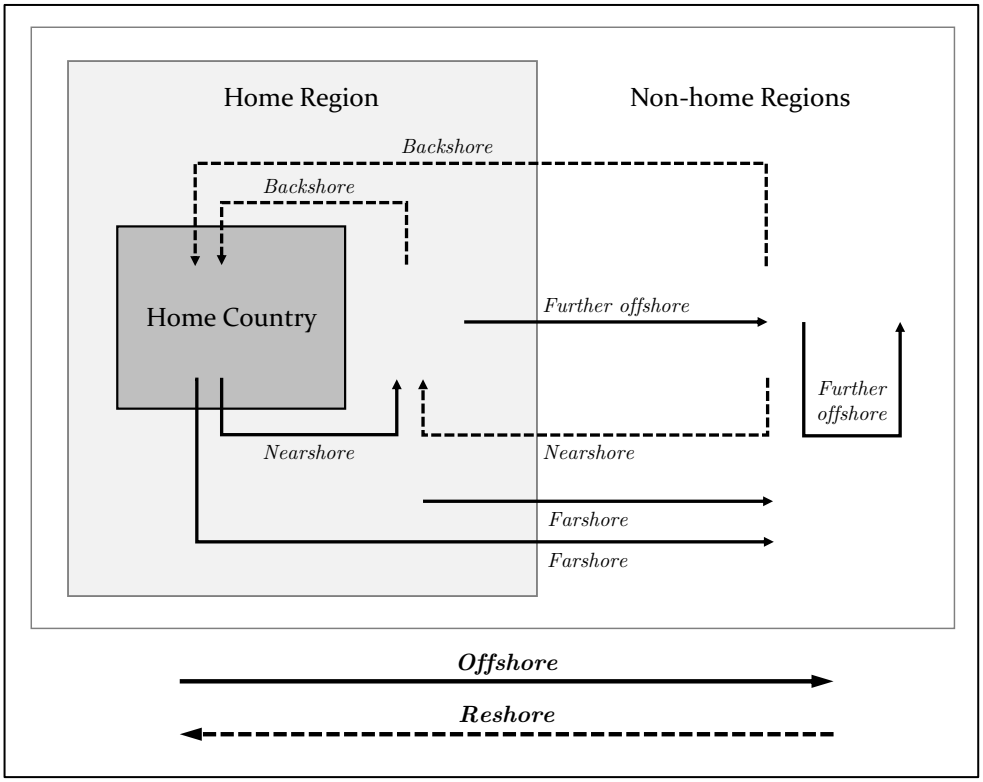

Figure 2.4. Illustrative perspective of relocation terminologies

Offshoring (directional). Decades of research effort have gone into offshoring, which typically describes locating production activities outside the company's headquarters (Ellram, Tate and Petersen, 2013). This includes wholly owned foreign entities, as well as outsourced or hybrid modes (Di Mauro et al., 2018). The term is mostly used as a general portrayal of the primary (initial) relocation decision. In this regard, 'further (or extended) offshoring' denotes the secondary relocation decision when firms further move production to other offshore locations (Fratocchi and Di Stefano, 2019a), often aiming to capitalise on even lower costs or averting various risks. A typical example of further offshoring is when a firm moves production from China to Bangladesh or India, given the rising costs and risks of Chinese production.

However, some scholars (e.g. Gray et al., 2013) argue that the definition of 'offshoring' itself is imprecise, as it is unclear whether a relocation between high-cost countries (e.g. from the US to the UK) should be considered offshoring. More often than

not, the conceptual focus of offshoring studies is limited to relocations from high- to low-cost regions (Johansson and Olhager, 2018b). Therefore, we argue that offshoring should logically be viewed as a directional term that denotes general movements 'away from' the home country, and that further (extended) offshoring particularly describes the secondary movements[5] within or beyond the previous offshored region. These movements are not necessarily relocations towards lower-cost countries, despite this often being the case.

Reshoring (directional). 'Reshoring' is the term that is used in the literature with the most ambiguity. Some studies define reshoring as a 'revised' shoring decision that includes all generic changes in location after the initial offshoring decision (e.g. Fratocchi et al., 2014; Tate et al., 2014). Some describe reshoring as 'reversed' in direction back to the home region, which includes both the home country and nearby countries (e.g. Ancarani, Di Mauro and Mascali, 2019). Others describe reshoring as a 'reverted' decision that delimits the destination to the home country (e.g. Ellram, Tate and Petersen, 2013; Gray et al., 2013; Martínez-Mora and Merino, 2014; Gylling et al., 2015). Common to the above-mentioned definitions is that reshoring denotes the relocation of previously offshored activities (Wiesmann et al., 2017), indicating that an offshoring decision is a premise of any reshoring consideration (Gray et al., 2013). Since there are more specific concepts used in the literature that offer narrower definitions (namely, 'backshoring', 'nearshoring' and 'further offshoring', which we will discuss later), we propose that reshoring should be considered a collective umbrella term that comprises all directional movements 'towards' the home country, including nearby countries within the home region. To reiterate, reshoring is a purely location-based decision, which by definition ignores the ownership mode (i.e. outsourced or insourced) of the production activities.

[5] This represents all non-primary movements, including tertiary movements and beyond.

Backshoring (geographical). Scholars generally have consistent views on the definition of the term 'backshoring', which denotes the partial or total relocation of foreign production back to the home country, regardless of the ownership mode (Kinkel and Maloca, 2009; Fratocchi et al., 2014; Martínez-Mora and Merino, 2014; Di Mauro et al., 2018). Since the majority of the relocation literature is based on the developed nations' perspective, backshoring usually implies relocation from a low-cost to a high-cost region. As the term explicitly specifies the home country as the destination of relocation, we argue that backshoring should be seen as a purely geographical term despite its intrinsic directional implication. Similar terms used with identical meanings to backshoring include 'homeshoring' (Tate et al., 2014) and 'onshoring' (Kazmer, 2014), all describing the repatriation of foreign activities.

Nearshoring (geographical). Scholars have uniform illustrations for the use of the term 'nearshoring', which describes the relocation of manufacturing towards the same 'region' as, but excluding, the home country (Ellram, Tate and Petersen, 2013; Fratocchi and Di Stefano, 2019a). Relocating to Central and Eastern European (CEE) countries is considered nearshoring for Western European firms, while relocating to Mexico or other Latin American countries is considered nearshoring for US firms (Roza, Van den Bosch and Volberda, 2011). Nearshore countries often share similar cultural or linguistic backgrounds with the focal firms' home countries. The problem with 'nearshoring' is that the term does not indicate the direction of the relocation; nor is there a consensus among scholars that use the term. Both offshoring to nearshore countries and reshoring from farshore countries could be seen as nearshoring in this regard. Thus, we argue that it is only logical to view nearshoring as a purely geographical term that describes relocation movements towards the home region.

Farshoring (geographical). Opposite to nearshoring, farshoring describes the relocation of manufacturing towards regions that are not within close proximity. Locations that are not considered nearshore are labelled as farshore (Gadde and Jonsson, 2019). However, no explicit lines were drawn in the literature between 'near' and 'far', so countries in close proximity, with similar cultural or linguistic backgrounds, are generally considered nearshore countries. Therefore, farshoring should literally be considered purely geographical, in parallel to its opposite term, nearshoring.

Table 2.1. Summary of terminological definitions

Type	Terminology	Definition	Usage Example
Directional	Offshoring	General movements *away from* the home country, regardless of ownership modes	Ellram, Tate and Petersen (2013)
	Further offshoring	Secondary movements *within* or *beyond* the previous offshored region, regardless of ownership modes	Fratocchi and Di Stefano (2019a)
	Reshoring	Secondary movements *towards* the home country, including to nearby countries, regardless of ownership mode	Ancarani, Di Mauro and Mascali (2019)
Geographical	Backshoring	Partial or total relocation of foreign production back to the home *country*, regardless of the ownership mode	Kinkel and Maloca (2009)
	Nearshoring	Partial or total relocation of domestic or foreign production towards the home *region*, but excluding the home country	Ellram, Tate and Petersen (2013)
	Farshoring	Partial or total relocation of domestic or foreign production towards regions that are not in close proximity to the home country	Gadde and Jonsson (2019)

2.4 The C-D-E relocation decisional framework

We have managed to synthesise the reviewed literature on manufacturing relocation into seven decisional aspects, which are further categorised into three groups – consideration, decision and evaluation – forming a C-D-E decisional framework (see Figure 2.5). This section goes through each aspect and discusses the current state of knowledge, as well as gaps within the literature that hinder further understanding of the subject matter.

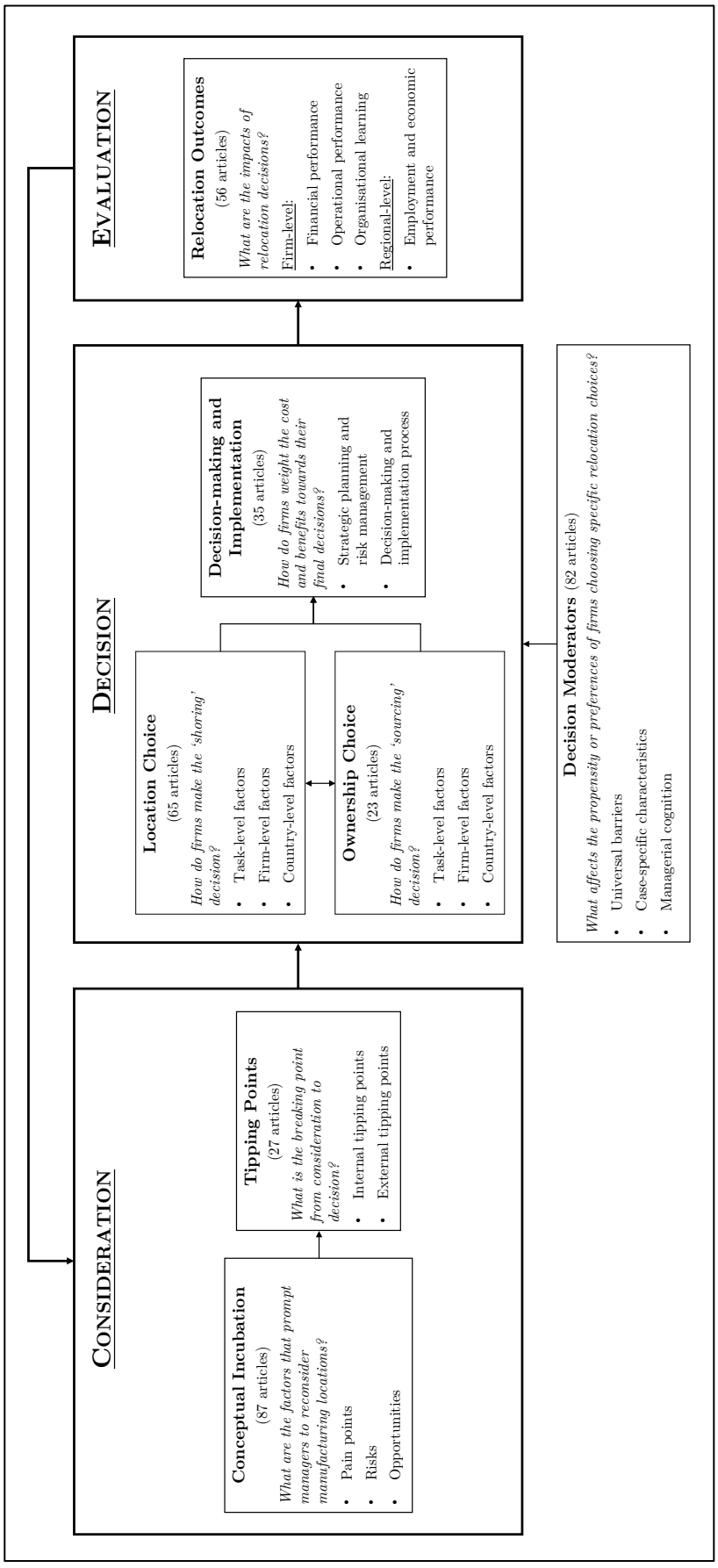

Figure 2.5. The C-D-E decisional framework for manufacturing relocation

2.4.1 Conceptual incubation

The entire relocation decision-making process (Figure 2.5) starts with conceptual awareness, which is the stage when firms become aware of, and begin to reconsider, their previous manufacturing location decisions. The reviewed literature sample contains a significant set of articles exploring the reasons why firms would consider revising or reversing their previous offshoring decisions (for lists and reviews, see Fratocchi et al., 2016; Wiesmann et al., 2017; or Barbieri et al., 2018). This section provides a brief overview of what we currently know about firms' relocating motivations and what aspects need to be addressed further.

First of all, the majority of studies have identified the numerous **pain points** that firms face during their foreign engagements, which induce them to start reconsidering their previous location decisions. These pain points are related to *cost*, *quality*, *flexibility*, *resources and capability*. The first, and most obvious, type of pain point stems from a wide range of *cost-related* issues, including eroding wage gaps, rising costs of sourcing, volatile energy, logistics, communication or administrative costs (Fratocchi et al., 2016; Barbieri et al., 2018). Firms also experience *quality-related* concerns, which are primarily associated with inadequate production quality as a result of suboptimal manufacturing processes or imperfect quality-control practices that lead to poor customer satisfaction and high rework rates[6] (Kinkel and Maloca, 2009; Bailey and De Propris, 2014; Uluskan, Joines and Godfrey, 2016). Quality issues also arise from upgraded production lines that are increasingly sophisticated in nature and which therefore require additional knowledge or skills to execute (Ancarani and Di Mauro, 2018). Moreover, *flexibility-related* matters also appear to be disturbing factors that become intolerable over time, especially given the rising trends of customisation (Ancarani and Di Mauro, 2018) and

[6] Arguably, this is also a cost-related factor, but fundamentally it stems from quality-related issues.

increased demand volatility (Martínez-Mora and Merino, 2014; Wu and Zhang, 2014). The lack of operational flexibility from long supply chains, in terms of both volume and variety, calls for the establishment of supply chain resilience and ultimately drives firms to relocate production (Kinkel and Maloca, 2009; Gray et al., 2013; Srai and Ané, 2016). Furthermore, *resource and capability-related* problems appear to be another significant set of pain points. Resources, such as raw materials or specialised suppliers, naturally drive firms to locate production accordingly (Ellram, Tate and Petersen, 2013). Scholars have also pointed out that firms face losses in innovation capabilities when offshoring production as a result of the extended physical and cultural distance between R&D and manufacturing divisions (Tate et al., 2014). Moreover, in competitive environments, where the importance of production variety outweighs that of scale economies, it would be desirable for firms to recouple innovation and production capabilities (Bailey, Corradini and De Propris, 2018).

Second, there are various **risks** involved when firms manufacture internationally. Firm-side risks include global supply chain risks that are inherent to long supply chains (Bailey and De Propris, 2014; Huq, Pawar and Rogers, 2016), potential infringement of intellectual property rights (IPR) (Tate et al., 2014), exchange-rate fluctuations (Martínez-Mora and Merino, 2014; Gylling et al., 2015), cultural or institutional risks (Ancarani et al., 2015; Srai and Ané, 2016), ethical issues (Moore, Rothenberg and Moser, 2018), and political and social uncertainties (Kinkel, 2012; Ellram, Tate and Petersen, 2013; Martínez-Mora and Merino, 2014; Tate et al., 2014). Conversely, several demand-side risks can also drive relocation. Studies have shown that volatile or fluctuating demand would necessitate a more responsive manufacturing strategy (Wu and Zhang, 2014; Lund and Steen, 2020). A shrinking market size might stimulate considerations towards relocation should a firm initially offshore with an emphasis on market-seeking purposes (Kinkel, 2012; Wu and Zhang, 2014; Gray et al., 2017). Moreover, increased

competition for a limited pool of resources, such as labour and transportation, would induce reshoring considerations, as explained under the concept of factor market rivalry (Tate et al., 2014).

Finally, the emergence of new **opportunities** also incentivises firms to relocate. Favourable governmental policies or technological advancements alter the fundamental cost structures and thus allow previously impractical choices to be taken into consideration (Bailey, Corradini and De Propris, 2018; Ancarani, Di Mauro and Mascali, 2019). Additionally, shifts in corporate strategies, including global reorganisation (Fratocchi et al., 2016), portfolio rationalisation (Srai and Ané, 2016), business expansion (Huq, Pawar and Rogers, 2016) and an increased emphasis on environmental and social issues would naturally drive relocation considerations (Fratocchi and Di Stefano, 2019a). Many scholars have also identified the 'made-in' effect perceived in developed economies, under which firms expect and experience improvements in brand image and purchasing willingness when relocating production (Ancarani et al., 2015; Di Mauro et al., 2018). And, unquestionably, market growth in emerging economies serves as a motivation for firms that are considering entering them (Ellram, Tate and Petersen, 2013; Srai and Ané, 2016).

Overall, the existing literature has been saturated with studies on drivers and motivations. However, our analysis shows that their relevance to individual decisions is under-researched, a topic that we will discuss further in the following section. Another critical shortcoming of the existing knowledge is how the drivers weigh on one another. For instance, it is widely recognised that political risks have become a major concern for manufacturers operating in China (Harris et al., 2020), but the cost implications that stemmed from such risks are largely unknown. We suggest that future studies place more emphasis on these aspects, as they are critical to connecting the dots between drivers and decisions. Moreover, the impact of previous location decisions and organisational learning

(Levitt and March, 1998) on managers' perceptions of relocation drivers is also a promising area of research.

2.4.2 Tipping points

The second part of the C-D-E decisional loop is the tipping points when *considerations* become actual *decisions*. This is the key difference between initial offshoring and relocation decisions, as the reasons for such operational or strategic shifts differ in nature. Kim and Chung (2022) also argue that relocation decisions should be based on supply chain perspectives, in addition to the drivers. This is a less researched area, but we argue that it is critical for understanding and further evaluating relocation decisions, since the drivers reviewed in the previous section alone do not measure the actual or relative magnitude (Barbieri et al., 2018). Hence, it is difficult to establish linkage between 'critical' drivers, decisions and outcomes that provides insightful inferences or focused arguments. A tipping point, or 'trigger', could be in the form of an event, an opportunity or a problem (Hartman et al., 2017; Boffelli, Orzes and Dotti, 2018), and our review synthesises them into two groups: *internal* and *external*.

Internal tipping points. The existing literature has categorised internal tipping points as: (1) the extent to which the drawbacks of current location strategies add up (Benstead, Stevenson and Hendry, 2017; Hartman, Ogden and Hazen, 2017; Fratocchi and Di Stefano, 2019a); or (2) when firms alter their business strategies. Despite the abundance of efforts made in investigating the motivations and drivers of relocation, surprisingly few studies have acknowledged the notion of tipping points. Many of the 'drivers' could be identified both in firms that reshored and in those that did not, suggesting that there is a gap in knowledge on the characterisation of reshoring firms (Uluskan, Godfrey and Joines,

2017; Barbieri et al., 2019). As a result, we end up with lists of relocation drivers but without the proper means to further evaluate their relevance to individual cases.

Future research could compensate for this by investigating tipping points based on various situational aspects, such as how a firm's strategy or competitive priority makes perceptual differences on the valuation of the various drivers (Foerstl, Kirchoff and Bals, 2016; Fratocchi and Di Stefano, 2019b). For instance, quality defects have major cost implications for the pharmaceutical industry and therefore should be of higher importance than other drivers (Huq, Pawar and Rogers, 2016). In addition, Bailey and De Propris (2014) suggest that the insufficient wage cost differential (between Europe and China) is a reason why there is less reshoring action in the UK and Europe than the US, indicating that the extent, or relevance, of eroding wage gaps is different between European and American firms.

Additionally, the 'time' aspect should also be given consideration when researching relocation decisions. Why did a firm relocate at a certain point of time instead of (say) 2 years before? Theoretical lenses such as the critical incident technique (Flanagan, 1954) could potentially be applied on such analyses (Bals, Kirchoff and Foerstl, 2016). Comparisons between relocated and non-relocated firms would also yield insightful results on the relevance of drivers (Fratocchi et al., 2016; Barbieri et al., 2018).

External tipping points. External tipping points are exogenous events or forces that cause severe disruptions or drastically alter the business or economic landscape, which includes: (1) unexpected cost rises, network shocks or relationship terminations (Fratocchi et al., 2016; Baraldi et al., 2018); (2) regional or global events such as natural disasters, financial crises or geopolitical tensions; or (3) when significant opportunities emerge (Hartman et al., 2017). Three of the most discussed external tipping points in the existing literature are the 2008 financial crisis, COVID-19 and geopolitical events.

The 2008 global financial crisis was the first external event to cause major disruption since the reshoring trend became an academic field of interest. Kinkel (2012) conducted an extensive study comparing offshoring and backshoring determinants before and after the crisis. The results from the study indicate that companies have become more reluctant to invest in resources on quality management practices, and they suggest that the difficulty of transferring such practices to foreign settings further worsened quality issues and ultimately prompted reshoring. Moreover, labour-related issues, from the (often unexpected) rise in labour costs, to the fluctuation of skilled personnel, have grown in relevance post-crisis as a result of increased search and coordination costs. However, despite being highly ranked motives, flexibility- and delivery-related issues have significantly lost their criticalities since fulfilment has become easier as global sales have decreased during and after the crisis.

In the case of COVID-19, supply and demand shocks, coupled with swift economic rebound, jointly created the perfect storm of supply chain disruption (Panwar, Pinkse and De Marchi, 2022). While there is a general consensus that additional self-reliance is required (Barbieri et al., 2020), studies generally argue against reshoring as an appropriate response to the pandemic, for three reasons. First, empirical evidence has shown that shorter supply chains do not necessarily create robustness (Harris et al., 2020). Second, the fundamental source of resilience is, in fact, increased diversification and externalisation, as they decrease the risk of failure compared to centralisation (Kang et al., 2020; Strange, 2020). Third, reshoring implies a radical overhaul of the global economic system, which is impractical to achieve, and such an overhaul would cause immense economic and social hardship for many parts of the world (Kang et al., 2020; Panwar, Pinkse and De Marchi, 2022). Researchers generally believe that reshoring might not be the optimal solution for dealing with global supply chain disruptions such as pandemics; however, the disruptions might have driven executives and policy-makers

to seriously consider developing local supply networks and to build up industrial resilience for national security purposes (Li, 2020). The case study by Ryan et al. (2022) demonstrated how MNEs could leverage the hierarchical mode of GVC governance to simultaneously reach ample efficiency and resilience. Future research could conduct in-depth comparisons between the 2008 financial crisis and COVID-19 regarding the characteristics of these crises and the disruptions they have caused in global supply chains. Analyses on how such characteristics impact international manufacturing differently may provide significant contributions to both international business and GVC studies. Additionally, we recommend that future studies adopt a similar approach to Kinkel (2012) on COVID-19 and analyse how the criticalities of various drivers shift over time.

Finally, geopolitical disruptions and rising protectionist sentiments are also identified as critical tipping points for relocation decisions. Moradlou, Reefke et al. (2021) proposed that location-related drivers have outweighed others during the Brexit transition period. Differences in pandemic handling or even political ideologies have led to intensified rivalries between major economies and subsequent international decoupling, although some industries might be impacted more heavily than others in terms of desirability and feasibility (Harris et al., 2020). Additionally, Kurata, Nomura and Suga (2020) argued that the rise of protectionism, in the form of trade barriers, can jeopardise the eventual welfare gains for the backshoring (i.e. home) country. As these are relatively recent (and ongoing) events, studies on these topics remain scarce. Further investigations on the calculations and decision-making behind firms' responses to geopolitical issues would be immensely valuable, especially when governmental policy incentives or coercion come into play.

Arguably, many of the abovementioned drivers or events are interconnected in the sense that one reinforces the others. For instance, COVID-19 highlighted the ideological differences between nations and therefore heightened geopolitical tensions. On the plus side, the pandemic offered firms and governments a unique opportunity to review their strategies and reposition themselves for the future (Pla-Barber, Villar and Narula, 2021), offering scholars a great opportunity to explore rich empirical evidence to expand existing theories. Moreover, we believe that the tipping point is the critical angle that the existing literature has so far overlooked.

2.4.3 Location choice

A firm would face two main decisions should it decide to relocate production, either partially or entirely, the first being the choice of location. This is arguably more complex than an offshoring location choice, as companies move beyond purely cost savings and start considering a multitude of value-creation factors when determining optimal regions for their manufacturing activities (Ellram, Tate and Petersen, 2013; Johansson and Olhager, 2018a). The choice of location essentially comes down to three options: *further offshore*, *nearshore* or *backshore*. And, of course, there are always options to not relocate and engage in local supplier development (Uluskan, Joines and Godfrey, 2016) or even to terminate operations; however, these are out of the scope of this study. Regarding the decision between the three options, the existing literature has explored factors that span three levels of analysis: *task-level*, *firm-level* and *country-level*.

Task-level factors. One stream of studies focused on task-level factors, such as labour or technology intensity, forming the fundamental rationale for location choices. Transactional cost economics (TCE; Williamson, 1975, 1985) and the eclectic theory (Dunning, 1980, 1988) were the main underlying theoretical concepts explaining why

firms prefer certain regions over others. For instance, labour-intensive tasks intrinsically favour regions with inexpensive labour, such as China, India or CEE, whereas technology-intensive tasks call for more technologically advanced regions (Cohen et al., 2018; Dachs et al., 2019). Similarly, firms that require better control over production processes or a faster response to market demand arguably prefer locations that are closer to home. Theyel, Hofmann and Gregory (2018) provided a detailed comparison between the rationales of each location option at task level.

Scholarly efforts have also been made on the availability and adoption of advanced technologies, specifically robotics, automation technologies, additive manufacturing and Industry 4.0. Labour-saving technologies (such as automation) alter the cost structure with economies of scale that justify production in high-cost regions, rationalising the backshoring choice (Srai and Ané, 2016; Ancarani and Di Mauro, 2018). On the other hand, advanced manufacturing technologies (such as Industry 4.0) respond to demands for quality and customisation with short lead times, calling for more localised strategies (Dachs, Kinkel and Jäger, 2019). Overall, studies have shown that the availability of advanced technologies in the home country justifies decisions to backshore, because of the lowered coordination costs associated with such technologies (Fratocchi, 2018; Ancarani, Di Mauro and Mascali, 2019; Dachs, Kinkel and Jäger, 2019). Nevertheless, a majority of backshoring decisions were taken without investing in new technologies (Ancarani, Di Mauro and Mascali, 2019), and therefore causality should not be drawn between advanced technology and relocation (Ancarani and Di Mauro, 2018; Kamp and Gibaja, 2021). Calculations on productivity-adjusted labour costs should constantly be tracked (Kim and Chung, 2022), as they might trigger different location choices at different time periods (Bárcia De Mattos et al., 2021).

Firm-level factors. Another stream of research looked into the firm-level factors that affect the location decision. Firms looking to enter a foreign market would logically desire some local presence (Dunning, 1980, 1988). In recent years China has seen rising wage dynamics, but at the same time it offers a huge local market for exploitation, making it more attractive than CEE despite a similar rising wage trend (Kinkel, 2012). Cohen et al. (2018) also provided evidence of market-seeking companies entering China, whereas cost-seeking ones are leaving for even cheaper regions (Cohen et al., 2018). Theoretically speaking, firms with strong networking or relationship capabilities are more competent in operating (or sourcing) from distant regions, since such capabilities effectively lower the transaction costs of distant operations (McIvor, 2013). Similarly, firms with experience in facing strong liabilities of foreignness are more likely to undertake further investments in distant countries than firms without such a capability (Barbieri et al., 2019). Interestingly, however, Boffelli et al. (2020) identified that some firms seem to be clouded by the 'anchoring effect' towards a specific region, either at home or abroad, which prevents them from considering location alternatives other than the ones they are already familiar with. Also, during geopolitical disruptions, firms tend to prioritise locations that could either provide ease of access to markets or maintain a smooth flow of goods across the supply chain (Moradlou, Reefke, et al., 2021).

Country-level factors. A third stream of scholarly efforts was focused on the subject of regional attractiveness, which is generally characterised by a range of factors such as location-specific endowments, the overall competitive landscape, the risks of doing business, market potential and governmental policies (Dunning, 2001; Ellram, Tate and Petersen, 2013). These factors could also be explained by TCE, since distant coordination, institutional distances and political instability could all lead to potentially opportunistic behaviours that increase transaction costs (Kinkel and Maloca, 2009; McIvor, 2013;

Martínez-Mora and Merino, 2014). Additionally, studies have pointed out that countries with established industrial districts or technology clusters could become attractive options, since they essentially reduce the risks and costs of relocating supply chains, as well as providing spillover benefits (Baraldi et al., 2018; Di Mauro et al., 2018; Ancarani, Di Mauro and Mascali, 2019). Pegoraro, De Propris and Chidlow (2022) also regard the systemic commitment of local stakeholders, such as universities or industrial associations, as instrumental in realising reshoring strategies.

Moreover, governmental policies, including monetary and non-monetary incentives, have attracted substantial research interest. These policies contribute to regional attractiveness, as they are generally aimed at reducing operational or transitioning costs (Ancarani, Di Mauro and Mascali, 2019), increasing decision-making transparency (Gray et al., 2017), strengthening location-specific advantages or fostering robust local ecosystems (Chen and Hu, 2017; Bailey, Corradini and De Propris, 2018; Ancarani, Di Mauro and Mascali, 2019). However, scholars have varied opinions on the general effectiveness of some policies. On the basis of the eclectic theory, some scholars have found that monetary incentives, ranging from tax advantages and subsidies to counter-trade requirements, could increase the attractiveness of certain regions (Ellram, Tate and Petersen, 2013). Other studies argue that monetary incentives alone are ineffective, further calling for non-monetary initiatives to complement monetary ones in order to strengthen the facilitation effect (Ancarani et al., 2015). Such initiatives include stimulation on technology investment, the introduction of accessible financing options (especially for SMEs), support for capacity and skills development, and the establishment of local production ecosystems (Bailey and De Propris, 2014; Ancarani et al., 2015).

In sum, the goal of the location choice is to balance the trade-offs, incentives and constraints between various geographical alternatives (Cohen et al., 2018).

Reconfigurations of a firm's network, market, project and capability all require continuous reappraisal of location decisions (Srai and Ané, 2016), especially as the attractiveness of each respective region shifts considerably over time (Ellram, Tate and Petersen, 2013). However, the current literature body lacks depth in terms of understanding how firms assess and decide on optimum locations, which some studies classify as the 'rightshoring' approach (Joubioux and Vanpoucke, 2016; Hilletofth et al., 2019). While foundational theories, such as TCE and the eclectic paradigm, offer useful frameworks, they often fail to capture the dynamic, context-specific processes that firms undergo when evaluating location choices. These frameworks fall short in addressing the complex and evolving factors influencing such decisions, including shifting regional dynamics and emerging competitive pressures.

A noticeable pattern in the literature we reviewed is the focus on *ex ante* and *ex post* comparisons. These studies often neglect the fact that *ex post* decisions are shaped by a series of preceding locational comparisons. Moreover, many empirical studies have a 'rather narrow geographic focus' (Cohen et al., 2018), limiting their generalisability across diverse contexts. As we will see in the next section on ownership options, the nuances of individual cases render accurate predictions of firm behaviour exceptionally challenging. Further research is also needed to explore how decision-makers are influenced by cognitive biases, such as the bandwagon or anchoring effects, and whether previous offshoring and reshoring experiences contribute to locational path dependence. Ultimately, it is the alignment of a firm's strategy with its competitive priorities that determines the optimal location (Johansson et al., 2019).

2.4.4 Ownership choice

The second dimension of the relocation decision is the choice of ownership modes. Some studies used the term 'entry mode' to describe the ownership choice, but either way these

terms essentially refer to the governance (or internalisation) aspect of the relocated activities. Despite the existence of a spectrum of ownership modes, from pure subcontracting to wholly owned subsidiaries, our reviewed literature sample predominantly clustered them into *equity* (i.e. insourcing, having at least partial ownership of the activities in question) and *non-equity* (i.e. outsourcing, entirely contracted out to external entities) modes (Pan and Tse, 2000).

Several theories were applied to explain why some firms opt for manufacturing in-house while others choose to procure from subcontractors. TCE focuses on searching for optimal efficiency in terms of governance modes, mirroring the classic 'make or buy' decision. From the TCE perspective, making the ownership choice is essentially managing the trade-off between control and the cost of resource commitment under given risks and uncertainties while preserving flexibility (Anderson and Gatignon, 1986). Specifically, the equity mode reduces reliance on external partners, overcomes monitoring and control issues, alleviates cultural disturbances, and mitigates IPR infringement risks (Huq, Pawar and Rogers, 2016; Wan et al., 2019a). Likewise, the 'internalisation advantages' of the eclectic theory somewhat resemble TCE in this regard, focusing on whether it is more sensible for a firm to perform specific operations in-house or to outsource to foreign entities (Dunning, 1980, 1988).

On the other hand, the resource-based view (RBV) of the firm (Barney, 1991; Peteraf, 1993) offers an alternative theoretical lens that illuminates how various resources (both tangible and intangible assets) in different locations could be exploited to a firm's competitive advantage, which in turn informs the optimal ownership mode. Similarly, the eclectic theory uses the notion of 'ownership advantages' to describe these spatially transferable intangible assets that lead to a firm's competitive advantage (Dunning, 1980, 1988).

The internalisation theory (Casson, 2013) further combines the two aforementioned perspectives and provides an integrated analysis of all location and ownership decisions, arguing that only supply chains with efficient configurations are able to survive. From this perspective, firms are predicted to seek the least costly configuration subject to the structure of market demand. The theory offers a model for firms that could solve the optimal location and ownership combination in global supply chain competitions.

Overall, these conceptualisations offer complementary perspectives on how a firm chooses its ownership mode on a relocation project. The majority of arguments made in relocation studies were based on these four theories, and we have again categorised the findings based on three levels of analysis: *task-level*, *firm-level* and *country-level*.

Task-level factors. First, studies indicate several task-level factors that favour the equity mode. These studies primarily draw on the increased strategic focus on product innovation strategies, and these strategies call for the coupling of production–development or production–marketing, which are best suited to an intra-firm (i.e. equity) mode because of the lower coordination costs (Wan et al., 2019a). In addition, these innovation strategies often require highly specific assets (such as Industry 4.0) that strengthen such coupling, as well as enabling smoother integration between production processes and suppliers (Ancarani, Di Mauro and Mascali, 2019; Dachs, Kinkel and Jäger, 2019). Finally, the general shortage of suitable suppliers or appropriate labour in the home environment mandates the substitution of technology for labour when firms consider backshoring (Ancarani, Di Mauro and Mascali, 2019; Wan et al., 2019a).

Firm-level factors. Second, there are firm-level factors that affect the ownership choice. Wan et al. (2019a) identified the path dependence effect on insource reshorers, suggesting

that insource offshorers tend to retain the equity mode when reshoring. As the RBV perspective suggests, the established processes and refined routines in a firm's previous location might lead to certain competitive advantages that can only be preserved if the firm stays insourced and replicates them in the new location (Barney, 1991; Peteraf, 1993). In this regard, Dachs, Kinkel and Jäger (2019) also noted that insource offshorers are more capable of assessing the advantages and disadvantages of various location options, and therefore insource offshorers are more aware of, and willing to take on, backshoring options than outsourced offshorers.

Country-level factors. Finally, there are country-level factors that impact how firms choose entry modes. Countries with legal restrictions (such as China) naturally eliminate the choice of running plants entirely insourced and force firms to outsource to a certain degree (Wan et al., 2019a). In addition, the liabilities of foreignness drive firms with high perceived institutional distances towards outsourcing as a low-commitment solution (Wan et al., 2019a). Moreover, the existence of industrial clusters makes outsourcing to specific regions an especially attractive choice (Wan et al., 2019a). Most importantly, deteriorated manufacturing capabilities in developed regions eliminate the odds of outsourcing, at least in the short term. Scholars have argued that the reason why many backshored projects were insourced was likely to be a result of the deterioration of supply chains in developed economies rather than an intentional managerial choice (Di Mauro et al., 2018; Ancarani, Di Mauro and Mascali, 2019; Wan et al., 2019a).

Together, existing papers have demonstrated a variety of implications for how firms decide on ownership given their specific location options. Nevertheless, only a handful of studies have specifically analysed ownership choices under mixed contexts. We argue that ownership choices should be explicitly connected with various location contexts (such as

nearshore vs backshore), allowing comparisons to be made. For instance, investigations could be made on whether specific combinations are more feasible than others under characterisable conditions, while considering other firm-level factors (if any) that play a role in the decisions.

2.4.5 Decision moderators

Our review of the extant research also uncovered several factors that moderate the overall propensity to relocate production or shape decisions one way or another. These include *universal barriers*, *case-specific characteristics* and *managerial cognition*. Moderators could be seen as elements that influence multiple drivers (Martínez-Mora and Merino, 2020) and therefore cause certain choices (ownership, location or the relocation decision itself) to become more or less appealing.

Universal barriers. Our review sample highlighted multiple barriers preventing firms from engaging in relocation. Studies identified *offshoring dependence* as one of the most prominent barriers, including the risk of losing raw materials, the foreign market, distribution channels or supplier knowledge (Kinkel and Maloca, 2009; Ellram, Tate and Petersen, 2013; Dachs, Kinkel and Jäger, 2019). On the other hand, *destination resource shortage* has also been recognised as a significant barrier to relocation, especially for developed economies. A diminished (or immature) supplier base or infrastructure, a lack of critical materials and a shortage of qualified or flexible labour all pose challenges to relocating production (Bailey and De Propris, 2014; Uluskan, Joines and Godfrey, 2016). In addition, the studies suggested that the existence of high-productivity suppliers is considered a determinant for firms looking to backshore (Bailey, Corradini and De Propris, 2018). Firms' dependence on offshore suppliers will not be relieved until the resource shortages in the destination regions are satisfied, and ignorance of such dependence might

result in an overestimation of the responsiveness advantage, leading to false optimism about reshoring (Chen and Hu, 2017).

Moreover, *firm capability shortage* also acts as a notable barrier, especially for SMEs (Kinkel and Maloca, 2009). The lack of capacity, funding, resources and internal capability (Bailey and De Propris, 2014), coupled with the general *lack of decision support and data* that backs decision-making (Arlbjørn and Mikkelsen, 2014), increase the overall difficulty of relocation. Furthermore, several studies on outsourced firms suggest that critical knowledge and capabilities deteriorate over *time*, to the extent that it might no longer be practical for outsourced firms to backshore (Nujen et al., 2018, 2019; Halse, 2020).

Finally, *sustainability regulations* that typically exist in developed countries would theoretically increase the cost of compliance and therefore decrease location attractiveness, as suggested by the pollution haven hypothesis (Wagner and Timmins, 2009). However, Gray et al. (2013) proposed a counter-intuitive assertion that environmental regulations that police the entire supply chain, such as carbon labelling, might favour reshoring, as they strengthen a region's location-specific advantages, despite no further evidence being found to support this proposition (Gray et al., 2017; Barbieri et al., 2018; Fratocchi and Di Stefano, 2019a).

Case-specific characteristics. Universal factors aside, there are obviously differences regarding each relocation case. However, several themes of case-specific characteristics were repeatedly discussed in multiple studies. A major stream of literature investigated whether *company size* moderates the propensity to relocate production. Scholars generally agree that larger firms are presented with more relocation opportunities given their wider exposure to various locations, stronger integration with GVCs and better financial and operational flexibility (Dachs, Kinkel and Jäger, 2019; Lampón and González-Benito,

2020). In contrast, smaller firms are more susceptible to decision-making errors and are therefore often forced to backshore, because of the lack of critical tools, experience, management and financial resources to properly evaluate offshoring decisions (Kinkel and Maloca, 2009; Ancarani et al., 2015; Dachs, Kinkel and Jäger, 2019). Moreover, scholars proposed that SMEs are prone to earlier reshoring (Ancarani et al., 2015) and tend to outsource rather than insource (Wan et al., 2019a) because of their weaker capabilities and lower resource availability, which result in low tolerance to risk and uncertainty, especially in troubled times such as global recessions (Kinkel, 2012).

Another stream of research focused on the moderating effects of *the intensiveness* of factors of production. Labour-intensive firms, or firms that manufacture products with less complexity tend to stick with outsourcing mode and reshoring to low cost countries (Johansson and Olhager, 2018b), unless technology advancements enable production in their home countries to efficient enough to outweigh the higher costs of production, or their products evolves to be more complex.

Another stream of research has examined the moderating effects of the *intensiveness of production factors* on relocation decisions. Labour-intensive firms, or those producing less-complex products, tend to stick with outsourcing models and may opt for reshoring to low-cost countries (Johansson and Olhager, 2018b), unless technological advancements make home-country production efficient enough to outweigh higher domestic costs, or their products evolve to become more complex. On the other hand, technology-, R&D- or capital-intensive firms usually possess higher asset specificity (Foerstl, Kirchoff and Bals, 2016) and generally require higher levels of innovation; therefore, they are more likely to be incentivised to bring value chains closer (often through the equity mode) in order to reap the benefits of co-locating R&D and manufacturing, as well as innovation spillovers from spatial embeddedness (Bailey, Corradini and De Propris, 2018; Di Mauro et al., 2018). These firms also tend to adopt

advanced manufacturing technologies, such as Industry 4.0, upon backshoring (Dachs, Kinkel and Jäger, 2019). Moreover, for outsourcing firms, higher knowledge intensity increases the willingness to switch sourcing back to the home economy from abroad (Bailey, Corradini and De Propris, 2018). In short, compared to labour-intensive firms, technology- or capital-intensive firms that involve complex manufacturing (such as those in the electronics and automotive sectors) are more likely to reshore their operations (Ancarani et al., 2015; Johansson and Olhager, 2018b).

Other case-specific characteristics such as *market segmentation* (Martínez-Mora and Merino, 2014), the existence of *distinctive competitive strategies* (Uluskan, Godfrey and Joines, 2017) and the degree of *patriotism* shown among entrepreneurs (Canham and Hamilton, 2013) were also identified as having moderating effects. However, these studies are generally limited to specific industrial contexts, and therefore we argue that sectoral analyses should be further performed and motives cross-compared in order to create more generalisable results.

Managerial cognition. In addition, the behavioural aspect of relocation decision-making also seems to have a moderating effect. Specifically, we are looking at the 'managerial cognition' behind such decisions, which is how managers 'perceive' their relocation rationales. There has been an ongoing academic debate between what we categorise as the 'corrective narrative' vis-à-vis the 'adaptive narrative.'

Studies from the *corrective narrative* argue that relocation engagements are corrections of previous strategic misjudgements, since companies tend to overestimate cost benefits and underestimate offshoring risks and performance challenges (Kinkel and Maloca, 2009; Gray et al., 2013, 2017; Gylling et al., 2015; Srai and Ané, 2016; Engström et al., 2018; Johansson et al., 2019). Moreover, studies in this group generally consider

decisions to be susceptible to availability bias or the 'bandwagon effect', and therefore over-hasty decisions are often made (Gray et al., 2013; Wiesmann et al., 2017).

On the other hand, studies that opted for the *adaptive narrative* suggest that relocation decisions are dynamic responses to changing business environments (Martínez-Mora and Merino, 2014; Tate, 2014; Fratocchi et al., 2015; Baraldi et al., 2018; Di Mauro et al., 2018; Grappi, Romani and Bagozzi, 2018). Scholars in this stream generally argue that several factors triggering relocation could not have been foreseen (Martínez-Mora and Merino, 2014), and a global field study conducted in 2014 and 2015 across a wide range of industries showed that reshoring rarely occurs for corrective reasons (Cohen et al., 2018).

Both streams of study provide logical reasoning and empirically based evidence, suggesting that neither conclusion is incorrect and that both types of managerial cognition exist under different circumstances. Future research could progress understanding by distinguishing and comparing decisions made under both narratives, and by investigating how decision patterns differ (if at all) when managers perceive situations in different ways (Bals, Kirchoff and Foerstl, 2016). Additionally, we propose that major operational or political disruptions should be taken into consideration, as such events seem to alter managers' perceptions of problems (Barbieri et al., 2020).

2.4.6 Decision-making and implementation

Coupling location and ownership options, firms are expected to go through multiple rounds of assessments, trials or evaluations before settling on final decisions. Our reviewed literature sample provides various insights on the planning, weighing and implementing processes. Meanwhile, it is important to note that some options were ruled out in existing studies either for simplification purposes or because these options were

unavailable at the time of research. This does not necessarily indicate the invalidity of these options in the (potentially near) future.

Strategic planning and risk management. From the TCE perspective, a rational firm would conduct a thorough cost/benefit analysis, which fundamentally relies on the calculations of transactional costs for each location alternative, and opt for the option with the lowest transactional costs, respectively (McIvor, 2013). Similarly, from the RBV perspective, the same firm would assess its critical competencies that yield a competitive edge and map out geographic availabilities. Similar to the initial offshoring decision, the relocating decision would involve assessments of a firm's strategy, risks, opportunities and constraints (Joubioux and Vanpoucke, 2016). From a risk management perspective, the nature of market competition essentially causes firms to resort to suboptimal options. For instance, Jung (2020) showed that outsourcing firms might lose profit by sourcing both domestically and internationally, but firms would still opt for dual-sourcing under competition despite single-sourcing yielding Pareto-efficient outcomes. Similarly, Sardar, Lee and Memon (2016) also argued that sharing risks by combining domestic and international sourcing is a sustainable outsourcing strategy.

Our reviewed sample has also provided several risk management and strategic planning tools that aid firms in their decision-making, including the classic *total cost of ownership* (Tate et al., 2014), *sensitivity analyses* (Gylling et al., 2015), the *scope model* (Schmidt, Touray and Hansen, 2017), the *system dynamics model* (Gray et al., 2017) and the *organisational readiness evaluation* (Nujen et al., 2019). The existence of these tools demonstrates the complexity of relocation decisions. A complete analysis of all the costs and benefits would be extremely costly (if not impossible) to carry out, given the inaccurate nature of forecasts with all the uncertainties in the equation (Boffelli, Orzes and Dotti, 2018). However, acquiring the necessary information is vital to success, and

therefore firms are encouraged to delay the decision-making process should they lack critical information (Hartman et al., 2017). Furthermore, aside from being aware of the previously mentioned bandwagon effect (Gray et al., 2013) and anchoring effect (Boffelli et al., 2020), decision-makers are advised to avoid the temptation for 'emotional reshoring' whenever possible (Boffelli, Orzes and Dotti, 2018). Lastly, decision-makers' perceptions of disturbances and risks might also be biased by their functional boundaries (Ciabuschi et al., 2019; Huq, Pawar and Subramanian, 2021), especially under situations of heightened uncertainty such as geopolitical disruptions (Moradlou, Reefke, et al., 2021).

Decision-making and implementation process. Existing studies have also provided documented processes of developing and implementing relocation decisions. Some were derived from theories and literature (e.g. Bals, Kirchoff and Foerstl, 2016; Boffelli and Johansson, 2020), while others were revised based on empirical evidence (e.g. Joubioux and Vanpoucke, 2016; Benstead, Stevenson and Hendry, 2017; Boffelli, Orzes and Dotti, 2018; Boffelli et al., 2020; Eriksson et al., 2021). Many studies recognise the entire process to be non-linear or cyclical in nature, with looping elements reflecting the constant trial-and-error situations observed in practice; they also recognise that it is crucial to test decisions by taking incremental steps or doing pilot runs (Boffelli, Orzes and Dotti, 2018; Nujen et al., 2019). In general, although the detailed implementation stages differ from case to case, our C-D-E decisional framework appears to cover all major processes, from assessing the current situation, to collecting data and weighing options, and disintegrating and reintegrating value chains.

As our knowledge in this area expands, we believe that further efforts should be focused on developing a comprehensive decision-making procedure or system that allows unbiased judgements to be made. In addition, future works could shed light on the critical success factors or win conditions of relocation projects, as studies proposed that successful

implementation is more important than making the right decision in the first place (Boffelli et al., 2021). It would also be beneficial if there were a consensus about what defines 'success' in relocation. Studies could also investigate the extent of information that is required for firms to make well-informed decisions (Barbieri et al., 2018). Finally, further studies are encouraged to look at decision-making under high complexity from behavioural or psychological aspects, essentially lifting the rationality assumptions of existing theories to allow more practical implications.

2.4.7 Relocation outcomes

Ultimately, a relocation project finishes with evaluation of its outcomes post-implementation, which is also an underdeveloped area of relocation research. Contributions to this particular topic have been made on two levels: *firm-level* and *region-level*. The former provides guidelines for practical cost/benefit evaluations, while the latter offers policy implications for governments or policy-makers.

Financial performance. The first *firm-level* outcome concerns the financial performance of relocated firms. Few studies provided empirical evidence of increased profitability, not because of reduced costs (Stentoft et al., 2018) but mainly because of improved flexibility by relocating closer to end-markets (Gray et al., 2017; Yu and Kim, 2018). Additionally, Brandon-Jones et al. (2017) studied the effects of reshoring announcements on a firm's stock price and showed a statistically significant association, indicating that investors generally recognise the benefits of production relocation for firm performance. Nevertheless, Chen and Hu (2017) believe that such a rise in profitability from reshoring might be situational until dependence on offshore suppliers is resolved, since such dependence essentially impedes firms' responsiveness to demand. Overall, empirical evidence is still scarce on the profitability aspect, and the overall

generalisability remains a concern. A possible reason for this, in addition to being a emerging area of study, is that casual relationships could not easily be drawn, as location decisions are not the sole contributing factor to profitability fluctuations.

Operational performance. In terms of operational performance, studies demonstrated gains in competitiveness associated with relocation decisions, generally as a result of increased productivity and resilience. The improvements are shown to stem from greater labour optimisation, a higher technological level and greater asset orientation (Lampón and González-Benito, 2020). However, such a performance gain is dependent on the fit of relocated activities with the local networks and capabilities (Baraldi et al., 2018). In terms of resilience, studies showed that the diversification of suppliers led by reshoring practices enhances network resilience (Choudhary et al., 2022). Similar to profitability, productivity is an under-researched field. We find that studies comparing productivity before and after relocation are surprisingly lacking, and we further encourage systematic comparisons on productivity between various location¬–ownership combinations to be conducted.

Organisational learning. With respect to organisational learning, Martínez-Mora and Merino (2014) showed evidence of firms obtaining advantages through the development of commercial ties in foreign markets, which facilitated the subsequent entry and growth of their exports to said markets post-reshoring. One of the cases in Huq, Pawar and Rogers' (2016) study was observed to have developed capabilities by absorbing knowledge from its best outsourcing partners. Studies also demonstrated that backshoring firms transform the use of resources instead of simply duplicating offshore relationships, and firms reconfigure supply chains to exploit the unique benefits of domestic production (Lavissière, Mandják and Fedi, 2016; Gray et al., 2017). Evidence from the study of Nujen et al. (2018)

further suggests that backshoring leads to the awareness of lost capabilities and reinforces internal knowledge-sharing, resulting in better post-reshoring operations and competitive advantage. However, the same authors emphasised that backshoring might be time-sensitive and that the longer that operations are outsourced, the harder it is to resuscitate the relevant capabilities (Nujen et al., 2018, 2019).

Nevertheless, there seems to be a knowledge mismatch problem that leads to biased risk perceptions and diverse tolerances across the different roles of a firm. Ciabuschi et al. (2019) argued that experiential learning occurs locally (i.e. the host region) but that relocation decisions are generally heavily influenced by headquarters (in the home country) that have comparably less – and arguably different sets of – experience-based knowledge. The results from Huq, Pawar and Subramanian (2020) also suggest that internal-facing managers tend to be more myopic than their external-facing counterparts, causing difficulties in properly mitigating risks.

Moreover, it has been widely studied in offshoring literature that higher levels of offshoring experience lead to better assessment of cost, performance and possible problems, resulting in a higher likelihood of taking additional offshoring actions (Gray et al., 2017). However, a similar argument could not yet be made under the reshoring context, as the impact of previous location decisions on future relocation decisions (i.e. the C-D-E looping aspect) remains unknown (Hilletofth et al., 2019). However, in this regard, Boffelli et al. (2021) proposed that reshoring firms do not suffer from the same types of mistake as they did during offshoring. In a similar vein, Canello (2022) argues that mimetic isomorphism (leading to the 'bandwagon effect') is only detected in initial offshoring practices and not in secondary relocation decisions, showing that firms either learnt from their foreign engagements or possess existing domestic relationships for exploitation. We recommend that future studies investigate the roles and effects of organisational learning by looking at the evolution of a firm's competencies, utilising a 'portfolio' view of relocation

projects as the unit of analysis. Additionally, comparisons on decision-making, implementation and performance between firms with and without abundant offshoring experience would be greatly insightful, as we could then analyse the contributing elements of successful decisions.

Employment and economic growth. Discussions on the *regional level* are mainly concentrated around employment and economic performance. Many studies contributed to the widespread debate about whether backshoring brings jobs back to developed nations. The general consensus is that reshoring to developed economies would 'bring back' fewer jobs but secure highly skilled positions as a result of increased productivity and the wider utilisation of automation (Bailey and De Propris, 2014; Dachs, Kinkel and Jäger, 2019), henceforth increasing inequality (Krenz, Prettner and Strulik, 2021). However, one should avoid merely focusing on the number of jobs that reshoring projects create, as the general revival of the local manufacturing base would in turn create more jobs in not only manufacturing but also the complementary service sectors (Bailey, Corradini and De Propris, 2018). On the other hand, Faber (2020) presented empirical evidence from Mexican data showing that robotics deployed in developed countries (i.e. *home* countries in most cases) have a significant negative effect on the employment of *host (i.e. offshored)* countries.

Our analysis shows that the empirical evidence to date has not been sufficient for wider macro-economic implications (such as economic performance or welfare) to be drawn. Therefore, we suggest that future research should engage in longitudinal efforts for more in-depth examination on regional levels and that it should place less emphasis on superficial policy statements. Furthermore, a research focus could be placed on investigating the impacts on regional manufacturing 'capabilities' as a result of the relocation trend, especially following the revival of high-value manufacturers tending to

provide spillover benefits across sectors and industries (Huq, Pawar and Subramanian, 2021). It would also be interesting to explore knowledge and information flows from relocation efforts and their influences on regional innovation ecosystems.

2.5 Avenues for future research

The systematic literature review that we conducted on manufacturing relocation presents a clear picture of what we currently know and what is missing. To advance our knowledge in this subject area, we identified various gaps while reviewing the seven decisional aspects of relocation in the previous sections, and we proposed three integrated research directions for future academic work. Unlike offshoring decisions, many aspects of relocation decisions were based on conceptual propositions with limited empirical evidence. A summary of these future research directions is provided in Table 2.2.

Table 2.2. Future research directions

Decisional aspect	Future research directions
Conceptual incubation	• Focus on the relevance of various drivers to individual firms • Investigate how the sustainability aspect could potentially influence the motivations for relocation • Study the impact of previous location decisions and organisational learning on relocation drivers
Tipping points	• Investigate how a firm's strategy or competitive priority makes perceptual differences in the valuation of various drivers • Examine the relevance of drivers by comparing relocated firms with non-relocated ones • Study how the criticalities of various drivers shift over time by analysing the characteristics of various global crises • Analyse how geopolitical dynamics affect the relevance of relocation drivers, as well as how decision-makers respond to these events
Location choice	• Study how regional attractiveness changes through periodic audits or longitudinal analyses • Investigate additional factors (especially firm-level) to understand how business strategies shape the assessment and selection of optimal locations • Explore the context in which decision-makers are susceptible to various cognitive biases or influenced by previous experiences

Ownership choice	• Compare entry-mode decisions under different location choices • Investigate whether specific location–ownership combinations are more feasible under characterisable conditions than others • Consider other firm-level aspects that are factored into decisions
Decision moderators	• Perform sectoral analyses and cross-compare the motives, as well as the tipping points between various industries • Investigate the decision-making patterns under different managerial cognitions • Study the effects of major disruptions on managers' perceptions of situations
Decision-making and implementation	• Develop a comprehensive decision-making procedure or system that allows unbiased judgements to be made • Understand the critical success factors or win conditions of relocation projects • Investigate the extent of information needed for firms to make well-informed decisions • Study high-complexity decision-making in relation to behavioural or psychological aspects and lift the rationality assumptions of existing theories
Relocation outcomes	• Compare profitability and productivity before and after relocation, as well as the outcomes of various location–ownership combinations • Study how the degree of offshoring experience affects relocation decisions in terms of decision-making, implementation and performance • Engage in longitudinal efforts for more in-depth examination on regional levels, while placing less emphasis on superficial policy statements • Investigate the impacts on regional manufacturing capabilities as a result of the relocation trend, considering the spillover benefits from the revival of high-value manufacturing • Explore knowledge and information flows from relocation efforts and their influences on regional innovation ecosystems
Integrated research directions	
• Emphasise the cyclical nature (the 'loop' attribute) of relocation decisions • Introduce multi-disciplinary theories to further incorporate the recent evolution of GVCs • Combine decisional aspects towards a wider policy and macroeconomic debate	

2.5.1 Emphasise the cyclical nature (the 'loop' attribute) of relocation decisions

In our review, we noticed that most studies addressing relocation decisions tend to focus on individual decisions without considering their cumulative effects. Specifically, these studies often fail to examine how one relocation decision (be it offshoring or reshoring) influences subsequent ones. This oversight neglects the cyclical nature of relocation, as illustrated in our C-D-E framework. Given the ongoing trends in relocation, it's inevitable that firms will repeatedly engage in this decision-making process. The outcomes of earlier

relocation decisions are likely to inform, if not heavily influence, the initial stages of subsequent decisions. This gap in our understanding presents a significant impediment to grasping the full picture.

There's a growing consensus on this issue, with calls for deeper insights into how past decisions influence future relocation considerations (as noted by Barbieri et al., 2019). There's also a push for longitudinal studies that track operational improvements over various location decisions, such as those suggested by Stentoft et al., 2018, and Lampón and González-Benito, 2020. From our standpoint, examining the execution of relocation decisions provides an ideal lens to understand organisational learning and its influence on international manufacturing perceptions. Moreover, there's a pressing need for empirical data regarding the outcomes of relocation decisions—specifically, their impacts on productivity, profitability, and capabilities—and whether these outcomes subsequently shape future relocation efforts. It would be equally valuable to explore if the rejuvenation of regional capabilities and the resurgence of local production ecosystems, driven by sustained reshoring, further encourage reshoring initiatives (Dachs, Kinkel and Jäger, 2019).

2.5.2 Introduce multi-disciplinary theories to further incorporate the recent evolution of GVCs

The existing research landscape reveals significant gaps in our understanding of relocation and its accompanying decision-making processes. While predominant theories like TCE, RBV, and OLI have provided foundational insights into location theories and organisational behaviours, the rapid evolution of the GVC has outpaced their explanatory power. In many instances, these theories no longer elucidate internal decision-making comprehensively or accurately predict firm behaviours under specific conditions.

Examining the broader perspective, the pandemic has accelerated discussions on relocation, resilience, diversification, risk management, and governance as key trajectories for GVC development (Kersan-Škabić, 2022). While many of these topics were in discourse even before the pandemic, the crisis expedited their evolution (Elia et al., 2021). Ryan et al. (2022) offers insights into potential GVC configurations, suggesting that efficient and resilient structures might coexist under hierarchical governance. Introducing the *dynamic capabilities* perspective (Teece, Pisano and Shuen, 1997) into this discourse can guide future research on firms' adaptability within the GVC, particularly in navigating crises and plotting sustainable growth trajectories.

Zooming into an internal, firm-centric lens, our analysis points to a range of disciplines that could deepen our understanding of relocation decision-making. While the concept of *organisational learning* (Levitt and March, 1998) has been acknowledged, its application in relocation research remains limited. Additionally, we advocate for an increased integration of theories that delve into behavioural nuances. Approaches like the *institutional logics perspective* (Thornton, Ocasio and Lounsbury, 2012) or *managerial cognition* (Stubbart, 1989) provide rich frameworks to explore how businesses assess risks, navigate uncertainties, and adapt to regulatory or normative changes. By re-evaluating traditional notions of firm rationality, we can potentially uncover organisational dynamics, such as hierarchical versus flat structures, that could influence managerial behaviour and, by extension, impact key decision-making processes.

2.5.3 Combine decisional aspects towards a wider policy and macroeconomic debate

Even before the pandemic, reshoring debates pervaded global policy discourse. However, these discussions often leaned towards political rhetoric rather than empirical or theoretical foundations. The subsequent pandemic-induced supply chain disruptions

amplified calls for nations to cultivate industrial resilience and rethink supply chains. Policies like the US and UK's 'Build Back Better' emerged, advocating for investment and growth. Yet, questions loom regarding their actual impact on resilience, national welfare, and whether they truly serve the broader population. Contrary to the political promise of restoring jobs, research suggests reshoring often brings back roles requiring higher skills, potentially exacerbating economic inequality (Bailey, Corradini and De Propris, 2018; Dachs, Kinkel and Jäger, 2019). Furthermore, the economic wisdom of side-lining the principle of comparative advantage in favour of less efficient regional supply chains remains debatable. Weldzius (2021) posits that while reshoring may reduce external disruptions, it could compromise efficiency, competitiveness, and reintroduce problematic practices like currency manipulation.

The academic community has a pivotal role in guiding governments towards empirically grounded strategies and gauging the long-term implications on regional economic and social landscapes. A glaring gap exists in evaluating policy performance. As Miroudot (2020) pointed out, governments, while eager to respond to global challenges, often grapple with determining the best course of action. How should they prioritise resource allocation between talent development and infrastructure enhancement? What is the role of interim measures like tax cuts, tariffs, and subsidies? Furthermore, with many nations earmarking sectors like semiconductors and medical supply chains for reshoring, there is a pressing need for deeper sector-specific research. This would ensure that substantial public investments are underpinned by rigorous academic insight.

Internationally, studies observe collaborative endeavours to create conducive policy environments (Hall and Milne, 2019). Pegoraro, De Propris and Chidlow (2022) illustrate how regional adoption of industrial policies can enhance a region's appeal for manufacturing reshoring, catalysing a virtuous cycle in regional value. As countries navigate their best paths forward, studies probing relocation from a company's viewpoint,

including regional capability evolution and reshoring, become indispensable. Observing how governments incentivise alignment between corporate actions and national strategies can illuminate the balance between resilience and profitability. Moreover, it's essential to critically evaluate political objectives as they often stand in contrast to established economic and international business theories.

2.6 Limitations and concluding remarks

In an evolving global landscape, the manufacturing relocation phenomenon is both timely and critically relevant. We anticipate a shift towards a world less anchored by globalisation, giving rise to fragmented regional supply chains and novel industrial ecosystems. This study presents a multifaceted academic contribution. We have rigorously reviewed and unified various relocation terminologies into a coherent taxonomy, aiming to clarify existing ambiguities and lay the groundwork for new ideas and concepts. Building upon Barbieri et al. (2018), this study delves into the often-overlooked cyclical decision-making processes, highlighting the unique value of our research. Additionally, our discussion broadens to encompass the 'tipping-point' in motivation, as delineated by Hartman, Ogden and Hazen, (2017), and incorporates pressing global matters like the pandemic, geopolitical shifts, and contemporary policy debates. Echoing a recommendation from Barbieri et al. (2018), we have expanded our exploration beyond the conventional reshoring narrative to encompass the broader spectrum of relocation strategies, often referred to as the 'rightshoring' approach. With this study's robust and replicable methodology, we are setting the stage for future academic pursuits, offering direction for ensuing research and integrative scholarly pathways.

Yet, this study is not without its limitations. A significant portion of existing literature is exploratory or descriptive in nature, which inherently constrains the breadth and application of our findings. While our study strives for inclusivity, incorporating a broad range of scholarly works, we have omitted grey literature, potentially overlooking some valuable insights. Despite our rigorous approach in evaluating and focusing on high-quality literature, many of the assertions remain propositions, echoing the scholarly community's call for enhanced empirical validation. Furthermore, recognising the inherent lag in academic publications, emerging insights on this rapidly evolving topic might experience slight delays in scholarly validation.

In sum, the ambition is for this study to act as a bridge, mending the rifts in current academic discourse. We are fervently advocating for further research in the relocation domain, emphasising empirical validation. Ultimately, deepening our understanding of manufacturing location choices has the potential to benefit not only the business community but also policy-making circles. Our role, as management scholars, is pivotal in directing both industry and governance towards informed decisions, negating resource wastage due to gaps in information or knowledge.

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2.8 Appendices

Appendix 2.A Detailed list of reviewed literature

CI	=	Conceptual incubation
TP	=	Tipping point
LC	=	Location choice
OC	=	Ownership choice
DM	=	Decision moderators
DI	=	Decision-making and implementation
RO	=	Relocation outcomes

Authors (Year)	CI	TP	LC	OC	DM	DI	RO
Ancarani and Di Mauro (2018)	x			x	x		
Ancarani et al. (2015)	x				x		
Ancarani, Di Mauro and Mascali (2019)	x				x		
Ancarani et al. (2020)	x				x		
Arlbjørn and Mikkelsen (2014)	x				x		
Ashby (2016)	x		x		x		
Bailey and De Propris (2014)	x				x		x
Bailey, Corradini and De Propris (2018)			x		x		x
Baldwin and Venables (2013)			x				
Bals, Kirchoff and Foerstl (2016)	x	x	x	x	x	x	x
Baraldi et al. (2018)	x	x	x		x	x	
Barbieri et al. (2018)	x	x	x		x	x	
Barbieri et al. (2019)			x		x		
Barbieri et al. (2020)		x			x		
Barbieri et al. (2022)			x		x		
Bárcia De Mattos et al. (2021)	x		x		x		x
Benstead, Stevenson and Hendry (2017)	x	x	x	x	x	x	
Boffelli, Orzes and Dotti (2018)		x			x	x	
Boffelli and Johansson (2020)	x	x	x	x	x	x	x
Boffelli et al. (2020)					x	x	
Boffelli et al. (2021)					x	x	
Brandon-Jones et al. (2017)							x
Butollo (2020)			x		x		
Canello (2022)			x				
Canello, Buciuni and Gereffi (2022)				x			x
Canham and Hamilton (2013)	x		x				
Carbone and Moatti (2016)	x				x	x	x
Cassia (2020)							x
Castañeda-Navarrete et al. (2021)	x	x					
Chen and Hu (2017)					x		x
Chen et al. (2022)	x				x		

Authors (Year)	CI	TP	LC	OC	DM	DI	RO
Choudhary et al. (2022)							x
Ciabuschi et al. (2019)			x		x	x	x
Clarke-Sather and Cobb (2019)							x
Cohen et al. (2018)	x		x		x		
Cosimato and Vona (2021)	x					x	
Dachs et al. (2019)	x				x		
Dachs, Kinkel and Jäger (2019)	x				x		
Di Mauro et al. (2018)	x		x	x	x		
Di Mauro and Ancarani (2022)	x						
Elia et al. (2021)		x					x
Ellram (2013)			x	x	x		
Ellram, Tate and Petersen (2013)	x		x				
Engström et al. (2018)	x				x		
Eriksson et al. (2021)	x					x	x
Faber (2020)							x
Fjellstrom, Fang and Chimenson (2019)	x					x	
Foerstl, Kirchoff and Bals (2016)	x		x	x			
Fratocchi et al. (2014)	x		x		x		
Fratocchi et al. (2016)	x						
Fratocchi (2018)				x	x		
Fratocchi and Di Stefano (2019a)	x				x		x
Fratocchi and Di Stefano (2019b)	x	x	x	x	x	x	x
Fratocchi and Di Stefano (2020)	x				x		
Gadde and Jonsson (2019)	x		x		x		
Giammetti et al. (2022)			x				
Gijsbrechts et al. (2022)						x	
Gong et al. (2022)	x	x	x				
Grandinetti and Tabacco (2015)			x		x		
Grappi, Romani and Bagozzi (2015)	x						x
Grappi, Romani and Bagozzi (2018)	x						x
Grappi, Romani and Bagozzi (2020)							x
Gray et al. (2013)	x		x	x	x		x
Gray et al. (2017)	x				x	x	x
Gylling et al. (2015)	x					x	x
Halse (2020)					x		
Harris et al. (2020)		x			x		
Hartman et al. (2017)		x	x	x	x		
Hartman, Ogden and Hazen (2017)		x		x			
Heikkilä, Martinsuo and Nenonen (2018)	x				x		
Hilletofth et al. (2019)	x		x	x	x		x
Hilletofth, Sequeira and Adlemo (2019)						x	
Hilletofth, Sequeira and Tate (2021)						x	
Huq, Pawar and Rogers (2016)	x		x	x	x		

Authors (Year)	CI	TP	LC	OC	DM	DI	RO
Huq, Pawar and Subramanian (2020)	x		x	x	x	x	x
Johansson and Olhager (2018a)	x		x				x
Johansson and Olhager (2018b)	x		x	x	x		
Johansson et al. (2019)	x				x		x
Joubioux and Vanpoucke (2016)	x					x	
Jung (2020)			x				
Kaivo-Oja, Knudsen and Lauraéus (2018)	x		x		x		
Kamakura (2022)	x	x	x		x		
Kamp and Gibaja (2021)		x	x				
Kandil, Battaïa and Hammami (2020)	x		x	x			
Kang et al. (2020)	x	x					
Kazmer (2014)							x
Kersan-Škabić (2022)		x					
Kim and Chung (2022)					x	x	x
Kinkel (2012)	x	x	x		x		
Kinkel (2014)	x			x			
Kinkel and Maloca (2009)	x		x		x	x	
Krenz, Prettner and Strulik (2021)			x				x
Kurata, Nomura and Suga (2020)		x					x
Lampón and González-Benito (2020)			x				x
Lavissière, Mandják and Fedi (2016)							x
Li (2020)		x				x	
Lund and Steen (2020)	x		x		x		
Martínez-Mora and Merino (2014)	x		x		x		x
Martínez-Mora and Merino (2020)	x				x		
McIvor and Bals (2021)	x			x		x	
Merino, Di Stefano and Fratocchi (2021)	x		x		x		
Miroudot (2020)		x					x
Młody and Stępień (2020)	x				x		
Moore, Rothenberg and Moser (2018)	x				x		
Moradlou, Backhouse and Ranganathan (2017)	x						
Moradlou and Tate (2018)	x				x		
Moradlou, Fratocchi, et al. (2021)	x				x		x
Moradlou, Reefke, et al. (2021)	x	x	x			x	
Moretto, Patrucco and Harland (2020)	x		x	x		x	
Nujen et al. (2018)					x		x
Nujen et al. (2019)					x	x	
Pal, Harper and Vellesalu (2018)	x				x		
Panova and Hilletofth (2017)	x		x				
Panwar, Pinkse and De Marchi (2022)		x					x
Pegoraro, De Propris and Chidlow (2022)					x		x
Pla-Barber, Villar and Narula (2021)		x	x				
Podrecca et al. (2021)	x	x			x		

Authors (Year)	CI	TP	LC	OC	DM	DI	RO
Presley, Meade and Sarkis (2016)			x				
Radi, Lamantia and Italo Bischi (2019)	x		x		x		x
Rainnie (2021)					x		
Rasel et al. (2020)			x		x		
Robinson and Hsieh (2016)	x						x
Ryan et al. (2022)						x	x
Sansone, Hilletofth and Eriksson (2020a)					x		
Sansone, Hilletofth and Eriksson (2020b)					x		
Sardar, Lee and Memon (2016)			x				
Sayem, Feldmann and Ortega-Mier (2019)					x		
Schmidt, Touray and Hansen (2017)						x	
Sequeira, Hilletofth and Adlemo (2021)						x	
Sirilertsuwan, Ekwall and Hjelmgren (2018)	x		x				x
Sirilertsuwan, Hjelmgren and Ekwall (2019)					x		
Srai and Ané (2016)	x				x		
Stentoft, Mikkelsen and Jensen (2016b)	x						
Stentoft, Mikkelsen and Jensen (2016a)							x
Stentoft et al. (2016)	x						
Stentoft et al. (2018)	x						x
Strange (2020)		x					
Talamo and Sabatino (2018)	x		x				
Tate (2014)			x			x	
Tate et al. (2014)	x		x			x	x
Tate and Bals (2017)			x	x			
Theyel, Hofmann and Gregory (2018)			x				
Theyel and Hofmann (2020)	x					x	x
Uluskan, Joines and Godfrey (2016)	x				x		
Uluskan, Godfrey and Joines (2017)	x		x		x		
van Hassel et al. (2022)			x			x	
Wan et al. (2019a)				x	x		x
Wan et al. (2019b)			x		x		
Weldzius (2021)							x
White and Borchers (2016)	x						
Wiesmann et al. (2017)	x				x		x
Woldt and Godfrey (2022)							x
Wu and Zhang (2014)	x		x				x
Yang, Ou and Chen (2021)	x		x				
Yu and Kim (2018)							x
Zhai (2014)			x		x		x
Zhai, Sun and Zhang (2016)	x						
Zhang (2021)					x		x

Chapter 3

The Earlycomers' Perspective

How Earlycomers Make Location Decisions

Adapted from publication:

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3 The Earlycomers' Perspective

How Earlycomers Make Location Decisions

This chapter empirically explores the behaviour of earlycomer firms in offshoring and outsourcing through the lens of institutional logics. Building on the literature review from the previous chapter, this chapter examines how institutional logics influence the relocation decisions these firms make and how the decisions themselves, in turn, affect various logics. The analysis provides insights into industry trends, informing theory, practice, and policy on future expectations and responses. Additionally, it reveals how experienced earlycomers adapt to new challenges to maintain a competitive edge globally.

3.1 Introduction

Over the past decade, a noticeable trend has emerged where companies are re-evaluating or altering their previous offshoring decisions, commonly referred to as 'reshoring' (Fratocchi et al., 2014; Tate et al., 2014). Major Western governments have popularised slogans like 'de-coupling' and 'de-risking' publicly (e.g. Trump, 2017; Biden, 2021; European Commission, 2023). Topics surrounding de-internationalisation and supply chain resilience have also become prevalent in academic discussions. Although there has been extensive research on the precursors to relocation decisions (e.g. Fratocchi et al., 2016), it remains unclear why mimetic isomorphism is not observed among similarly

situated firms facing comparable drivers and challenges for relocation (Pedroletti and Ciabuschi, 2023). For instance, when faced with similar cost-related supply chain disruptions, some firms choose to relocate while others, under seemingly identical circumstances, do not. Differences between the regions are often recognised anecdotally, but scholarly insights on the actual impacts of governmental stances are lacking. Moreover, the behavioural and psychological aspects of location decision-making are under-researched, as existing theories in the relocation literature have predominantly focused on economic and management theories (Tsai and Urmetzer, 2024).

Therefore, this study seeks to explore the phenomenon of manufacturing relocation from the perspective of institutional logics, as it provides a meta-theoretical framework that allows researchers to analyse how organisational actors are influenced by their positions in multiple social locations within an interinstitutional system (Thornton et al., 2012). We specifically focus on decision-making processes, referencing Thornton et al.'s (2012, p. 83) description of humans as 'situated, embedded, and boundedly intentional actors.' We argue that our analysis is particularly relevant given the noticeable shift in logic since the pandemic, accompanied by subsequent disruptions in supply chains and geopolitical complexities. Our study examines logics as a complex phenomenon, exploring how new logics achieve 'coherence' and 'endurance' following disruptions and shifts in established logics (Lounsbury et al., 2021).

We conducted interviews with managers from 32 multinational enterprises (MNEs) across a diverse range of industries globally that have significant market presence in the US, Europe, or both. Our aim was to explore their perspectives on their companies' considerations and decisions regarding the relocation of manufacturing activities. We focused on understanding the factors that led to their specific judgments, the logic chains underlying these decisions, and any regional differences that might exist. Through discussions about their thought processes on whether, where, and how to relocate, we

specifically examined the managers' beliefs, their views on industry best practices, their understanding of rules and their creators, and their perceptions of what are considered norms. Our data analysis utilised the 'pattern inducing' approach, identifying logics through inductive coding to uncover behaviours or beliefs influenced by specific logics, as described by Reay and Jones (2016).

Using a simplified model of institutional logics from Thornton et al. (2012), we have delineated the relationships between market logic, state logics, firm logics, and organisational behaviour. Our study highlights the evolving dynamics between market and state logics within the context of global and regional business strategies, marking a notable shift in firm logic from globalisation to deglobalisation. Through extensive interviews and analysis, we observed how firms adapt their operational and strategic responses to the shifting pressures of geopolitical and economic forces. We suggest that recent relocation decisions are primarily influenced by managers' predictions and subjective perceptions, rather than predominantly on cost or efficiency factors as previous studies (e.g. Fratocchi et al., 2016) have suggested. Additionally, our findings support assertions by recent studies (e.g. Elia et al., 2021) that the pandemic acts more as a catalyst or accelerator, rather than a direct driver of these decisions. Furthermore, we identified a pattern of potential home country bias in the decision-making process regarding the relocation of manufacturing operations, which differs from the concept of 'patriotism' as described in some studies (e.g. Canham and Hamilton, 2013).

Overall, this study offers substantial empirical insights into the decision-making process in manufacturing relocations. We have broadened the scope of enquiry by scrutinising critical assumptions regarding bounded rationality in decision-making, an aspect previously overlooked in related studies. Additionally, this work contributes to the institutional theory literature by elucidating the mechanisms through which logics shift under the influence of a dominant and powerful actor, both directly and indirectly.

Moreover, this study offers valuable perspectives for both managerial practices and policy formulation. It introduces novel insights into corporate decision-making processes, pivotal for developing risk assessment methods, business strategies, and policy initiatives.

The remainder of this chapter is as follows. Chapter 3.2 reviews relevant literature on manufacturing relocation and institutional logics, and proposes the theoretical framework guiding this study. Chapter 3.3 outlines the research methodology, detailing the processes of data collection and analysis employed. Results and findings are presented in Chapter 3.4 and discussed in Chapter 3.5. Final conclusions, implications and limitations, as well as suggestions for future research, are drawn in Section 3.6.

3.2 Related literature

3.2.1 Manufacturing relocation

Regarding the relocation trend in international manufacturing, scholarly insights have pointed in several directions. Studies have identified various operational factors that have led firms to relocate. These include cost-related issues such as rising operational expenses or diminishing wage gaps (Fratocchi et al., 2016; Barbieri et al., 2018), quality-related issues due to suboptimal processes or management (Kinkel and Maloca, 2009; Bailey and De Propris, 2014), and flexibility-related issues caused by increased demand volatility (Martínez-Mora and Merino, 2014) or the need to accommodate increased customisation requests (Ancarani and Di Mauro, 2018). Resource-related issues, where supplies bottleneck production (Ellram, Tate and Petersen, 2013), and capability-related issues, such as the growing need for communication between research and manufacturing (Tate et al., 2014), also play significant roles.

In addition to operational issues, business and management considerations also drive relocations. Long supply chains expose firms to a wide range of risks (Huq, Pawar

and Rogers, 2016), and political and social uncertainties make operations in certain regions more hazardous (Kinkel, 2012; Ellram, Tate and Petersen, 2013; Tate et al., 2014). Volatile or fluctuating demand necessitates more responsive manufacturing strategies, which may require locational changes (Wu and Zhang, 2014; Lund and Steen, 2020). Furthermore, shifting business environments alter the calculations, from favourable policies (Bailey, Corradini and De Propris, 2018; Ancarani, Di Mauro and Mascali, 2019) or tightening environmental and social regulations (Fratocchi and Di Stefano, 2019), to portfolio rationalisation (Srai and Ané, 2016) or global reorganisation (Fratocchi et al., 2016).

Studies also highlighted the tools firms use to weigh the aforementioned factors to make relocation decisions. These include total cost of ownership analysis (Tate et al., 2014), sensitivity analyses (Gylling et al., 2015), and organisational readiness evaluation (Nujen et al., 2019). However, while we understand the wide array of issues that prompt relocation and the tools firms use to make calculations and decisions, it remains unclear why firms in similar situations make different decisions. In other words, firms in similar industries facing similar issues should theoretically exhibit similar behaviour (either to leave or to stay), but in reality, reshoring or relocation remains a debatable agenda for many firms. Tsai and Urmetzer (2024) argued that this theoretical gap in the literature exists because the tipping points of relocation decisions remain under-researched and often overlooked in past studies. We further argue that since objective factors alone cannot explain the relocation phenomenon, it is the subjective reasoning that is the missing piece of the puzzle. In other words, we posit that behavioural factors are key when examining relocation decisions, and that introducing the institutional logics perspective (Thornton et al., 2012) would nicely complement our understanding of manufacturing relocation.

3.2.2 Institutional logics

Institutional logics are defined as *'socially constructed, historical patterns of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organise time and space, and provide meaning to their social reality'* (Thornton and Ocasio, 1999, p. 804). Thornton et al. (2012) presented a model that explores the micro-foundations of institutional logics, providing a nuanced depiction of how these logics inform individual and organisational behaviour (see Figure 3.1).

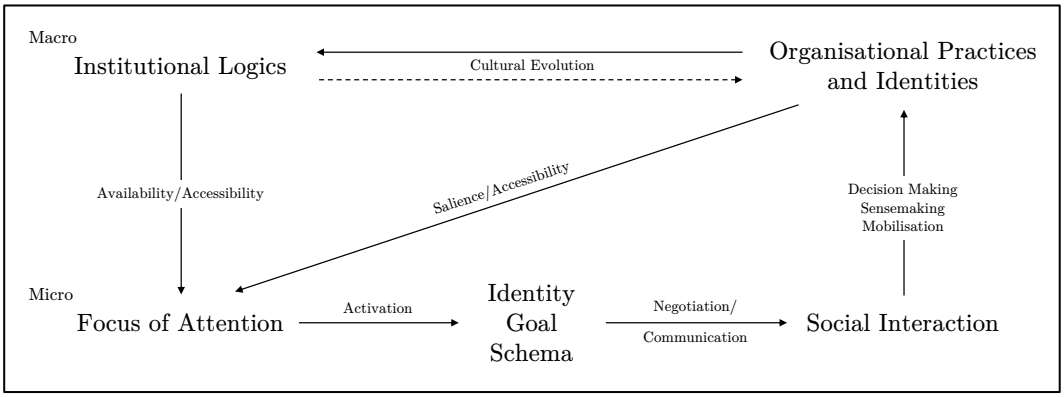

Figure 3.1. The cross-level model of institutional logics from Thornton et al. (2012)

One of the key contributions of Thornton et al.'s (2012) model is its exploration of micro-foundations, which explains how institutional logics influence individual cognition and behaviour. This framework outlines how *attention structures*—patterns of focus determined by institutional logics—guide individual and collective actions within organisations. These attention structures activate particular identities, goals, and schemas, influencing how individuals engage in social interactions, communication, and negotiation within organisations.

Thornton et al.'s model also highlights a *cyclical relationship* between institutional logics and organisational practices. This looping cycle illustrates how institutional logics shape organisational behaviour, which in turn influences the very logics that initially shaped that behaviour. At the same time, *cultural evolution* processes occur, where certain practices are selected and retained based on their fit with the prevailing logics. Over time, this process leads to the stabilisation or transformation of institutional logics, underscoring their dynamic and evolving nature.

Following the streams of studies that utilise institutional logics as a theoretical framework, we have seen papers introducing new concepts to complement the theory. Recent studies highlight that as multinational enterprises (MNEs) increasingly encounter conflicting institutional orders within the same jurisdictions—a phenomenon known as *jurisdictional overlap* (Smets and Jarzabkowski, 2013)—they face significant challenges when operating across different political and economic blocs (Cui et al., 2023). This situation gives rise to *logic incompatibility*, where the directives and prohibitions of multiple logics are not easily reconciled or adhered to in practice (Greenwood et al., 2011; Besharov and Smith, 2014). Pache and Santos (2010) argue that incompatibility becomes more problematic when rooted in differences at the 'ideological' level of goals rather than at the 'functional' level of means, because differing goals necessitate an explicit acknowledgment of misalignments in the core values and reference systems of organisational constituencies. Furthermore, Raynard (2016) assert that the absoluteness of the incompatibility is even more critical, noting that it becomes particularly challenging when one logic's demands prevent adherence to another's, especially when the rules are specific and heavily enforced.

In recent years, we have observed that MNEs are compelled to navigate political pressures urging them to decouple, while also considering the economic rationale advocating for maintaining connections. From a theoretical perspective, Thornton et al.

(2012) suggest that an institutional order becoming overly dominant or autonomous relative to others indicates potential instability within the institutional system. In response to these complex environments, new institutional logics emerge through *environmental sensemaking* processes, triggered and shaped by continuous attention to unfolding events (Nigam and Ocasio, 2010). In scenarios where organisations face multiple pressures from various institutional logics—a phenomenon known as *institutional complexity* (Greenwood et al., 2011)—studies have also conceptually proposed different types of responses depending on the specificity and destructiveness of external shocks (Cui et al., 2023). However, while existing research provides valuable insights into firms' short-term responses to geopolitical events, it offers limited insight on their long-term strategic decision-making. What ultimately guides manufacturers' long-term location decisions in these volatile contexts remains unclear, representing a gap in current understanding.

Furthermore, despite the comprehensive framework provided by Thornton et al. (2012), its theoretical abstraction makes it challenging to apply in empirical research. The model's broad scope, spanning both macro- and micro-level processes, often leads to an overly complex framework that lacks specificity when applied to particular organisational contexts. Additionally, while the model acknowledges the role of *agency* (i.e. how individuals and organisations can shape institutional logics through their actions), this aspect could be further elaborated. The framework tends to emphasise the constraining effects of institutional logics on organisations, potentially downplaying the capacity of firms to actively shape or resist institutional pressures. For example, in the context of reshoring production, firms may not only respond to external institutional logics but also actively reshape these logics through their strategic choices and actions.

In response to these limitations, our study simplifies Thornton et al.'s model to focus on a more targeted set of elements (see Figure 3.2). Our streamlined version

highlights specific components: *firm logics*, which guide competing organisational forms within a particular population or industry (Haveman and Rao, 1997; Rao, Monin and Durand, 2003; Greenwood and Suddaby, 2006; Lounsbury, 2007); the *decision-making process* that dictates organisational behaviour; and the *cultural evolution* process, where situated practices are selected and retained. Additionally, we have incorporated the element of *macro institutional logics* as well as the *environmental sensemaking* mechanism into our framework to address the need for understanding how firms navigate complex institutional environments when making long-term strategic decisions, particularly in relation to reshoring production.

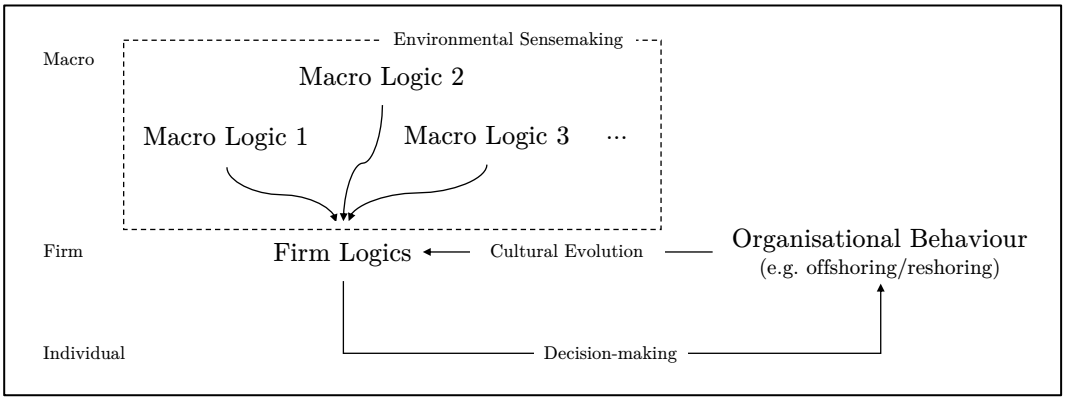

Figure 3.2. A simplified model of institutional logics

3.3 Methodology

Our study employs the 'pattern inducing' methodology, a qualitative research approach that is instrumental in capturing logics by analysing empirical textual data through a bottom-up, inductive process (Reay and Jones, 2016). The essence of this method lies in its ability to uncover patterns of behaviour or beliefs guided by specific logics, thereby bridging the symbolic and material aspects of these logics (Friedland and Alford, 1991). Through this approach, we are able to delve deeply into the ways in which these patterns

manifest, offering a comprehensive understanding of the interplay between the abstract and tangible elements of the logics under study.

3.3.1 Sample selection and data collection

The selection of companies for this study was conducted through a strategic process aimed at capturing a comprehensive and diverse range of organisational perspectives on relocation decision making. Our criteria for inclusion were based on the following considerations:

Industry relevance and diversity. To ensure and comprehensive coverage of manufacturing industries, we targeted companies from automotive, machinery, pharmaceuticals, consumer electronics, among others. We excluded non-manufacturing companies as their inclusion would not align with the purpose of this study. This diversity allowed us to explore how different industry contexts influence organisational logics and practices.

Company sizes. We included both large corporations and small to medium-sized enterprises (SMEs) to capture various organisational behaviours and strategic approaches across varying scales of operation. Yet, we do not intend to compare these two groups as it is not the purpose of this study. We included them merely to mitigate potential bias due to differences in company sizes. We do acknowledge, however, that larger firms have more relocation opportunities due to their wider exposure, GVC integration, and greater flexibility, whereas smaller firms often backshore due to limited tools, experience, management, and financial resources (Ancarani et al., 2015; Dachs, Kinkel and Jäger, 2019). Therefore, we set a bottom limit of annual turnover at $20 million USD for companies to be included in this study.

Geographical representation. Recognising the importance of geographical context, we selected companies headquartered in different regions, including the North America, Europe, and Asia. The choice was made because these regions saw a lot of offshoring over the past decades and this global representation provided insights into how regional factors and cultural differences shape organisational practices, if at all. However, although we included Asian firms for the sake of diversity, we excluded those that mainly serve local or regional markets, as their inclusion would introduce too many variables that would complicate our comparative analysis between US and Europe.

Role and influence of participants. To ensure richness and insightfulness of our data, we aimed to interview individuals holding key positions within their organisations, such as CEOs, Directors of Operations, Supply Chain Managers, and other senior roles. These participants were selected based on their involvement in the firm's location decision-making processes, ensuring that our sample included individuals with direct knowledge of the shifts being studied (Sargeant, 2012).

The identification of potential companies was facilitated through a combination of industry reports, academic literature, and professional networks. Out of the 285 companies we contacted with our study invitation, a total of 32 (11.2%) agreed to participate. To encourage open and honest sharing of information, we assured our interviewees of confidentiality and have anonymised the names and relevant identifiers of the companies. We aimed to speak with multiple interviewees within the same organisation for triangulation purposes whenever possible (Eisenhardt and Graebner, 2007), although this was not always achievable.

The interviews were conducted using a semi-structured format, following the decisional framework proposed by Tsai and Urmetzer (2024). They began with introductory inquiries and progressed to more open-ended questions (see Appendix 3.A), with follow-up questions added based on the respondents' answers. The duration of the interviews ranged from 40 to 80 minutes, with all sessions being recorded and transcribed, following recommendations from the literature (Yin, 2018). Data saturation was achieved when no new themes or insights were emerging from the interviews (Sargeant, 2012). This point was reached after conducting interviews with approximately 30 firms, indicating that our sample size was sufficient to capture the full range of perspectives necessary for our study.

In the end, we spoke to 42 professionals from these 32 companies, ensuring a broad and balanced representation of perspectives. All participants were given a thorough explanation of the interview's objectives and verified the authenticity of their comments. The semi-structured nature of the interviews offered flexibility and depth, allowing us to explore emerging areas of interest in detail during the discussions. The varied industry, company size, and geographical location provided a robust dataset for our thematic analysis, guaranteeing a thorough examination of the intricate and multifaceted aspects of institutional logics in the realm of manufacturing relocation. A summary of interviewed firms and the individual roles of our interviewees can be found in Table 3.1 below.

Table 3.1. Summary of interviewed firms and individual roles

#	HQ Region*	Market Presence	Industry	Interviewee Role	Interview Length**
1	NA	US	Electronic Components	Head of Production	50 mins
2	NA	Both	Semiconductor	Supply Chain Manager	60 mins
3	NA	US	Automotive	Procurement Manager	40 mins
				Operations Manager	60 mins
4	NA	Both	Pharmaceuticals	Head of Production	70 mins
5	NA	US	Energy Equipment	Director of Global Production	50 mins

6	NA	Both	Consumer Electronics	Global Supply Manager	60 mins
				Operations Manager	40 mins
7	NA	Both	Industrial Machinery	Vice President of Supply Chain	40 mins
				Operations Manager	50 mins
8	NA	Both	Chemicals	Global Sourcing Manager	80 mins
9	NA	US	Aerospace	Head of Operations	50 mins
10	NA	US	Industrial Machinery	Vice President of Operations	40 mins
				Procurement Manager	50 mins
11	NA	US	Textiles/Apparel	Production Manager	70 mins
12	NA	US	Precision Instruments	Chief Operating Officer	50 mins
13	EU/UK	Europe	Medical Devices	Head of Manufacturing	50 mins
14	EU/UK	Both	Industrial Equipment	Director of Global Manufacturing	60 mins
15	EU/UK	Both	Pharmaceuticals	Head of Manufacturing	50 mins
16	EU/UK	Europe	Industrial Machinery	Chief Operating Officer	40 mins
17	EU/UK	Europe	Consumer Goods	Chief Manufacturing Officer	60 mins
				Manufacturing Manager	50 mins
18	EU/UK	Both	Aerospace	Business Development & Strategy Manager	40 mins
19	EU/UK	Both	Industrial Automation	Operations Manager	60 mins
				General Manager	50 mins
20	EU/UK	Europe	Industrial Machinery	CEO	60 mins
21	EU/UK	Both	Automotive	Director of Operations	40 mins
				Manufacturing Manager	60 mins
22	EU/UK	Both	Textiles/Apparel	Head of Technical Product Development	40 mins
23	EU/UK	Europe	Chemicals	CEO	50 mins
24	ASIA	US	Automotive	Operations Manager	70 mins
				Procurement Manager	50 mins
25	ASIA	US	Industrial Machinery	CEO	40 mins
				Senior Manager	50 mins
26	ASIA	Both	Consumer Electronics	Procurement Manager	60 mins
27	ASIA	Both	Semiconductor	Operations Manager	60 mins
28	ASIA	Both	Computer Hardware	Head of Manufacturing	50 mins
29	ASIA	EU	Industrial Machinery	Head of Productions	80 mins
30	ASIA	US	Electrical Components	CEO	40 mins
31	ASIA	EU	Chemicals	Director of Business Strategy	70 mins
32	ASIA	US	Textiles/Apparel	CEO	40 mins
				Manufacturing Manager	50 mins
Total				42 Interviews	37 hrs

* NA=North America; EU/UK=Europe or UK

** Rounded to the nearest 10 minutes

3.3.2 Data analysis

The analysis involved a meticulous process of coding, where text segments were grouped to reveal patterns indicative of particular logics. This process was not about quantifying data but rather about qualitatively interpreting and categorising it. Our approach aligns with grounded theory and ethnographic methodologies, aiming to understand a social or cultural phenomenon is from the inside (Myers, 2013). We immersed ourselves in the data, categorising text segments to reveal underlying meanings and identifying patterns associated with specific logics.

As the interviews were structured following the decisional framework proposed by Tsai and Urmetzer (2024), which progresses from consideration to decision to evaluation, we were able to track how location decisions were made in the past, how they are currently being made, and how the interviewees believe these have changed. This approach helped us attempt to understand the firm logics guiding these decisions and their development over time. To do this, we adapted the conceptualisation model of the interinstitutional system by Thornton et al. (2012). For firm logics, we focused on analysing the basis of norms, basis of attention, and basis of strategy of each firm. We applied Braun and Clarke's (2006) six-phase approach during the analysis process: familiarisation with the data, generating initial codes, searching for themes, reviewing themes, defining and naming themes, and producing the report. Two researchers independently coded the data in parallel and reconciled their results afterward. Any inconsistencies or disagreements were resolved through reflexive dialogue and re-examination of the data, ensuring a robust and rigorous process. From the common elements of each firm's logic, we derived overarching themes for both past and present decision-making processes. We then analysed how these elements have shifted in recent years in response to unfolding global events. A clear pattern of change emerged across the interviewed firms, which will be detailed in the findings section.

Our analysis was an 'endlessly creative and interpretive' process (Denzin and Lincoln, 2018, p. 60), involving the development of categories through reflective engagement with the data. We framed our arguments in conjunction with extant theory to provide new insights into the phenomenon under study. Furthermore, we engaged in a constant comparative process within our qualitative analysis, comparing our findings with other studies and across cases within our study. In line with the recommendations of Van Maanen (1995), we employed rhetoric and visual representations to persuasively articulate our findings. Interview excerpts were included as much as possible in the presentation of our findings, but not to the extent that they disrupted the flow of our analyses.

3.4 Results and findings

From our interviews, we have observed a significant shift in business logics over the past decade. In this section, we begin by outlining how the business landscape has been disrupted, comparing the globalisation era of previous decades with the current situation. We will then delve into the decision-making processes within firms, examining how firm logics evolve through environmental sensemaking and how firms navigate the conflicting logics.

3.4.1 Institutional logic shift: The rising influence of state logic

Past[7] — The globalisation era

A key aim of our interviews was to analyse the evolution of firm logics over time, employing the interinstitutional system analysis method suggested by Thornton et al.

[7] The notion of 'past' refers to the era dating roughly from the early 21st century to the mid-late 2010s. This term is used for the purpose of contrast with the later notion, 'present,' which we will discuss immediately following this section.

(2012), with a particular focus on the bases of norms, attention and strategy. When asked about historical location decisions, responses consistently emphasised maximising efficiency and effectiveness within the global network to achieve scalability and reduce costs. Supply chain optimisation strategies such as lean manufacturing, Total Quality Management (TQM), and Just-In-Time (JIT) were consistently mentioned in the interviews. During the era of globalisation, companies are concentrating on enhancing their capabilities to remain competitive internationally. These involve expanding market share, innovating products or processes, and penetrating new markets. ***Norms*** within these companies have largely been market-driven, reflecting the previous decades' dominance of outsourcing/offshoring strategies (Karmarkar, 2004; Lewin and Peeters, 2006). Yet, despite the overarching market-driven approach, there remains an underlying layer of state involvement, albeit minimal, through regulatory frameworks and occasional strategic interventions aimed at stabilising or subtly steering the market conditions. These interventions, though not heavily pronounced, subtly influence firm strategies by setting the boundaries within which firms operate and compete globally. The basis of ***attention*** was mainly on adapting to changing trends in demand, leveraging technological advancements to maintain a competitive edge. ***Strategies*** were based on enhancing global presence and influence through strategic partnerships, mergers and acquisitions, and entry into emerging markets. This approach not only expands their global footprint but also refines their supply chains to support continuous growth and market penetration.

Our data suggest that in the early 21st century, firm practices were largely shaped by traditional economic theories such as comparative advantage, economies of scale, and resource mobility—a paradigm collectively known as 'market logic' or 'commercial logic' (Scott et al., 2000; Lounsbury, 2002; Zajac and Westphal, 2004). This market logic was the principal influence shaping firm logics globally during the globalisation era,

underpinning business practices centred on global competition. Nations participating in the global economy generally conformed to the institutional order set by the World Trade Organisation, which was designed to ensure that trade was smooth, predictable, and free, with minimal state intervention in standard business operations. As shown in Figure 3.3 below, during this period, firm logics were predominantly driven by market logic, with minimal state involvement, fostering a diverse yet cohesive business environment across various countries and regions. These market-driven logics guided organisational practices through corporate decision-making, with the widespread offshoring of manufacturing serving as a prime example. The success stories from these practices became widespread across industries, subsequently evolving into common practices—an exemplary case of cultural evolution (Thornton et al., 2012).

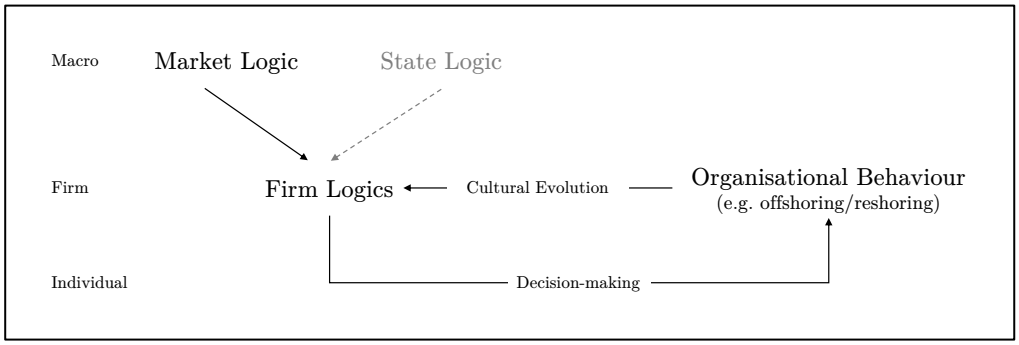

Figure 3.3. Interrelationship of institutional logics in the globalisation era

Present — The rising influence of state logic

After delving into the histories of our interview firms, we proceeded to enquire about their recent considerations or decisions regarding the relocation of manufacturing operations. Interviewees uniformly noted a shift in their focus from primarily seeking efficiency towards strengthening supply chain resilience and mitigating a variety of risks. This change is driven by a critical examination of offshoring practices, which are now assessed for potential risks as much as for cost benefits. Corporate strategies are adapting to

government policies and forming strategic alliances that prioritise economic, security, and policy goals, reflecting a move toward strategic autonomy over global efficiency. Traditional market-driven ***norms*** are evolving to incorporate a more robust approach to managing supply chains in response to exposed vulnerabilities and the volatile nature of geopolitical dynamics. ***Attention*** is increasingly placed on fortifying these vulnerabilities, leading firms to innovate within secure and resilient supply chains frameworks. ***Strategies*** now focus on building resilience, minimising dependencies, and investing in domestic capabilities, diversifying supply sources, and nurturing strategic partners. In a rapidly changing world with emerging threats, these adaptations are essential for maintaining a firm's autonomy and ensuring its long-term stability in an unpredictable global environment.

As our data suggests, firm logic is no longer primarily influenced by market logic. Instead, significant geopolitical policy shifts have reshaped the business environment, as shown in Figure 3.4. State logics, focusing on national security, decoupling, de-risking, friend-shoring, and strategic autonomy, have taken precedence, leading to comprehensive government measures that overhaul the previous market-driven institutional order. This shift has given rise to new, somewhat disorderly, firm logics through the 'environmental sensemaking' processes (Nigam and Ocasio, 2010), spurred by global and geopolitical events from trade disputes and COVID regulations to recent military conflicts. This emerging new logic starkly contrasts with the prior globalisation logic. In this environment, firms face various pressures from multiple institutional logics, a situation described as 'institutional complexity' (Greenwood et al., 2011). Their reactions to this complexity influence corporate practices, which, like before, feed back into firm logics via cultural evolution. The influence of state logics varies by region, with a marked effect in the US, where state logic is clear and distinct, in contrast to Europe, where state logics remain more ambiguous (Jacobs et al., 2023).

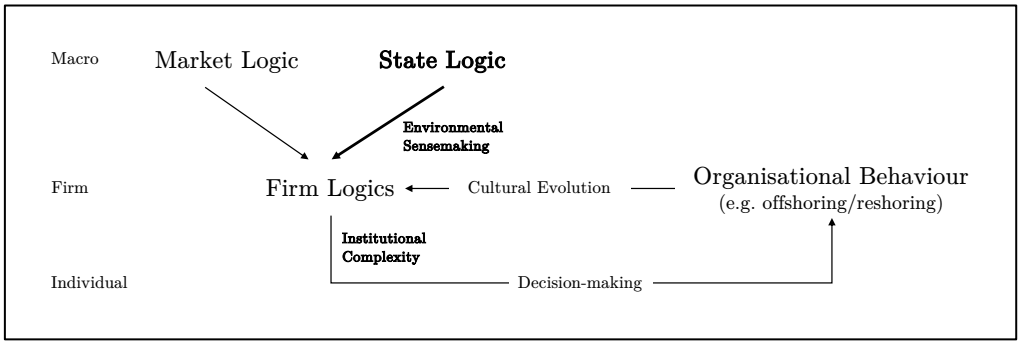

Figure 3.4. Interrelationship of institutional logics in the post-globalisation era

Our findings also suggest that while previous studies may downplay the pandemic's role in deglobalisation due to their focus on supply chain rationales (e.g. Harris et al., 2020; Kang et al., 2020; Strange, 2020), our research highlights risk perception, particularly regarding international politics, as a crucial tipping point of manufacturing relocation. This perspective aligns with the studies such as Witt et al. (2023), underscoring the importance of geopolitical considerations in the shift towards deglobalisation. We will delve deeper into how varying perceptions of risk lead to differing managerial decisions in the following sections, addressing the management of institutional complexity (Greenwood et al., 2011).

3.4.2 Decision making: How firms manage institutional complexity

As we prepare to delve into the intricacies of decision-making—specifically, how environmental sensemaking leads to the emergence of multiple, and in these cases, incompatible, institutional logics, as well as how firms navigate this resultant institutional complexity—it is crucial to first clarify the terminology we employ in this study concerning decisions, to prevent any confusion. Decisions that are made to address immediate needs are termed *'responses,'* while decisions that are intended to chart the long-term course of action are designated as *'strategies.'*

In our interviews, we explored the drivers behind decision-making processes, with a particular focus on identifying tipping points and the resulting decisions. We concentrated on three pivotal events identified by recent studies as having significant impacts on relocation: the US-China trade war, the COVID-19 pandemic, and the Russia-Ukraine conflict (Tsai and Urmetzer, 2024). Responses varied depending on the specific context, but discernible patterns emerged when comparing firms across these events. We will first discuss our analysis of short-term tactical *responses*, which appear to be driven more by operational requirements and constraints than by institutional logics. However, as we delve deeper into long-term *strategies*, the role of environmental sensemaking becomes apparent, illustrating how firms navigate and manage institutional complexity during their decision-making processes.

Short-term *responses*: Tackling immediate or anticipated resource scarcity

We have observed the impact of the three aforementioned events across most of the firms we interviewed. Interviewees whose businesses have significant US market presence pointed to the US-China trade war's substantial impact on cost structures. For instance, the procurement manager of Firm 3 remarked, *'Although Chinese labour prices have gone up gradually for years (...) the 25% tariff completely wiped away our margins.'* The production manager from Firm 11 also mentioned: *'We initiated diversification into other Asian nations, motivated both by cost considerations and the recent controversy surrounding cotton from Xinjiang (...) The final decision was made to firstly stop sourcing cotton from China, and secondly to cease production activities there as a whole.'* Meanwhile, the global sourcing manager from Firm 8 recounted that: *'The Biden administration enforced restrictions on importing certain key materials like silicon from China. We spent months testing our suppliers but all of a sudden, we are not allowed to buy from them anymore. Our team had extensive discussions on whether to comply with the regulations*

and shift immediately or to negotiate with the US government for a, say 3-month, grace period. Fortunately, we were granted a short-term grace period, but ultimately, we had to transition and revert to sourcing from American suppliers.'

The pandemic further intensified these supply chain challenges, pushing firms to find alternative sources of supply as lockdown rules were applied across the world, or alternative supply chain customisations to circumvent the disruptions. As the manufacturing manager from Firm 17 pointed out, *'The cost of shipping containers went up eightfold (…) So we decided that we should start making wheels in the UK, which will reduce our logistics costs (…) ends up actually benefitting our business as we coalesce some of our other operational services.'* The Russian-Ukrainian war further underscores the vulnerability of global supply chains to geopolitical events, especially on the energy prices and the availability of raw materials. As a supply chain manager from Firm 2 mentioned, *'The conflict has severely disrupted our access to some raw materials from the region, particularly neon gas, which is crucial for semiconductor manufacturing. We do have alternative suppliers but their scales were not enough to replace our original one.'* This series of global events highlights the interconnected challenges that firms encounter. However, the decisions we've discussed so far are essentially responses to disruptions in supply chains, primarily addressing the immediate or anticipated scarcity of resources.

Long-term *strategies*: Environmental sensemaking at work

During the interviews, we paid particular attention to how managerial focus was drawn to specific events (in addition to the responses we discussed earlier), the meanings attributed to these events, and the actions taken based on those interpretations. Since the onset of the US-China trade war, our interviewees have been closely monitoring developments between the world's two largest economies. This is true even for those not directly affected by the initial policies introduced during the Trump administration. For

example, the CEO from Firm 32 mentioned, *'During the Trump administration, we observed a ripple effect across the industry, although our operations remained largely unaffected by the immediate fallout of his policies (…) We held numerous discussions on how much emphasis we should be placing on this situation.'*

The pandemic exposed vulnerabilities in lean manufacturing and the fragility of global supply chains, prompting a shift towards resilience and diversification of supply chains. Several of our interviewed firms already had relocation decision-making processes embedded in their managerial systems, traditionally guided by market logic as previously discussed. This involved looking for alternative options in response to rising costs or seizing opportunities in emerging regions. However, since the pandemic, there has been a notable shift in focus from cost to 'geodiversity,' as highlighted by the global supply manager from Firm 6: *'Before COVID, not so much emphasis was placed on geo-diversification, but mostly for natural disasters. Since COVID, we have done a lot of considerations and analysis on the geo-diversity of our new product lines.'* Similarly, the vice president of operations from Firm 10 reflected on the lessons learnt from the crisis, stating, *'COVID highlighted the risks of over-reliance on any single supplier. So we adopted a dual-sourcing strategy to make sure we always have an option B if one production site goes down.'* This shift illustrates how firms are increasingly prioritising geographic diversification and supplier redundancy to mitigate the risks associated with depending too heavily on single sources.

China's strict COVID-zero policies near the end of the pandemic, which synergise with the already forming geopolitical tensions, truly underscored the significance of geopolitical ideologies on economic practices, nudging our interviewees towards actual deglobalisation or regionalisation. As the operations manager from Firm 24 noted, *'Back then, like a lot of our peers, we thought that COVID was just a storm and many decisions were just weathering the storm somehow, but it was until mid 2022 when we started realise*

that this (producing in China) is a problem.' Although relocation studies to date have not really considered subjective political views of decision makers as a determining factor, our data points to long term location strategies have been made around managerial predictions or analysis on the political topics, at least post pandemic. A telling instance from Firm 30 encapsulates the transition in business strategies due to evolving risk perceptions: *'Initially, in response to the trade war, our client required a 'China+1' strategy for us to remain a qualified supplier. This strategy evolved into 'China x2+1' during the pandemic, demanding two supply bases within China and an additional one internationally to circumvent any policy-related disruptions. Now (in 2023), they don't want 'China' anymore, only the '1.' We believe that things will only be worse in the future, so we are planning to gradually leave China.'*

The Russian-Ukrainian conflict further emphasised the challenges of operating across geopolitical blocs, leading to strategic reassessments. The vice president of supply chain at Firm 7 noted, *'In response to the crisis, we accelerated our shift towards renewable energy sources and diversified our raw material procurement to more stable regions. This strategy not only addresses current supply issues but also aligns with our long-term sustainability goals.'* The conflict also extends to concerns over China's invasion of Taiwan, adding another push factor out of the region. The procurement manager from Firm 26 stated, *'The China+1 strategy used to include Taiwan for higher-end components, but these days we have shifted to Japanese suppliers although they are more expensive, they do bear lower risk should things go south in the region.'*

As events unfold, we observe a gradual increase in the risk perceptions of our interviewees, alongside a growing influence of state logics on firm logics. However, the interpretation of these events, or 'environmental sensemaking', appears to vary between firms heavily invested in the US market and those more entrenched in Europe. Our European-based interviewees generally adopt a more nuanced or cautious approach to

these developments. For example, the Chief Manufacturing Officer of Firm 17 noted: *'We're observing a deterioration in the relationship between the collective West and China, and recently, the UK also ended its era of warm relations with China. So, we're now kind of preparing for potentially a rollback of globalisation to some point.'* Similarly, the general manager of Firm 19 remarked, *'The German government was the first to visit China after the pandemic, so I think things are still looking positive between China and the EU (…) We are, of course, diversifying our supply chains as we speak, but I do not envision us leaving China any time soon (…) As long as we can still do business without putting politics on the table, we will continue doing it.'* From our data, we see that firms with significant US market presence tend to have more definitive future plans, such as establishing alternative bases in Southeast Asia, indicating a strong influence of US state logic on their firm logics. In contrast, firms with European markets are still 'reading the air,' showing that while state logic plays a role, market logic continues to exert influence in the background, maintaining a delicate balance with state logic in its dynamics. This clearly demonstrates that the interplay between market logic and state logics significantly influences a firm's long-term location decisions.

Interestingly, we also observed a pattern of potential home country bias in the decision-making process regarding the relocation of manufacturing operations. This shall not be confused with patriotism that some studies find to have a moderating effect on location decisions (e.g. Canham and Hamilton, 2013). When probing the reasons behind this preference, the rationale consistently pointed to a familiarity with the political systems of their home countries. This tendency holds true even when their personal political views significantly diverge from those of the ruling party(ies). Despite these political discrepancies, there is a greater inclination to prioritise their home country over foreign regions. This preference stems from a confidence in their ability to foresee and strategically prepare for future scenarios in their home countries, rooted in a deeper

understanding of how their countries' political systems operate. This further illustrates our observation that decisions are often made based on subjective predictions concerning political matters.

In essence, the interactions between the US-China trade dynamics, the global health crisis, and shifting geopolitical forces have spurred a comprehensive reassessment of supply chain strategies across industries. Studies have shown that companies are increasingly prioritising flexibility, risk mitigation, and sourcing alternatives closer to home to navigate the complexities of today's economic landscape. Based on our findings, we further argue that long-term relocation strategies are influenced by individual firms' risk perceptions, which form an integral part of a firm's logic. This firm logic is influenced by state logics through environmental sensemaking processes. We also contend that disruptions serve primarily as catalysts that either accelerate these strategies or create opportune conditions for their implementation. A statement made by the Chief Operating Officer at Firm 12 effectively encapsulates this perspective during our discussion on the optimal timings for relocating manufacturing. He stated: *'One can always argue that things could have been done earlier, but the reality is, there is no such thing as an optimal timing to reshore (…) It's all about the dynamic situation and how we as a company prepare (and respond) to emergency events and strategise against what we think will happen in the future.'* As we reach the end of the presentation of our findings, we will discuss in the next section how we believe the new logics cohere and endure.

3.5 Discussion

Reflecting on institutional logics literature, studies have issued calls for further research into the ways in which logics cohere and endure (Lounsbury et al., 2021), with a specific focus on exploring the role of values, the centrality of practice, and the dynamics of

governance within institutional logics or orders. While our study may not provide ample data to construct a robust argument concerning the role of values in the coherence and endurance of new logics—although we do see interviewees mentioning values such as democracy, fair competition, etc., the direct influence of these values on decision-making remains unclear—it does offer sufficient evidence regarding how practices and governance may contribute to the cohesion and durability of the emergent institutional logics. Therefore, this section will delve into discussing the insights of our data analysis and examining the coherence and endurance of this new deglobalisation logics and their resulting new institutional orders within the international business landscape.

Comparing our findings with the study by Cui et al. (2023), which presents firms as navigating between globalisation logic and deglobalisation logic, our analysis provides a more nuanced understanding of the underlying institutional complexity. We conceptualise globalisation logic as primarily driven by strong market logic with minimal state interference, while deglobalisation logic represents a dynamic interplay between state and market logics. This theoretical framework allows us to logically derive conclusions and make predictions based on one's assumptions or forecasts about the details of this dynamic.

3.5.1 The *coherence* question: The loop between firm logics and organisational behaviour

To understand how the new institutional logics, specifically firm logics, cohere, we focus on how shifts in firm logics and the resultant changes in organisational behaviour feedback into the logics themselves. This feedback mechanism is often referred to as the 'cultural evolution' process (Thornton et al., 2012). Within the framework of this study, we are essentially examining the dynamics of the bottom loop (see Figure 3.5) to determine whether it forms a reinforcing loop that strengthens existing logics and

behaviours, a balancing loop that self-counters and creates potential instability within the institutional system, or a resistant loop whose feedback mechanism is ineffective. Having already demonstrated how organisational behaviours are shaped by their firm logics through corporate decision-making, we now turn our attention to how these behaviours, in turn, influence and reshape the logics. This examination will help us assess the resilience and adaptability of the new institutional logics within the context of evolving global and regional business environments.

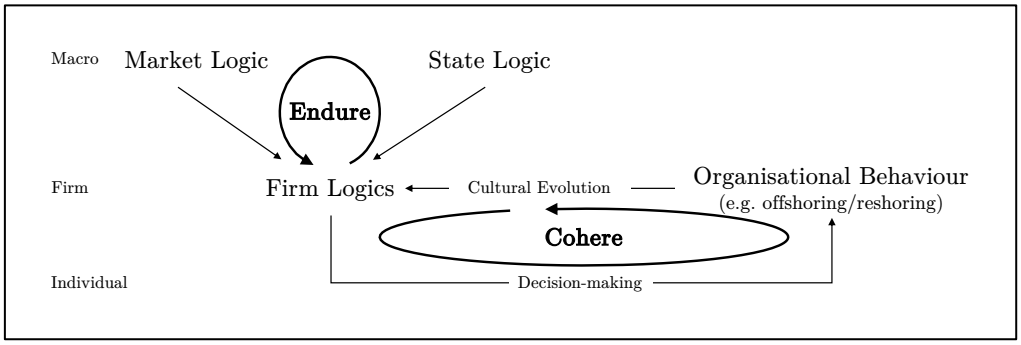

Figure 3.5. The coherence and endurance of new deglobalisation logics

From our interviews, we have identified nuances of cultural evolution in organisational behaviours across several levels: (a) within the supply chain; (b) within the industry; (c) across different industries within the same institutional field; and (d) across institutional fields. A clear example from our case study of firm 30 illustrates this evolution, as their clients' requirements shifted from a 'China+1' strategy to simply just the '1,' as previously mentioned. Such shifts often compel firms to adapt, especially as leaders of B2B supply chains typically wield significant bargaining power and are more susceptible to major Western government policies. Consequently, firms with less bargaining power experience a natural evolution in their firm logics to secure their future positioning within the supply chains. This adaptation is crucial for maintaining relevance and competitiveness in the changing landscape of global trade and manufacturing. It is also apparent that firms'

behaviours influence one another within the same industry, a phenomenon that was evident even before the trend of manufacturing relocation became prominent. The fact that many firms experienced a bandwagon effect in making offshoring decisions (Gray et al., 2013; Wiesmann et al., 2017) demonstrates that normative behaviours within the industry do have a considerable impact on individual firm logics.

When examining how firm logics are influenced by firms from other industries, we observe that the shift in logic is more widespread than one might initially believe. Firms not only monitor their peers' actions and strategies but are also constantly observing how the institutional field—the business environment in a certain region—is evolving and strategising accordingly. Furthermore, we see that state logics spill over into other regions. For instance, the firm logics of our European interviewees are affected by US state logic, despite these firms not operating or having significant market shares in America. This cross-regional influence underscores the interconnected nature of global business environments and the complex dynamics that firms must navigate. Although it is logical since geopolitical issues are international and not region-dependent, the notable influence demonstrates that the barriers between markets and regions are more permeable than they may seem. This permeability leads to a kind of global ripple effect, where decisions and policies in one part of the world can significantly affect business practices and strategies elsewhere. Additionally, this interconnectedness makes it crucial for firms to maintain a versatile and adaptive strategic outlook. They must be prepared not only to react to immediate changes in their local contexts but also to anticipate and respond to shifts originating in distant regions.

In essence, we suggest that over the past few years, there has been a notable shift in business logic, primarily influenced initially by the United States government's policy shift, which has led to a robust governance structure. This structure exerts a significant impact on various business logics that include not only American businesses or those

supplying American clients but also business practices worldwide, regardless of whether businesses are directly impacted by the policies. From a cultural evolution standpoint, we see a positive reinforcing force in the loop, although the absolute strength of such a force varies across regions, as we see how some industries or regions experience more reshoring than others. Hence, we propose that our data demonstrates patterns indicative of the coherence of the new deglobalisation logics, i.e. how the new firm logics would remain observably self-similar. The next question we will address is the endurance of these logics—whether they will remain consistent over appreciable periods of time, which is a crucial aspect we will explore in the following discussion.

3.5.2 The *endurance* question: The loop between firm logics and state logics

In contrast to the coherence question, the endurance question pertains to the upper loop in Figure 3.5, examining whether it forms a reinforcing loop, a balancing loop, or a resistant loop. From our data, we are able to analyse how the new deglobalisation logics endure by comparing firms from different institutional fields. Our sample selection effectively limits our samples to those with a significant presence in the US or Europe, with a few multinational companies large enough to be influenced by both logics. When we closely examine the companies primarily influenced by one of the two, we find notable differences that potentially shed light on whether we believe these logics will or will not remain over appreciable periods of time.

Starting with firms in the US group, the US government has demonstrated a growing interest in decoupling, particularly from China, driven by concerns over national security, trade imbalances, and a desire to repatriate manufacturing jobs (Trump, 2017; Biden, 2021). This shift, evident since the Trump administration, has forced many firms within our case studies to take definitive stances as the political dimensions of business operations have become too significant to overlook. For example, the founder of Taiwan

Semiconductor Manufacturing Company (TSMC) famously declared that globalisation in the chip sector is dead (Wu, 2023). Even a company with substantial bargaining power like TSMC, which holds a dominant position in advanced semiconductor manufacturing, finding itself compelled to comply with US policies is a notable indication of the impact of the US state logic.

Our interviewees also expressed scepticism that the policy-driven decoupling trend between the US and China is likely to be reversed in the near future. They note that both Republican and Democrat administrations have generally maintained a similar stance. We argue that this clarity and directness of US policy—reflecting strong state logic—have led to more definitive reactions or shifts in behaviour, such as backshoring, compared to their European counterparts, who often exhibit more ambiguous responses. This trend highlights the profound impact of state logic on firm behaviour through the mechanisms of environmental sensemaking, particularly in industries where policy directives are clearly stated. We further argue that this clarity and directness would fuel a positive reinforcement loop between firm logics under American jurisdiction and US state logic, leading to a more cohesive and nationally focused industrial strategy, as well as the endurance of the new deglobalisation firm logics. Companies operating within this framework are increasingly incorporating state priorities into their strategic planning, resulting in a reshaping of global supply chains. Such alignment not only supports national interests but also stabilises companies' operations against geopolitical uncertainties, enhancing their resilience in a volatile global market.

In contrast, the European group shows a different dynamic. Despite European think tanks openly pointing out concerns over China's economic coercion (Szczepański, 2022), the EU's strategy, encapsulated by the notion of 'open strategic autonomy,' aims to diminish dependencies on other global powers with policies that steer clear of direct confrontation (European Commission, 2023). Studies also highlight the challenges of

integrating these new notions into the EU's trade policy without completely abandoning the benefits of free trade (Jacobs et al., 2023). Many interviewees actually leverage the prevailing ambiguity to their advantage, though most do not expect this ambiguity to persist indefinitely. They seem less pressured compared to the previous group, referencing the intricacies of relocation decisions and the fact that supply chain adjustments cannot be implemented overnight. As articulated by the head of technical product development from Firm 22: *'I think everybody somehow accepted that this is a precondition or a frame condition we need to live with and manage in the best possible way. What we generally try to do is counter-sourcing so that you have two sources for raw material and finished products. But then, this is not always possible because of certain requirements on product quality, sustainability, compliance. Not to mention it is really hard to find two good vendors. Over time, our decisions seem to be more event-driven and then managed accordingly.'* These observations reveal the varied regional responses to global challenges, influenced by strategic priorities and differing interpretations and responses to the interplay of state and market logics.

For example, faced with the choice between Chinese and Western suppliers, while the US group predominantly favours Western sources given the current climate, European firms may choose either. We contend that such an institutional order in Europe might not be tenable, as the deglobalisation firm logics in Europe lack endurance. Plus, the spillover effects of US state logic onto European state logic have already been noted in previous discussions. Hence, we suggest that strategic uncertainty and the inherent flexibility in the EU's approach might culminate in decreased predictability and a reactive rather than proactive stance in strategy. This discrepancy between US and EU strategic frameworks may lead to diverging capabilities in how firms within each region withstand and adapt to global economic and political fluxes. Therefore, we posit that European firms

may find themselves at a competitive disadvantage if they persist with a framework that fails to coalesce into a more defined and consistent directive.

In summary, we propose that firms under the influence of US state logic are likely to demonstrate greater endurance, owing to the clarity and directness of the US policy stance. Conversely, firms operating under the influence of EU and UK logics may undergo more frequent strategic shifts. While European firm logics might maintain a dynamic balance over time, our present theoretical stance does not see this as the likely outcome. The evolution of firm logics is intertwined with state policies, and as the geopolitical landscape continues to shift, the long-term endurance of these logics will largely depend on the stability and coherence of the state logics that underpin them.

3.6 Conclusions and final remarks

In conclusion, our study underscores the evolving dynamics between market and state logics within the realm of global and regional business strategies, highlighting a significant shift from globalisation to deglobalisation. Through extensive interviews and analysis, we observed how firms adapt their operational and strategic responses to the shifting pressures of geopolitical and economic forces. Notably, we identified a divergence in the impact of US and European state logics on firms operating within these jurisdictions. This divergence illustrates how institutional logics greatly impact business practices and emphasises the need for flexible strategies in a rapidly changing global landscape. The findings of this study carry important theoretical, managerial, and policy implications that we will outline in this section. These ramifications play a vital role in comprehending the larger effects of institutional changes on business strategies and the worldwide economic landscape.

3.6.1 Theoretical implications

The introduction of institutional logics within the context of globalisation and deglobalisation provides significant theoretical implications for the study of manufacturing relocation. We extended discussions on manufacturing relocation decision-making by incorporating behavioural and cognitive aspects as outlined by Tsai and Urmetzer (2024). Our results demonstrate that despite reshoring being a notable trend over the past decade, there is already a 'new' trend emerging that differs from that of roughly five years ago, when companies primarily based their location decisions on operational motivations (Fratocchi et al. 2016) and scholars generally focused on those aspects. Our findings reveal that, in recent years, geopolitics has become a central factor in location decisions, often outweighing operational factors, especially for long-term strategies. This shift significantly impacts the understanding of global manufacturing trends.

Our study also offered a complementary perspective to Cui et al.'s (2023) discourse on the 'old vs new' vulnerabilities of globalisation, providing empirical support for their proposal of MNEs' response strategies in the short run. We extended the discussion to include how firms strategise for the long run, with a common rationale that firms are essentially balancing political pressures and economic rationality under complex and volatile institutional landscapes. Our case firms demonstrated crucial strategic planning skills, such as anticipating future uncertainties, generating alternatives for effective operation in changing environments, and implementing new plans swiftly and efficiently (Simon, 1993). Furthermore, we predicted the potential development of institutional fields based on current situations, assuming minimal changes in key variables.

The exploration of firm logics in the context of this study also provides profound theoretical implications for the study of institutional logics. Our comparative analysis between the past and present illustrates the shift from a market-dominated logic to one

where state influences are increasingly significant. This demonstrates a dynamic interplay between different institutional forces, providing rich empirical evidence to discussions of event attention and environmental sensemaking (Nigam and Ocasio, 2010). This transition highlights the complexity of how firms navigate and adapt to rapidly changing global environments, reinforcing the proposition that firms are not merely reactive entities but actively interpret and strategise based on their perceptions of the institutional landscape.

Moreover, the analysis of decision-making processes in the face of institutional complexity offers a fresh perspective on the role of firm logics in organisational behaviour. Complementing studies like Greenwood et al. (2011) and Herold and Marzantowicz (2023), we explored how supply chains can influence institutional environments and manage institutional complexity. We considered the top-down and bottom-up effects of institutional logics on supply chain practices and field-level changes. Our findings suggest that as firms encounter various global and regional pressures, their responses are shaped by a blend of existing market logics and emerging state logics. This blend influences not only firm strategies but also contributes to the evolution of the very logics they are based on, through a feedback loop that involves strategic adaptations and the cultural evolution of business practices. This observation enriches our understanding of institutional theory by highlighting the reciprocal relationship between firms and the institutional frameworks they operate within.

Furthermore, our comparative analysis between US and European groups elaborates on the geographical and political nuances influencing firm logics. The divergent responses to similar global pressures provide a unique lens through which the influence of regional state logics can be dissected. This variance adds depth to the theoretical discussions around globalisation, such as those by Barbieri et al. (2018), suggesting that the impacts of state interventions on firm behaviours are contextually

bound and can lead to distinct outcomes depending on the regulatory and political climate of each region.

In essence, this study enriches the discourse within institutional theory by bridging the gap between macro-level state influences and micro-level organisational behaviours. By documenting the shifts in firm logics and the consequent strategic responses, it provides empirical evidence that supports a more nuanced understanding of the dynamic and reciprocal nature of institutional logics. This not only extends existing theoretical frameworks but also opens up new pathways for future research into the complexities of institutional interplays in a globalised, or now somewhat deglobalised, world.

3.6.2 Managerial implications

As the dynamics between market and state logics continue to evolve, it is imperative for managers in multinational corporations to enhance their strategic adaptability and risk management. With state logics gaining prominence, particularly evident in the US and European contexts, firms must regularly assess geopolitical risks and adapt their operational strategies accordingly. This might involve diversifying supply chains, engaging more robustly with policymakers, and exploring new markets to mitigate dependencies on specific geopolitical areas. Firms, especially in the US, where policy directions are clearer, should not only align their strategies with national interests but also actively participate in policy discussions to influence regulatory environments favourably.

Furthermore, investing in continuous monitoring and sophisticated environmental sensemaking capabilities is crucial. This approach is particularly important in Europe, where policy signals may be more ambiguous, requiring firms to develop advanced mechanisms to track and interpret changes. By understanding and reacting to the fluid

dynamics of deglobalisation, firms can maintain competitiveness in a market characterised by both state cooperation and competition. Overall, embracing adaptability, proactive policy engagement, and enhanced sensemaking will equip managers to better navigate the complexities of the modern global economy. These strategies prepare firms not only to align with current state policies but also to swiftly adjust to future changes in the global business environment, ensuring long-term sustainability and resilience.

3.6.3 Policy implications

Our research yields several key policy implications that can guide governments and regulatory bodies as they navigate the evolving interplay of market and state logics in the global business arena. To support businesses amidst the complexities of deglobalisation, governments should aim to establish transparent and stable regulatory frameworks. Policies that clarify trade, tariffs, and foreign investment will enhance predictability, enabling firms to make informed and assured long-term decisions. Such consistency in regulations stabilises markets and underpins businesses in their strategic planning and investments. Furthermore, this predictability could lead to a self-fulfilling prophecy where firms thrive under expected conditions, reinforcing the very goals that the policies aim to achieve.

There is also a pronounced need for policies that actively aid firms in diversifying their supply chains. Incentives such as tax reliefs, subsidies, or logistical assistance to venture into new markets or set up in alternate regions can minimise the risks tied to over-reliance on certain geopolitical areas. This fortifies the resilience of national economies and contributes to a more equitable global trade landscape. Moreover, establishing regular channels for dialogue between the public sector and private enterprises would align business practices with national economic strategies more effectively. Engaging in such dialogue can lead to better-informed policy development,

harnessing real-world business perspectives, and cultivate a cooperative rapport between the public and private sectors.

Furthermore, governments should channel efforts into promoting innovation and technological advancement. Investment in research and development, nurturing of technological hubs, and fostering of partnerships between academia and the private sector are pivotal. These endeavours propel economic progress and equip domestic firms to embrace new technologies and maintain international competitiveness. Promoting international cooperation on trade and security is paramount amidst rising deglobalisation sentiments. Bolstering international institutions that oversee trade and settle disputes is essential to uphold an equitable and open global trade system, mitigating risks from geopolitical strains and fostering stable global market conditions. Through these policy initiatives, governments can aid firms within their jurisdiction to adjust to new trade dynamics and contribute to a more steadfast and resilient global economy.

Finally, a remark for the European Union is that the pursuit of strategic autonomy requires a more precise definition and uniform application across member states to harness its full potential and bolster resilience amidst the volatility of global markets and political uncertainty. While the intent is to mitigate risk by diversifying supply sources and minimising dependencies, the practical application often stumbles due to the high standards and particular demands European firms place on their suppliers. To leverage this concept effectively, it's imperative to cultivate enhanced cooperation among EU nations, constructing a more cohesive and supportive framework that promotes the sharing of resources, technology, and information. This strategy would fortify the EU's ability to withstand external shocks while preserving the quality and sustainability of supply chains. In conclusion, navigating the intricacies of strategic autonomy with clearer directives, reinforced intra-EU collaboration, and an emphasis on technological

innovation is vital for reinforcing the EU's stance on the global stage and securing the enduring success of its economic and political strategies.

3.6.4 Limitations and future research

Our study acknowledges several limitations. Firstly, the scope of our research is primarily concentrated on the institutional logics from the perspective of the 'Global North'—regions that have largely transitioned to service-based economies and typically outsource or offshore manufacturing to the 'Global South.' Exploring the institutional logics within China, the world's second-largest economy and a major manufacturing hub, would be particularly enlightening. However, we faced challenges in engaging with Chinese firms, which restricted our ability to deliver comprehensive insights into the Chinese system. Similarly, examining countries that have become focal points for reshoring, such as Mexico, Vietnam, India, and Thailand, would provide valuable perspectives. The field logics in these countries are likely to differ significantly from those in the Global North, and assessing the extent of the Global North's state logics' influence on these regions would be intriguing. Another limitation is that our discussion primarily focuses on location decisions. While we anticipate that our theory could be applicable to broader business decisions or practices due to the nature of institutional logics, our data alone do not allow us to extend these implications further.

Finally, and perhaps most significantly, the nature of our analysis is qualitative, and our findings might only be relevant to the context of the study and may not be generalisable beyond this specific context. However, this limitation aligns with our study's objective. We included a wide range of industries to mitigate industry-specific bias, although we acknowledge that our sample selection is not exhaustive, which is a limitation inherent to an exploratory qualitative study. For instance, we excluded many Asian companies with significant local presence or presence in China, as our aim was to

compare the effects of US and European state logics on individual firm logics. These companies have also undertaken relocation efforts over the past few years, but we deliberately excluded them from this study. Given that we are developing theories to explain this new relocation phenomenon, our approach is a reasonable and arguably necessary limitation. Nonetheless, we encourage future research to undertake other qualitative and quantitative efforts to expand upon our findings and modify our theoretical framework if necessary.

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3.8 Appendices

Appendix 3.A Semi-structured interview questions

1. **Preliminary information**

   - Industry, company size, annual turnover, main market location
   - History of production locations

2. **Consideration stage (most recent relocation decision)**

   Conceptual Incubation

   - What issues arose that prompted managers to start considering relocation (e.g. pain points, risks, opportunities)?
     - How, when, and where did these conversations take place?
     - Who were present, and who was the lead?
   - How does your company manage and prioritise competing demands and priorities when making relocation decisions?
   - Have you faced any challenges while balancing short-term and long-term goals?
   - Did your company have any previous experience with manufacturing relocation?
     - How did previous experience(s) aid, help, or affect the shaping of this one?

   Tipping Points

   - What was the breaking point that led from consideration to decision?
   - How did the pandemic affect your considerations?
   - How did recent geopolitical issues (e.g. Russian-Ukrainian war, China-US tensions) affect your considerations?
   - How does your company stay aware of the potential impact of geopolitical events and global market trends on relocation decisions?

3. Decision stage

- If a decision was made, what does it look like in terms of location and ownership? (e.g. moved 50% of production from A to B; outsourced to insourced, etc.)

Location Choice

- How did your company determine the new production destination?
  - What countries or regions has your company considered? What are the main drivers or concerns for each?
  - How did your company gather relevant information (e.g. specialised teams, consultancies, local branches, etc.)?

Ownership Choice

- How did your company determine whether to produce in-house or outsource in the new production arrangement?
  - If there was a change, why?
  - If not, has your company ever considered a switch?

Decision Moderators

- Were there any barriers that made some options less appealing (e.g. dependence on offshored regions, destination resource shortage, firm capability shortage, lack of decisional support or data, regulatory issues, etc.)?
- Do you believe there is an optimal timing for when relocating should be or should have been done?
  - (*'Should have been'* cases) What have you learnt from the experience?
  - Do you believe that it can be 'too late' for your company to relocate because relevant capabilities have been long lost offshore?

- What do you think is the fundamental reason for this relocation? Is it due to (a) decisional errors in the past, (b) issues that could not have been foreseen, or perhaps both?

Decision-making and Implementation

- How was the final choice made (Yes/No & location-ownership combination)?
  - What did the calculations look like?
  - Were there any tools used?
  - Were any third-parties involved, and how did they help?
  - How did you engage with stakeholders such as suppliers, employees, and customers in the reshoring decision-making process?
- Do you think such decisions are a one-time effort, or are they cyclical?
- How do you collaborate with suppliers to ensure a smooth transition to relocation and minimise disruptions to the supply chain?
- What role did emotions and values play in your company's decision-making processes when considering relocation?
- Can you describe any trade-offs or compromises you had to make when deciding whether to relocate?
- What are the main challenges your company faced during or after implementation?

4. Evaluation stage

- How has your company's overall strategy changed after this relocation effort?
- How do you measure and track the impact of reshoring on your company's *financial performance*?

- How do you measure and track the impact of reshoring on your company's *operational performance*?
- How do you incorporate *risk management* into your reshoring strategy, and what steps do you take to mitigate potential risks?
  - What changes do you think have occurred in risk management practices or perspectives in recent years?
- How do you anticipate and address the *ongoing challenges* of relocation, such as maintaining competitive pricing and adapting to changes in technology and regulations?
- How do you *measure the success* of a relocation initiative, and what metrics do you use to track progress?
- What have you learnt from the previous offshoring experience?
- Can you discuss any *lessons learnt* from previous reshoring experiences and how you have incorporated those lessons into your approach to future relocation initiatives? (e.g. better assessment of cost, performance, or possible problems, etc.)
- Looking back, what would you have done differently in your decision-making process when considering reshoring?
- How do you plan to continuously evaluate and improve your location strategy moving forward?
- Can you discuss any challenges you have faced in attracting new talent after reshoring, and how you addressed them?

Chapter 4

The Latecomers' Perspective:

How Latecomers Upgrade and Survive

Adapted from publication:

Tsai, T.Y. and Urmetzer, F. (2023). An ecosystem view of supplier upgrading in global value chains: Evidence from Taiwanese suppliers. *Academy of Management Proceedings*, 2023(1).

4 The Latecomers' Perspective

How Latecomers Upgrade and Survive

This chapter shifts the focus to latecomer subcontractors and examines their strategies for maintaining competitiveness and achieving functional upgrades within global value chains. By analysing the strategies of successful long-standing companies, or 'survivors,' this chapter identifies the critical dynamic capabilities that enable these firms to thrive despite resource scarcity, power asymmetries, and other barriers in a rapidly changing business environment.

4.1 Introduction

Outsourcing has become integral to international manufacturing as technological advancements allow firms to leverage cost differences between economies (Lewin and Peeters, 2006; Boehm, Flaaen, and Pandalai-Nayar, 2020). Over the past few decades, globalisation has reshaped manufacturing, often through earlycomer firms from developed countries outsourcing to latecomer subcontractors in developing economies (Gereffi, Humphrey, and Sturgeon, 2005; Varadarajan, 2009; Contractor et al., 2010). Recently, there has also been a de-globalisation trend, with major shifts in production locations worldwide (Tsai and Urmetzer, 2024). While global value chain (GVC) arrangements enable subcontractors to rapidly enhance their manufacturing capabilities,

they often become locked into relationships that limit functional upgrades (Humphrey and Schmitz, 2002; Kadarusman and Nadvi, 2013). As competition intensifies given the dynamics of international manufacturing, the diminishing differences among firms compel them to upgrade their business models in a timely and effective manner (Lanzolla and Markides, 2020).

Existing literature identifies essential capabilities for subcontractor upgrading (Hsiao and Chen, 2013; Kadarusman and Nadvi, 2013); however, the challenge of upgrading within the asymmetrical power dynamics of subcontracting arrangements remains unclear (Magnani, Zucchella and Strange, 2019), and the literature largely overlooks the subcontractor perspective in outsourcing strategies (Li, Wei and Liu, 2010). As noted by Sinkovics, Hoque, and Sinkovics (2018), there's scant insight into how subcontractors strategise and establish routines to establish capabilities within GVCs. This study aims to explore how suppliers from developing economies survive through, and escape, passive relationships while sustaining competitive advantages in GVCs.

To address these gaps, we integrate the concepts of business ecosystems (Moore, 1993) with dynamic capabilities (Teece, Pisano, and Shuen, 1997) for several reasons. Firstly, business ecosystems help frame complex institutional relationships, extending firm interaction analysis beyond traditional supply chains (Rong and Shi, 2014; Adner, 2017). Secondly, international subcontracting arrangements fit Adner's (2017) ecosystem definition as multilateral alignment structures that materialise a value proposition, providing unique insights into subcontractors' business strategies as they engage in various ecosystems (Bosch-Sijtsema and Bosch, 2015). Lastly, the dynamic capabilities perspective overcomes the limitations of the resource-based view (RBV) (Barney, 1986; Nelson, 1991) and helps subcontractors maintain long-term competitiveness, recognising that resources deemed valuable in one ecosystem may not be in another (Siaw and Sarpong, 2021).

This study examines seven high-performing Taiwanese subcontracting 'survivors' that have thrived for over twenty years and remain headquartered in Taiwan. We focus on the dynamic capabilities that have sustained them through GVC governance, incorporating ecosystem insights. Our findings advance the literature in three key areas: identifying dynamic capabilities shared among successful subcontractors, rationalising non-linear upgrading paths for mature subcontractors from an ecosystem perspective, and demonstrating how shifting power dynamics and business models affect firm opportunities within ecosystems.

This chapter is structured as follows. Chapter 4.2 provides a review of the literature on subcontracting businesses and relevant theoretical backgrounds in the area. Chapter 4.3 provides the research design and methodology. The results are presented in Chapter 4.4 and discussed in Chapter 4.5. Final conclusions, implications and limitations, as well as suggestions for future research, are drawn in Chapter 4.6.

4.2 Related literature

The existing literature on global value chains (GVCs) and global production networks (GPNs) has provided significant insights into how the global economy fragments business activities and distributes them across various geographical regions (Gereffi, Humphrey, and Sturgeon, 2005). In global subcontracting, the concept of the 'smile of value creation' (Mudambi, 2008) has been pivotal in decomposing the GVC to illustrate how various activities contribute to value creation. This model has rationalised why lead firms outsource low-value-adding activities to developing economies for cost advantages (Rehnberg and Ponte, 2018), and has guided subcontractors in adding value to their operations. Hobday (1995a) observed that firms from developing countries typically start by leveraging inexpensive labour, eventually 'upgrading' to integrate design and pre-

production services into their manufacturing capabilities. Some have further advanced to marketing products under their own brands for survival and differentiation (Ernst, 2000; Chen et al., 2016).

Despite efforts to enhance their GVC positions, subcontractors require specific capabilities to upgrade successfully (Hsiao and Chen, 2013; Kadarusman and Nadvi, 2013), with their development influenced by their strategies and the governance models of lead firms (Kawakami, 2011). Significant power and knowledge asymmetries between suppliers and clients often restrict the strategic flexibility of suppliers (Hoque, Sinkovics, and Sinkovics, 2016). Humphrey and Schmitz (2002) argued that the prevalent 'quasi-hierarchical' governance in global subcontracting facilitates rapid manufacturing upgrades for local suppliers, yet these relationships can inhibit functional upgrading. As competition intensifies and heterogeneity between firm capabilities becomes subtle, firms start to face survival issues if they cannot carry out timely and successful upgrades (Lanzolla and Markides, 2020).

Despite these challenges, opportunities for successful upgrading have been identified in existing literature. From a learning perspective, Sinkovics, Hoque, and Sinkovics (2018) suggest that firms initially relying on duplicative imitation can evolve through internal knowledge-creation mechanisms to engage in creative imitation and later innovative learning. From an operational perspective, a gradual transition maintaining a balance between stability and change can support continuous capability development (Yan, 2012; Chen et al., 2016). From a business model perspective, adopting an ambidextrous approach—balancing contracting with own-brand marketing—has been validated as a strategic choice (Lee, Chen, and Tang, 2005; Zhang, 2011; Hsiao and Chen, 2013).

One issue with current research is that discussions and analyses concerning upgrading within the existing literature have predominantly focused on the value chain's

scope. These discussions have not adequately considered how complementarities or interdependencies with external institutions might influence the direction of upgrading. Thus, we posit that integrating the business ecosystem concept (Moore, 1993) is pertinent. Adner's (2017, p. 40) definition of an ecosystem as 'the alignment structure of the multilateral set of partners that need to interact in order for a focal value proposition to materialise' offers a unique lens to examine the dynamics among firms and their stakeholders beyond direct supply chains (Rong, Shi, and Yu, 2013), allowing us to expand the scope of firm interaction analysis beyond the traditional GVCs to include external actors, not just direct supplier-buyer relationships (Gomes et al., 2018).

Subcontractors, typically not bound by monopolistic agreements, often engage with multiple clients aiming to realise diverse value propositions, thereby participating in several business ecosystems simultaneously. Bosch-Sijtsema and Bosch (2015) note that such firms may adopt varied engagement models in each ecosystem, balancing collaborative and competitive strategies (Boudreau and Lakhani, 2009). However, navigating these engagements under the asymmetric power dynamics typical of subcontracting arrangements remains less understood (Magnani, Zucchella, and Strange, 2019), as does their impact on the ability of suppliers to upgrade, particularly when subcontractors in developing economies often find themselves in passive roles.

Another limitation of existing research concerns the capabilities necessary for successful supplier upgrades and maintaining competitive advantage. The widely adopted resource-based view (RBV) (Barney, 1986; Nelson, 1991) highlights the significance of valuable, rare, inimitable, and non-substitutable (VRIN) resources for achieving competitive advantage within fixed business model setups. However, this perspective may not adequately address the complexities involved when firms upgrade their business models, as resources previously considered VRIN may lose such status as business dynamics shift. Thus, integrating the dynamic capabilities view (DC) (Teece, Pisano, and

Shuen, 1997) is crucial, emphasising a firm's ability to *'integrate, build, and reconfigure internal and external competences to address rapidly changing environments.'* Teece (2007) delineates three core business processes in DC: sensing market and technological opportunities, seizing these opportunities, and continuously transforming both tangible and intangible assets to sustain competitive advantage and growth.

The significance of the DC framework extends beyond the limitations of the RBV, facilitating analysis of how firms sustain long-term competitive advantage across business model shifts. Subcontractors, participating in multiple ecosystems, possess diverse resources that, while potentially non-VRIN in one context, can offer opportunities to develop VRIN capabilities in others or enable competitive differentiation (Siaw and Sarpong, 2021). Although many studies have applied the DC view to analyse outsourcing strategies and decision-making from the lead firm's perspective (e.g. Sen, Kotlarsky, and Budhwar, 2020), there remains a substantial gap in understanding from the subcontractor's viewpoint (Li, Wei, and Liu, 2010), particularly on how they strategise for survival amid increasing competition and establish capabilities within GVCs (Sinkovics, Hoque, and Sinkovics, 2018). Furthermore, as subcontractors evolve their business models, their roles within various ecosystems are likely to change, raising questions about their ability to sense and seize differing opportunities as their ecosystem roles shift.

In conclusion, while existing literature has identified the challenges faced by subcontractors as GVCs evolve, it has not sufficiently explained how these firms remain competitive in dynamic environments. This study, therefore, adopts the business ecosystem view combined with the dynamic capabilities perspective to explore how subcontracting survivors strategise to build DC for sustainable competitive advantage and how their opportunities vary as their roles within ecosystems evolve. The remainder of this study is dedicated to the empirical investigation of these issues.

4.3 Methodology

4.3.1 Research design

This study employs an abductive approach, recognising that existing literature offers developed frameworks and empirical observations but lacks detailed insight at the foundational level. We use the flexible pattern matching approach (Bouncken et al., 2021), applying it to theoretically sampled cases. These cases were selected based on specific criteria detailed in the subsequent section, using a priori patterns of dynamic capabilities developed by Teece (2007).

A multiple-case design was chosen for its ability to facilitate replication and enable generalisation from varied profiles (Eisenhardt, 1989; Eisenhardt and Graebner, 2007; Yin, 2018). Primary data analysis was conducted immediately following each interview. The data collection process was concluded once signs of saturation became evident (Sargeant, 2012). The objective of our data analysis was to identify consistent patterns across cases and to derive cross-case conclusions that effectively address our research question. Figure 4.1 provides a visual representation of the overall research design, outlining the objectives associated with each process.

4.3.2 Data collection

The data for this research was gathered from multiple sources to ensure data triangulation, enhancing the reliability and validity of the findings. The sources include: (1) primary data from interviews conducted with several individuals within each case organisation, wherever possible, to mitigate informant bias; (2) public information released or authorised by the companies; and (3) financial market data obtained from specialised sources. The selection of case companies followed a rigorously designed protocol, with feedback from a pilot case incorporated to refine the selection criteria.

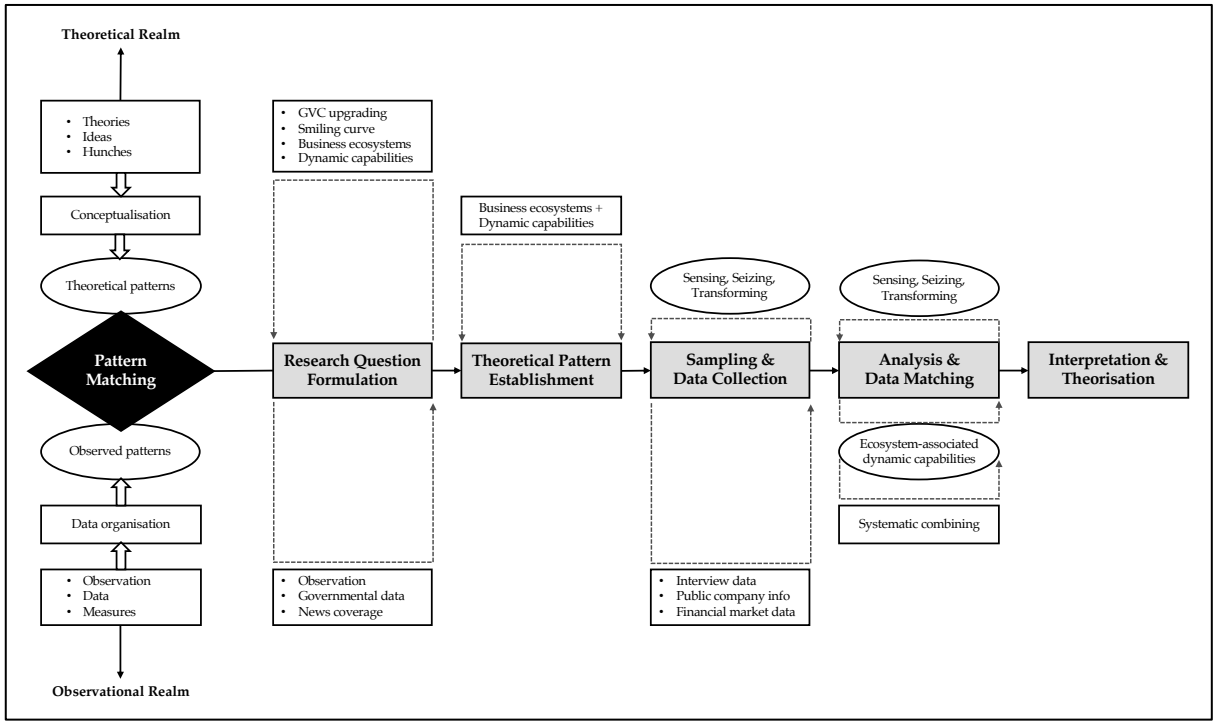

Figure 4.1. Flexible pattern matching research design, adopted from Bouncken et al. (2021)

4

Sample case selection. Case firms were targeted across the Taiwanese manufacturing sector with the objective of selecting a diverse sample of 'subcontracting survivors' to ensure the generalisability of the results. The study included both public and private companies to accurately represent the state of Taiwanese subcontractors.

To be included in this study, firms had to meet three specific criteria: (1) the firm had to have begun its operations with a subcontracting business model; (2) the firm had to have been in business for over twenty years; and (3) the firm had to have been financially outperforming its competitors in recent years.

Regarding the second criterion (firm age), only 10.7% of existing Taiwanese manufacturers had been in operation for at least twenty years as of 2020, according to data from the Ministry of Economic Affairs (2021). Consequently, nearly 90% of all Taiwanese manufacturers had either ceased operations or relocated production. Thus, firms meeting this criterion were justified as 'survivors' in the subcontracting business.

For the third criterion (performance), data from Bloomberg and Capital IQ was utilised to verify financial performance. Due to limited data availability on Taiwanese companies on these platforms, performance was assessed using one of two metrics: 'Five-Year Compound Annual Revenue Growth' or 'Five-Year Average Return on Invested Capital.' Firms had to score in the top 25% for at least one of these indicators to qualify as eligible candidates. Financial data for private companies was obtained through grey literature and compared against the same metrics for public companies to ensure fair evaluation.

Out of 68 companies that met the study's criteria, 10 (14.7%) responded to our interview request, and 7 were ultimately included in the study. The ultimate sample size (n = 7) was determined at the point of data saturation, when additional interviews ceased to yield new insights (Sargeant, 2012). This saturation point was established through repeated individual and joint case analyses after each interview. We believe this sample size is adequate for an exploratory study, having provided rich insights that enable the creation of a novel yet compelling narrative. Future similar studies could benefit from incorporating a broader context (i.e. including other economies) rather than expanding the sample size.

This study focuses on how global subcontracting arrangements and firm capabilities influence the upgrading and survival of businesses. It does not explore industrial differences, as there are considerable similarities in business models among Taiwanese subcontractors across various industrial sectors (Chu, 2009). Including firms from multiple sectors actually enhances the internal validity of our analysis.

Addressing Selection Bias. While the 14.7% response rate raises the possibility of selection bias, several factors mitigate this concern. Firms were selected based on objective financial criteria, ensuring that the sample represented high-performing

'subcontracting survivors' rather than just those willing to participate. Publicly available data, supplemented by grey literature for private firms, ensured that the selection was not driven solely by firm willingness.

Additionally, triangulation with secondary data sources, such as financial reports and industry publications, helped validate the information provided in interviews, reducing the potential for overly favourable responses. Despite the relatively low response rate, data saturation was reached after interviewing seven firms, indicating that the insights gained were sufficient for the study's exploratory purpose. Nevertheless, it is acknowledged that non-responding firms might have offered alternative perspectives, and future studies could benefit from broader sampling strategies to further minimise bias.

Secondary data collection. Secondary data sources were employed both before and after the scheduled interviews to enhance the robustness of the research findings. Prior to the interviews, financial statements, company reports, and public announcements were scrutinised to acquire a comprehensive understanding of the firms' situations. Following the interviews, data from industrial reports and media articles were collected for verification and to supplement the initial findings. Multiple data sets were utilised for triangulation purposes, ensuring the authenticity of the collected data and mitigating potential biases. Additionally, we requested that case firms provide supplementary information to fill any gaps in the publicly available data, particularly for private companies, to ensure a thorough analysis.

In-depth interviews. To gain a comprehensive understanding of the subject matter, we invited case firms that met our selection criteria to participate in our exploratory interview study. Ideal interviewees were individuals deeply knowledgeable about their company's business strategies and capable of contributing to our research question

(Sargeant, 2012). We anticipated conducting discussions with CEOs, directors, managers, and other appropriate personnel or stakeholders as identified or nominated by the respondents.

In total, we conducted 13 semi-structured interviews with key management personnel from these companies. To further mitigate informant bias, we aimed to interview multiple personnel within each case company whenever feasible (Eisenhardt and Graebner, 2007). Each interviewee held direct responsibility for corporate decision-making and possessed diverse experience in strategic planning scenarios. All respondents were fully briefed on the purpose of the interview and confirmed the authenticity of their statements.

The interviews were carried out in a semi-structured format, starting with introductory inquiries and progressing to more open-ended questions (see Appendix 4.A), supplemented by follow-up questions based on the respondents' answers. The duration of the interviews varied from 40 to 80 minutes, with all sessions being recorded and transcribed as recommended in the literature (Yin, 2018). Due to the competitive nature of their industries, several interviewees requested confidentiality; hence, the names of the participating companies have been withheld. The interviewees included three CEOs, two CTOs, two senior managers, one R&D director, one R&D manager, and four key account managers (see Table 4.1).

Table 4.1. Summary of interviewed firms and individual roles

#	Industry	Firm Age*	Current Business Model	Interviewee Role	Interview Length**
1	Consumer Discretionary	35-39	Late-ODM/OBM Ambi.	CEO	80 mins
2	Industrial Machinery	25-29	Late-ODM	CTO	60 mins
				Key-account Manager	50 mins
3	Industrial Machinery	40+	Late-ODM	CEO	70 mins
				Senior Manager	50 mins
				Key-account Manager	40 mins
4	Consumer Discretionary	20-24	OBM	CEO	80 mins

5	Information Technology (Hardware, Storage & Peripherals)	30-34	Late-ODM/OBM Ambi.	CTO	40 mins
				Senior Manager	40 mins
				R&D Director	50 mins
6	Industrial Machinery	30-34	Late-ODM	Key-account Manager	50 mins
7	Information Technology (Semiconductors)	35-39	Late-ODM	R&D Manager	60 mins
				Key-account Manager	50 mins
Total				13 Interviews	12 hrs

* Firms' years in business, as of interview date

** Rounded to the nearest 10 minutes

4.3.3 Data analysis

The data analysis procedure adhered to the methodological steps proposed by Bouncken et al. (2021), aimed at ensuring research rigour and securing data validity and reliability. We conducted the analysis through three principal stages to systematically explore the collected data.

Firstly, we immersed ourselves in the existing literature on global value chains and ecosystems to establish a solid understanding of the basic theoretical constructs. This foundational review informed our analytical perspective and provided a benchmark for interpreting empirical data. Secondly, we adopted the dynamic capabilities framework as the primary theoretical lens for pattern matching with the empirical data collected from the sampled firms. Within-case analyses were performed, and cross-case pattern matching was engaged following each interview.

The analyses were executed using the *systematic combining* approach (Dubois and Gadde, 2002, 2014), which entails a continuous iteration between theoretical framework deduction and empirical data induction. This approach helped in refining our understanding and enhancing the depth of our analytical conclusions. Through this iterative matching process, we generated an initial list of *first-order categories* as defined by Miles and Huberman (1994). Subsequently, these first-order categories were aggregated into *second-order categories*, ultimately forming nine ecosystem-related

dynamic capabilities that align with Teece's (2007) framework, which will be presented in the next section. This step was crucial in linking empirical observations with established theoretical dimensions, thereby enhancing the interpretive richness of our findings.

Finally, we synthesised our results using the figures approach recommended by Bouncken et al. (2021). This technique was particularly useful in mapping the complex configurations of the ecosystems we studied, allowing us to introduce a novel concept we termed 'managerial field-of-view.' This new notion captures how managers perceive and act upon their understanding of the ecosystem dynamics, thereby adding a unique dimension to the discourse on strategic management within GVCs and business ecosystems.

4.4 Results and findings

From the data collected, we identified nine ecosystem-associated capabilities, which are categorised into three groups: three sensing capabilities, three seizing capabilities, and three transforming capabilities. This section will provide a detailed analysis of these capabilities and their roles within the firms studied. A summarised illustration of these findings is presented in Figure 4.2 at the end of this section. Discussions concerning the broader ecosystem contexts in which these capabilities function will be addressed in the subsequent section.

4.4.1 Ecosystem-associated *sensing* capabilities

Building mechanisms for ecosystem information collection

Our research indicates that the case companies have adapted their business models to better integrate with other players within their ecosystems, aiming for broader market exposure. Importantly, we have observed various mechanisms these firms employ to

gather information from ecosystem participants. The CEO from firm 1 (consumer discretionary) stated: *'We attend trade fairs in multiple countries every year, not only to promote our products, but also to observe where our competitors are heading and what other relevant industries are working on.'* Additionally, the key-account manager from firm 2 (industrial machinery) remarked: *'We have worldwide sales teams that gather local demand information, as well as to continuously collect customer feedback. Our R&D team then adjusts product development strategies to accommodate the information gathered.'* Furthermore, the R&D director of firm 5 (technology hardware) commented: *'Our executive decision of continuing to produce mobile phones and tablets is not purely profit-driven, but more of a strategic approach. The nature of these products allows us to collect invaluable end-user data that could be used to inspire future product offerings.'*

In summary, these firms have developed specific routines and mechanisms that enhance their exposure to a wider array of ecosystem actors, enabling them to sense hidden business opportunities beyond the immediate demands of their direct clients. Moreover, actively collecting information on major clients' manufacturing strategies can provide insights into whether they might be considering shifting supplier locations to avoid geopolitical risks. In such cases, strategies can be prepared or adjusted beforehand to maintain or even strengthen business relationships.

Scanning and screening technologies from the ecosystem

Our interviews revealed that the case firms actively engage in scanning the ecosystem for emerging technologies and collaborate with research institutes (e.g. Industrial Technology Research Institute, or ITRI) and universities to explore these advancements. The CEO from firm 4 (consumer discretionary) stated: *'ITRI is a major source of our breakthrough technologies. They provide industrial consultancy services that provide information and guidance on the newest technologies in leading regions and gradually*

progress into technology development projects. (…) ITRI projects are not simply technology transfers or spin-offs but are collaborative development programmes with a joint taskforce that constantly manages the projects and ensures rapid time-to-market.'

Additionally, the CEO from firm 3 (industrial machinery) commented: *'We have long-term industry–academia partnerships with universities that recently switched focus to energy-saving technologies, bridging the gap in our R&D team. (…) One of the most valuable aspects of such a partnership is that the academics provide feedback and information, information we would not have otherwise gathered through other means.'* Overall, by continuously scanning and evaluating the technological landscape through the engagement of various ecosystem actors, these companies are able to identify and seize valuable business opportunities emerging from the ecosystem.

Evaluating the current ecosystem role and value proposition

Our findings indicate that the case firms regularly assess their value propositions and current positions within the various ecosystems they participate in. The firms consistently reported that their management teams discuss ecosystem dynamics in periodic meetings, identifying potential risks associated with their current engagement models. The CTO from firm 2 (industrial machinery) mentioned: *'We constantly review our business model and evaluate whether it is possible to achieve steady growth for the years ahead. When there are signs of market saturation or potential bottlenecks to growth, members of the senior management team will begin seeking opportunities and redirect our strategic direction accordingly.'*

In short, these companies maintain periodic reviewing processes, either embedded within regular meetings or through dedicated projects, to reflect on and strategically address their situations within the ecosystems they are involved in. This approach has proven invaluable in today's day and age, as many of their clients are diversifying their

supply chains. Regular evaluation of how vulnerable the firm's value proposition is to international supply chain disruptions and geopolitical risks allows firms to develop strategies to mitigate these risks accordingly. Periodically reassessing value propositions also helps align with the evolving needs of clients who may be reshoring or diversifying their supply chains. The findings also highlight the importance of timing, as windows of opportunity tend to be brief. These recurrent reviewing processes provide a framework for timely discussions that are crucial for capitalising on these opportunities.

4.4.2 Ecosystem-associated *seizing* capabilities

Incorporating ecosystem actors into the decision-making processes

Our findings highlight a common strategy among our case firms: they actively involve a diverse range of ecosystem actors, from complementors to end-users, in shaping their future product development roadmaps. The CEO from firm 1 (consumer discretionary) explained their approach: *'We have directly hired professional trainers from fitness centers as our project managers, as I believe they are the most capable of pinpointing our next steps of product development [gym equipment]. (…) It also helps to bridge the gap between our understanding of market demand and our engineering capabilities.'*

Similarly, the CEO from firm 4 (consumer discretionary) shared an instance of navigating complex regulatory environments: *'We have once considered adding a certain functionality to our product that might cause it to be labelled "medical equipment" under regional regulations. (…) After multiple conversations with various legal agencies and consultancies, we decided to abort the original plan and work on alternative applications that do not touch the legal grounds.'*

These examples illustrate a shared emphasis among the firms on extending beyond traditional supply chain boundaries and leveraging the diverse perspectives of various ecosystem actors. This approach not only enriches their decision-making processes but

also ensures that their product development strategies are well-informed and responsive to both market demands and regulatory frameworks.

Developing agility in manufacturing processes and production systems

Our findings indicate a trend among our case firms towards establishing reconfigurable or modifiable manufacturing processes. These systems allow for the effortless adaptation or incorporation of new technologies as needed. For SMEs with limited funds for process R&D, setting up a flexible production system that can integrate external capabilities for open innovation is a practical approach to achieving technological breakthroughs. Additionally, modularising production has become a preferred strategy for some, driven partly by the growing demand for customisation and also because it facilitates the implementation of new technologies. The R&D director from firm 5 (technology hardware) explained their approach: *'We have sensed a rising trend for personalised products with versatile demand that is hardly achievable under traditional manufacturing practices. Therefore, we have been implementing increased flexibility in our production systems over the past few years by breaking processes down into modules so that customised demands could be fulfilled.'*

Moreover, several of our case companies have been developing agility through smart manufacturing initiatives. The R&D manager from firm 7 (semiconductors) shared their developments: *'We are currently establishing an unmanned foundry, with automated development, process optimisation, and cyber-security control capabilities. (…) By implementing smart manufacturing initiatives, we could flexibly adjust production or modify recipes when new technologies are introduced. (…) These endeavours will also facilitate talent reformation, from executing technology to managing technology, which will contribute to further value-added.'* Overall, the investment in creating agile production

systems not only suits the needs of rapidly changing market demands but also opens up various opportunities for innovation and growth.

Building the necessary competencies with critical ecosystem actors involved

Our findings indicate that firms frequently involve crucial ecosystem partners, such as current clients, in discussions before or during the business-model transitioning phase. This strategy aims to pre-empt potential conflicts and minimise risks associated with transformations, particularly when a firm is adapting to new business situations and is generally more vulnerable. This approach aligns with findings from Chen et al. (2016), highlighting the importance of maintaining stable relations during periods of change. Many of our case companies are in an 'ambidextrous' state (Kuo, Lim, and Sonko, 2018), where they sustain critical revenue streams while other parts of the business undergo transformation.

Another significant observation is that these companies typically target different market segments or offer differentiated value propositions to avoid direct competition with previous partners. The CEO of firm 1 (consumer discretionary) emphasised this strategy: *'We promised our previous clients that we would never enter the same market as they do and offered them an opportunity to jointly invest in our new business that we are about to transform into. (…) They are still active players in the ecosystem and there might be future cooperation opportunities. (…) Maintaining these relationships is something we could achieve very easily given the right timing.'* In conclusion, the effective management of relationships with former clients and avoiding conflicts are seen as critical factors for successful business upgrades in subcontracting firms, especially when new competencies are still developing or immature.

4.4.3 Ecosystem-associated *transforming* capabilities

Embedding ecosystem opportunities into company cultures

Our findings indicate that the case firms maintain advantages from identified opportunities by strategically embedding these into their company visions or adeptly shaping their organisational cultures. This approach aligns with Martensen and Dahlgaard's (1999) concept of integrating business excellence with innovation management. The R&D director from firm 5 (technology hardware) elaborated on this strategy: *'The AI-related opportunities we sensed from the ecosystem have led to several innovations in product development, but it would have been a shame if we had just stopped there. (…) Our CEO has initiated a company-wide project, which calls for each and every department to brainstorm ideas that improve their products, operations or daily activities based on the "AI" theme. For instance, our marketing department have started to investigate machine-learning data-analysis techniques, to re-evaluate our current customer segmentation and readjust our marketing strategies accordingly. (…) The point is that the efforts we made on this [AI-related] opportunity never really stopped.'*

Overall, our case firms tend to incorporate elements of the opportunities they have sensed (and seized) into their company visions, continuing to explore any additional value that could be derived from these favourable circumstances. This not only ensures that the initial gains are not fleeting but also fosters a culture of continuous improvement and innovation within the organisation.

Adjusting business functions to avoid path dependency

Consistent with the illustration from Teece (2007), our results demonstrated that firms reconfigure assets and organisational structures to escape unfavourable path dependencies. This is particularly relevant for contract manufacturers, whose early client-driven business models often lead them to focus solely on meeting client requirements at

the expense of exploring potential opportunities. In this context, the key-account manager from firm 2 (industrial machinery) explained their strategic shift: *'We used to have separate departments with diverse governance structures that deal with various components because of the nature of our subcontracting business, but we have now rearranged our organisational tree and integrated multiple functions to address changing demands. (…) A centralised governance structure is beneficial to us when we are actively monitoring ecosystem changes instead of passively responding to clients' requests.'* This approach aligns with findings from Lin (2004), which suggested that facilitating cross-functional integration could enhance the innovation dexterity of subcontracting firms. In summary, a critical – albeit often overlooked – aspect of sustaining business opportunities is to reconstruct business functions and integrate them accordingly.

Escaping latecomer stereotypes through strategic marketing

From the interviews, we observed that our case firms are investing efforts in building their reputations through strategic marketing. Our findings indicate that the early duplicative imitation phase (Sinkovics, Hoque, and Sinkovics, 2018) of subcontractors often leads to unfavourable 'traditional latecomer stereotypes' in customers' perceptions, even after these businesses have upgraded. According to our interviewees, such stereotypes typically include unstable quality and unsatisfactory yield performance. Unbranded products are often perceived as seemingly authentic replicas with poor functionality or system integration. For these subcontractors, strategic marketing helps them to break away from these negative stereotypes, especially when they are building their own ecosystems.

The key-account manager from firm 6 (industrial machinery) stated: *'Many of our potential clients do not recognise us even though we provide superior offerings with a much cheaper price tag. (…) Our short-term strategy is to offer them the best deals that we are*

able to provide, in exchange for them at least trying out our products. (…) Statistics from recent years showed that, once they make a bulk purchase from us, they can no longer justify themselves reverting back to their original Japanese or German suppliers anymore. (…) Once our brand is established, we will be able to charge a premium on it, just as our competitors currently do.'

In summary, these companies recognise their advantages and strategically exploit them when building a reputation in the ecosystems they participate in. The joint aim is to transform from latecomer followers into valuable partners, or even ecosystem leaders, in their respective areas, as long as their value propositions represent valid business opportunities.

Altogether, we have explored a total of nine ecosystem-associated capabilities that latecomer firms utilise to adapt to shifting global dynamics. To provide a clear overview of these findings, Figure 4.2 on the next page presents a visual representation that consolidates the key insights discussed throughout the chapter. This figure offers a cohesive view of how subcontractors maintain competitiveness and upgrade their strategic roles within global value chains.

4.5 Discussion

From the previous section, we have explored how firms manage to sense, seize, and transform opportunities to either develop VRIN (valuable, rare, inimitable, non-substitutable) resources or transform non-VRIN resources into VRIN ones. Utilising the ecosystem perspective, we delved into the origins of these opportunities and examined how different subcontracting models influence the availability of these opportunities. In this section, we will first outline the prominent subcontracting business model types and

their roles within business ecosystems. We will conclude our discussion by introducing a novel concept – managerial field-of-view – which elucidates how changes in ecosystem roles, prompted by upgrades in business models, lead to a diverse array of perceived opportunities.

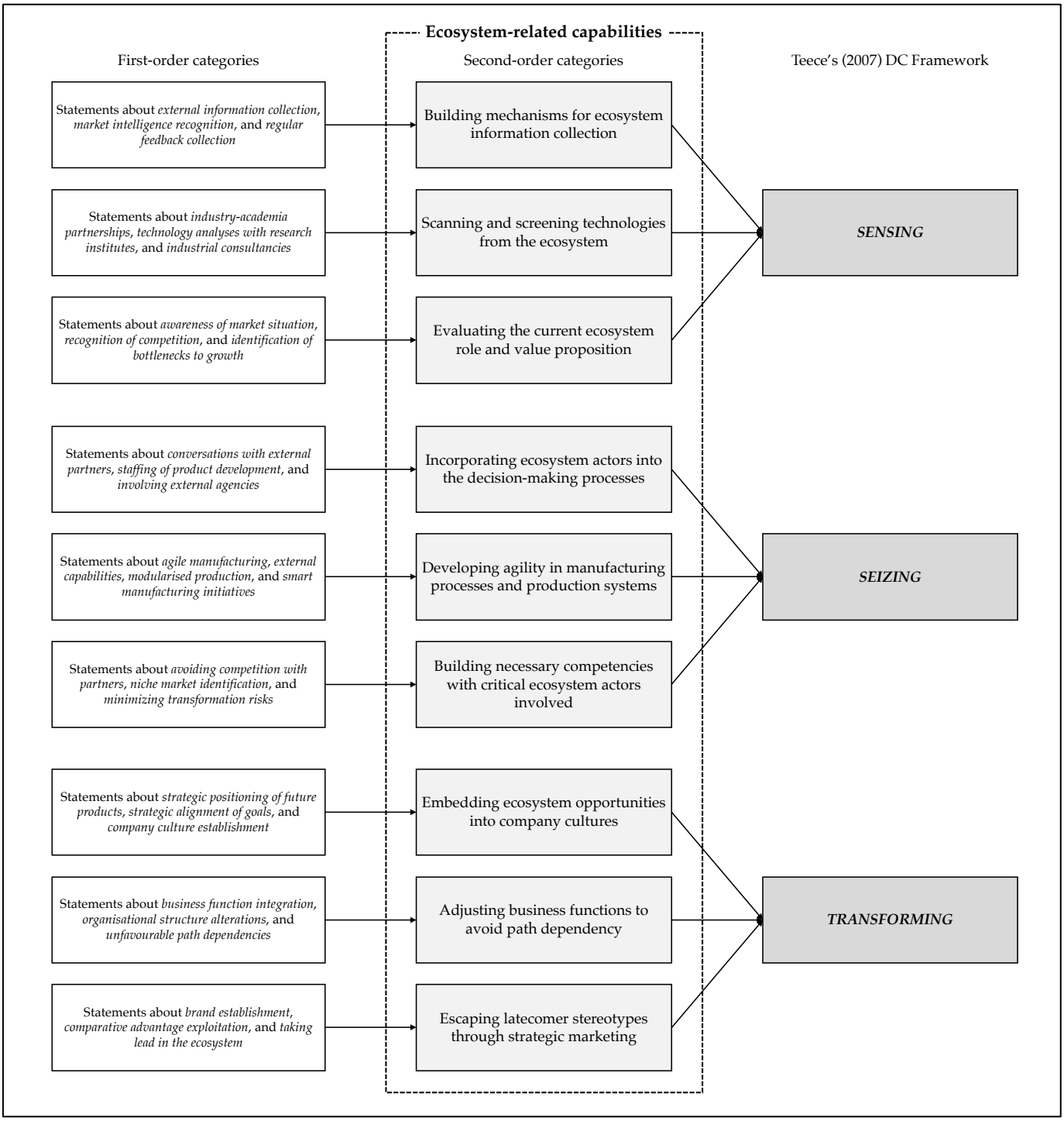

Figure 4.2. Identified ecosystem-associated dynamic capabilities

4.5.1 Subcontracting models and ecosystem roles

Before delving into the roles of subcontracting firms within various ecosystems, it's crucial to understand the structure of a manufacturing ecosystem where the final product is tangible (as opposed to a service ecosystem). For clarity, we have constructed a simplified ecosystem configuration based on our case firms for demonstration purposes (see Figure 4.3). This configuration illustrates (a) a focal *lead firm* that orchestrates the entire ecosystem to realise its value proposition, (b) a core manufacturing supply chain where subcontractors play a significant role, and (c) supplementary product/service providers and various agencies.

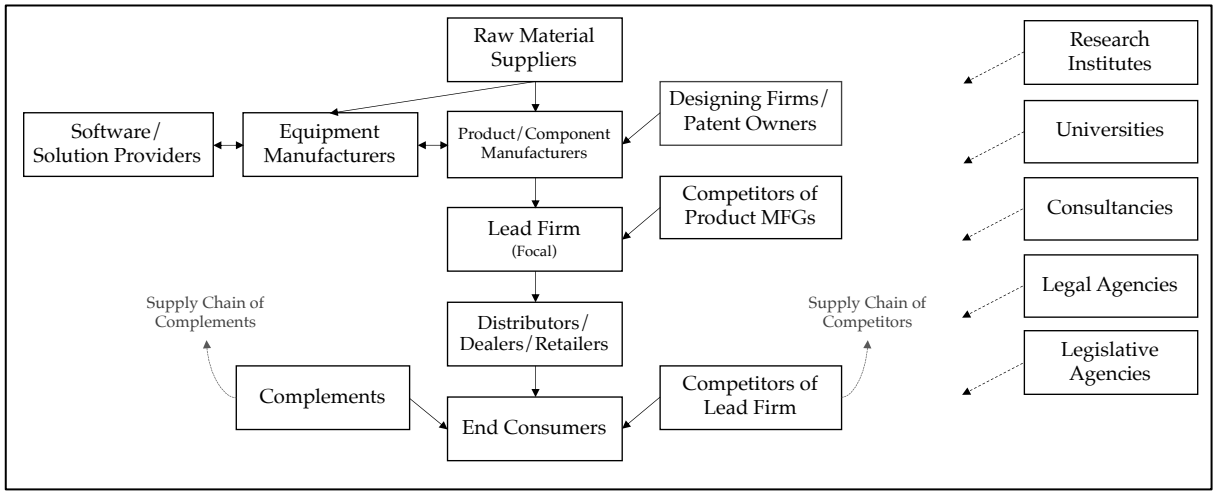

Figure 4.3. Simplified manufacturing ecosystem configuration

We can now proceed to map the different subcontracting business models and their roles within these ecosystems. Consistent with existing literature (e.g. Hobday, 1995), all of our case subcontractors initially operated under the *original equipment manufacturer (OEM)* business model. In this role, they strictly manufacture *products* or *components*, following designs provided by *design firms* and producing for *lead firms* to sell under their brands. OEMs are significantly dependent on their clients (i.e. lead firms) for market information, particularly at the nascent stages of their operations.

Once they have established relevant manufacturing capabilities, our case firms began to seek higher margins by incorporating design capabilities, transitioning to the *early original design manufacturer (early-ODM)* business model. Like OEMs, early-ODMs play a similar role in the ecosystem but also start to integrate some functions of *design firms*, either partially or entirely. At this stage, firms begin to take on more extensive parts of the value chain while remaining highly dependent on the orchestration of lead firms.

The further path to upgrading does not follow a unidirectional trajectory. Some of our case firms evolved into *original brand manufacturers (OBMs)* and started establishing their own brands, thereby taking on the roles of their clients to become *lead firms* within their own ecosystems. Others advanced the ODM model further by integrating vertically to gain more control over their supply chains or horizontally to offer tailored solutions to their clients, evolving into what we characterise as *late-ODMs*. The roles of late-ODMs vary based on their corporate strategies, but generally, they become more influential vendors within their ecosystems, wielding greater bargaining power as they possess VRIN resources such as proprietary technologies or custom solutions.

4.5.2 Managerial field-of-view

As we mapped the business models with their respective roles in ecosystems, our analysis highlighted that critical information flows vary significantly as firms adopt different roles within these ecosystems. Therefore, we cross-compared the narratives from our case firms and conducted additional ecosystem analysis. Our findings reveal disparities in emerging opportunities between each subcontracting model, with these differences significantly shaping decisions based on the firms' exposure to relevant ecosystem actors. We introduced a concept – *managerial field-of-view* – to articulate these variations in firms' exposure within ecosystems (see Figure 4.4).

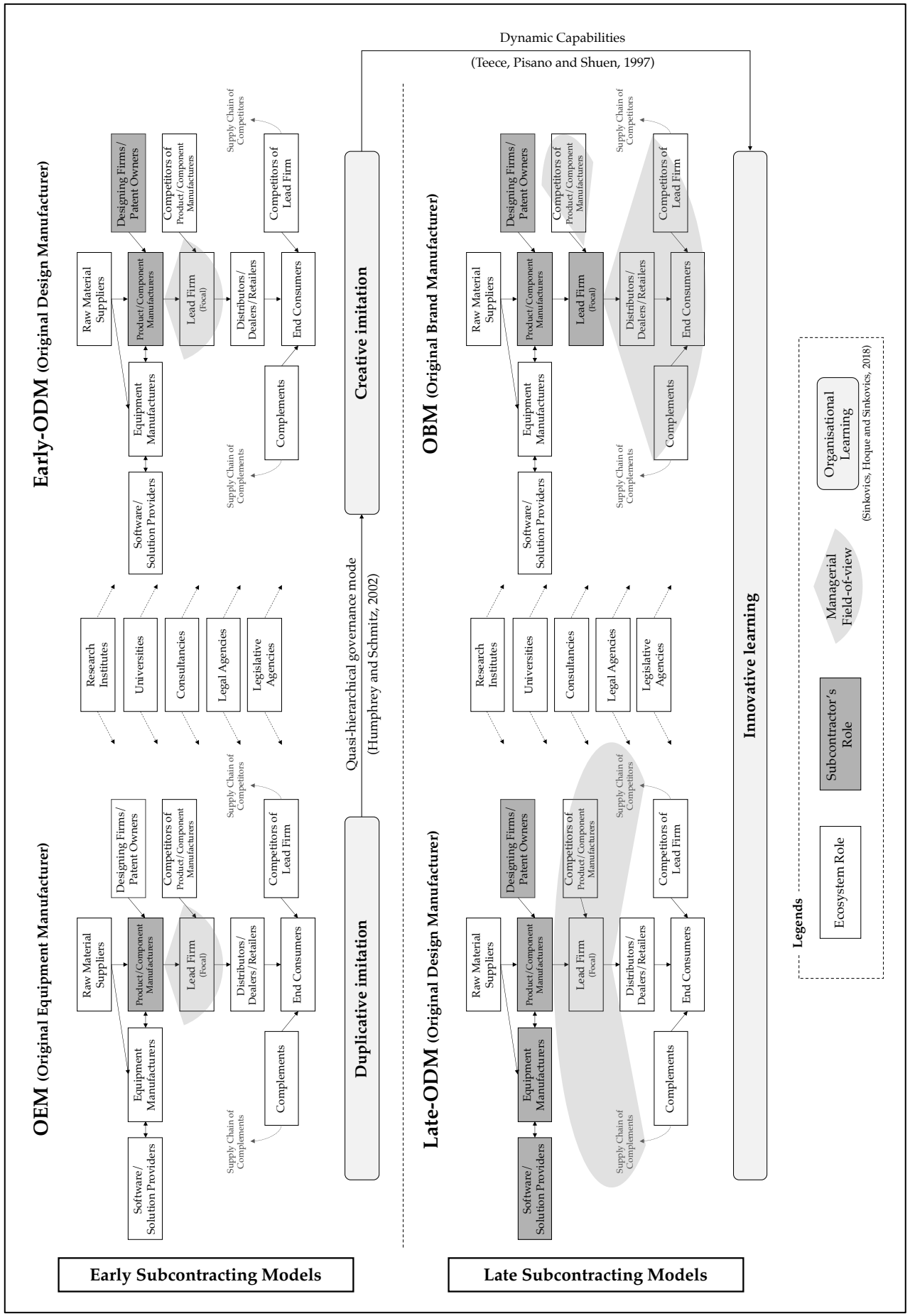

Figure 4.4. Subcontractor roles and managerial field-of-views

Starting with OEM firms, their primary strategic objective at this stage is to rapidly catch up with leading companies through *duplicative imitation* (Sinkovics, Hoque and Sinkovics, 2018); they build production capabilities along the way via learning-by-doing. The managerial field-of-view for OEMs is typically very narrow, as they are heavily dependent on their clients (i.e. lead firms) for market information and business opportunities. As firms transition to the early-ODM model, they engage in more *creative imitation* (Sinkovics, Hoque and Sinkovics, 2018) but their managerial field-of-view does not significantly expand, despite acquiring additional design capabilities. They gain more room for negotiation given their enhanced capabilities (Chu, 2009), yet they remain largely dependent on lead firms, thus opportunities are often sensed and seized in a somewhat passive manner.

This early upgrading (i.e. from OEM to ODM) is generally feasible as the risk-reduction practices implemented by global lead firms (e.g. specifying designs or parameters) facilitate rapid advancement in production capabilities (Humphrey and Schmitz, 2002). However, being on the passive side of business relationships can be challenging for firms lacking proper dynamic capabilities to upgrade to higher-value activities. Under the power dynamics prevalent in subcontracting arrangements, subcontractors' engagement in these ecosystems tends to be more reactive than proactive. Instead of balancing between collaborative and competitive approaches as suggested by Bosch-Sijtsema and Bosch (2015), early subcontractors often find their options fairly limited. If lead firms choose *collaborative* engagement models that focus on long-term relationships and innovation (i.e. collaboration based on mutual interest, value, reputation, or trust), subcontractors with dynamic capabilities are more likely to upgrade to late-ODM models and actively participate in their ecosystems to provide solutions rather than just passively taking orders. Conversely, if lead firms opt for more *competitive* engagement models focused on cost and integration, subcontractors typically face

increased competitive pressure and are more likely to establish their own brands or ecosystems if they possess the relevant dynamic capabilities. This also explains the non-unidirectional upgrading route for subcontractors at later stages.

For late-ODMs, upgrading significantly broadens their field-of-view, incorporating the supply chains of clients' competitors and complements. They actively seek collaboration with a broader range of ecosystem actors and develop tailored solutions towards a shared purpose. For OBMs, upgrading extends the managerial field-of-view as they take the place of their previous clients as focal ecosystem leaders. They can directly interact with end-consumers as well as competitors and complements in the ecosystem, actively shaping their own value propositions. In both scenarios, late-ODMs and OBMs engage in *innovative learning* (Sinkovics, Hoque and Sinkovics, 2018), as their expanded roles allow them to exploit additional opportunities and interact with ecosystem players previously beyond their reach.

Particularly noteworthy is that many firms adopt an ambidextrous model in later stages, combining contracting with own-branding, as the literature suggests (Lee, Chen and Tang, 2005; Zhang, 2011; Hsiao and Chen, 2013). Our integration of the ecosystem perspective with dynamic capabilities complements these findings. The nature of subcontracting arrangements implies that subcontractors participate in multiple business ecosystems simultaneously, with their unique dynamic capabilities allowing them to seek optimal positions in each, resulting in an ambidextrous state that engages in branding for some ecosystems and contracting for others. For instance, case firm 5 leads an e-sport ecosystem with the OBM model while being a powerful (late-)ODM specialising in motherboards and graphic cards in traditional desktop and industrial PC ecosystems. The firm is capable of sensing opportunities that sustain its growth across multiple ecosystems and selects an optimal role to engage in each ecosystem.

All in all, the overall upgrading journey of subcontractors demonstrates how asymmetrical power dynamics in the GVC configuration lead to varied ecosystem engagements and, consequently, different business model choices. Integration with the global market allows OEMs to transition to early-ODMs, but to upgrade further and shift from passive order-taking to active ecosystem participation, firms must possess the necessary dynamic capabilities. Upgrades in business models transform their roles in ecosystems, which in turn affect the firms' perceived opportunities within these ecosystems, or their managerial field-of-view.

4.6 Conclusion and final remarks

In summary, this study has successfully explored how suppliers from developing economies survive through, and escape, passive relationships while sustaining competitive advantages in GVCs. This was achieved by analysing both internally, from a dynamic capabilities standpoint, and externally, from an ecosystem perspective. This study has several profound contributions to literature, practice, and policy.

4.6.1 Theoretical implications

This study has three main contributions to literature. Firstly, by applying the framework from Teece (2007), we contribute to global value chain studies by identifying nine dynamic capabilities that subcontracting survivors share, enabling them to navigate passive GVC positions and successfully upgrade. We have extended the discussions from Sinkovics, Hoque and Sinkovics (2018) by providing a different perspective on how suppliers strategise to overcome power imbalances and determine their own futures. Our findings also complement Kadarusman and Nadvi's (2013) argument by demonstrating how

subcontractors maintain their competitive edge by sensing, seizing, and transforming opportunities from a broader range of ecosystem actors outside traditional supply chains.

Secondly, this study further contributes to the literature on subcontracting survival strategies (Lee, Chen and Tang, 2005; Hsiao and Chen, 2013; Chen et al., 2016) by introducing an ecosystem perspective to explain the relevant phenomena. Building on Bosch-Sijtsema and Bosch's (2015) argument, we explored how subcontractors are constrained by the ecosystem engagement models of lead firms, which have shaped their upgrading journeys. Combined with Humphrey and Schmitz's (2002) findings on GVCs, we now have a comprehensive understanding of why certain upgrading routes (e.g. OEM–ODM–OBM) are prominent and how subcontractors achieve these upgrades. Our findings also explain the non-unidirectional upgrading route for subcontractors in later stages and why some adopt an ambidextrous model, as suggested in the literature (Lee, Chen and Tang, 2005; Zhang, 2011; Hsiao and Chen, 2013).

Finally, this study contributes to business ecosystem studies by demonstrating how the power dynamics within an ecosystem shape the development of its actors. Our notion of managerial field-of-view further illustrates how a firm's perceived opportunities can differ as business models change, even when participating in the same ecosystem(s). Coupled with the identified dynamic capabilities, we have understood how firms manage to develop VRIN resources when participating in multiple ecosystems that require different sets of these resources to remain competitive.

4.6.2 Managerial implications

This study provides several critical insights and practical recommendations for subcontractors aiming to escape subcontracting traps and survive the shifts in global value chains. Firstly, and perhaps most importantly, companies should focus on developing dynamic capabilities—sensing, seizing, and transforming opportunities.

Regularly assessing and adjusting these capabilities is vital for navigating power asymmetries and ensuring successful upgrades from OEM to late-ODM or OBM models. These capabilities help maintain competitiveness and adaptability within changing ecosystems.

Secondly, companies must strategically engage with their ecosystems, recognising that resources valuable in one ecosystem may not hold the same value in another. Strategically adopting an ambidextrous approach—balancing contracting with own-branding based on ecosystem dynamics—allows firms to optimise their engagement and maximise value creation.

Understanding and managing power dynamics within GVCs, while it might sound like common sense to savvy practitioners, is crucial and should be addressed with priority. Managers should proactively seek opportunities for collaboration and innovation, rather than merely following the directives of lead firms. Establishing long-term relationships founded on mutual trust and value creation can strengthen a firm's bargaining power and strategic independence.

And at last, the concept of 'managerial field-of-view' proposed in this study highlights the importance of broadening perspectives to identify and exploit new opportunities within ecosystems. This requires continuous learning and adaptation, as well as leveraging cross-functional insights to drive strategic decisions. Encouraging a culture of innovative learning helps managers and their teams remain agile and responsive to ecosystem changes. These strategies together aid companies to effectively navigate the complexities of global value chains, enhance their competitive positioning, and sustain long-term growth and innovation.

4.6.3 Policy implications

Policymakers in latecomer countries should focus on establishing a supportive environment for enhancing local firms in global value chains. Policies should promote the inclusion of local companies in different business ecosystems. Helping local businesses form partnerships with foreign companies and encouraging their involvement on a global scale can introduce them to fresh technologies and market prospects. Recognising the particular skills that local companies are missing is essential, as this research emphasises the significance of being exposed to advanced markets for gaining knowledge and adopting best practices.

Governments should also work on developing frameworks that promote both collaboration and healthy competition within ecosystems. This goal can be reached through providing incentives for innovation and protecting intellectual property rights, guaranteeing that domestic companies have a fair chance to compete. However, any subsidies should be carefully evaluated, as extensive protectionist policies could result in adverse political consequences internationally. Such frameworks will help local firms build stronger relationships with global partners while fostering a competitive domestic market that does not heavily rely on foreign stakeholders.

It is crucial as well to invest in infrastructure and guarantee access to resources like finance, technology, and skilled labour. This assistance aids local businesses in overcoming obstacles to entry and expanding their operations effectively. Governments can reduce operational expenses and improve the overall business environment by upgrading infrastructure, which can help businesses compete on a global scale.

Finally, fostering collaborations between industry and academia and funding research and development can drive innovation. The Industrial Technology Research Institute (ITRI) in Taiwan serves as a prime example of this approach. Promoting knowledge exchange between domestic companies and global partners will enhance the

technological capabilities of local businesses. By promoting ongoing learning and innovation, policymakers can guarantee that local businesses stay competitive in the long run.

4.6.4 Limitations and future research

This study is not without its limitations. The first limitation relates to the geographical context of our sample. Although we assembled a sensible combination of subcontracting firms across various industries, the sample is not exhaustive and is limited to Taiwanese firms. While we believe our sample size is sufficient for the purposes of this study, future research would benefit from a broader or different geographical context, particularly by investigating the differences in firms' capabilities when considering different political and economic environments. Furthermore, while our study strived to ensure internal and external validity, it was limited to survivors and did not include firms that failed the upgrading processes due to unsuccessful or untimely efforts. We acknowledge the difficulty in gathering data on failed or bankrupt companies, but it is possible to collect information from firms that have relocated their original headquarters (for instance, for cost reasons). Therefore, future research is encouraged to test our results against such cases to further mitigate any potential survival bias. Finally, this study has largely focused on the subcontractor's perspective to complement the existing literature, which is mainly biased towards the lead firm's perspectives. It would be interesting to consider both sides and examine the value co-creation and value-capturing mechanisms within manufacturing ecosystems. The co-creation process proposed by Pera, Occhiocupo and Clarke (2016) might be a suitable starting point. We encourage future research to further integrate this framework with global value chain and strategic management studies.

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4.8 Appendices

Appendix 4.A Semi-structured interview questions

1. **Business model and upgrading history**
   - What are your current business models (e.g. OEM, ODM, OBM, etc.) in different ecosystems, and how have they changed over time?
2. **Ecosystem configuration**
   - What constitutes your company's participating ecosystems? Who are the participants? What are your company's roles within each?
   - Who are the leading firms in your participating ecosystems? How do the power relationships work?
   - What challenges do you face within the ecosystems in your current roles?
   - What challenges does the entire ecosystem face as a whole? How does the general problem-solving between participants work?
   - How have the ecosystems changed over time?
3. **Dynamic capabilities**
   - How would you view your company's competitive advantage, and how has this changed over time?
   - What stimulates product or service development in your ecosystems?
   - What is the most current innovation in terms of products/processes? Where did the innovative idea or opportunity originate from?
   - How did your company address the idea or opportunity?
   - What strategies did your company adopt to sustain the benefits from the opportunity?

Chapter 5

Discussion & Conclusion

5 Discussion & Conclusion

This chapter concludes the thesis by jointly discussing insights across chapters. It begins with a broad overview of location decision-making in today's global landscape, informed by our empirical studies on firm behaviour. It then delves into the relevance of earlycomer strategies for latecomers, and vice versa, highlighting how these insights can inform and improve their respective strategic responses. The discussion then broadens again to consider the future of (de-)globalisation, and its implications for international business. Finally, the chapter addresses the contributions and limitations of this thesis and offers concluding remarks.

5.1 Location decision-making in today's global landscape

In Chapter 2, we laid the groundwork by developing a comprehensive decisional framework that categorised relocation decision-making into three distinct stages: Consideration, Decision, and Evaluation. This framework is instrumental in understanding the multifaceted nature of manufacturing relocation and highlighted some current gaps in our knowledge on the subject. The empirical insights from Chapter 3 provide a deeper, more nuanced understanding of how these stages are operationalised by earlycomer firms in real-world scenarios.

In the Consideration stage, Chapter 2 showed that numerous existing studies highlighted traditional economic and operational factors for relocation, such as cost reduction, efficiency gains, and access to new markets (e.g. Fratocchi et al., 2016). Recent studies like De Los Rios Pérez et al. (2022) employed the system dynamics model to model decision making, resulting in similar findings. While these factors remain pertinent, Chapter 3 reveals that earlycomer firms are now increasingly influenced by geopolitical considerations. This shift reflects the heightened importance of political stability, regulatory environments, and national security concerns in the relocation calculus. Earlycomer firms are not merely assessing the cost benefits of relocation but are also considering the long-term geopolitical stability of potential locations. In this regard, although external tipping points might be relatively obvious and straightforward, internal tipping points seem to be more subjective than initially believed. The empirical evidence suggests a critical understanding of the relevance of drivers. We now know that in today's international business climate, firms from developed economies tend to weigh risk factors (primarily geopolitical) more heavily than operational factors when it comes to long-term strategic planning.

Moving to the Decision stage, the introduction of the institutional logics perspective in Chapter 3 serves a critical role in our understanding of firms' strategic behaviour. As state logics increasingly influence earlycomer firms' logics, companies adopt a multi-faceted approach, weighing market logic (economic efficiency and competitiveness) against state logic (regulatory compliance and political stability). Depending on the characteristics of state logics, we observe divergent behavioural patterns across regions. The dual consideration of market and state logics influences not only the selection of relocation sites but also the timing and scale of relocation initiatives. Similar to studies like Barbieri et al. (2023), the empirical data from Chapter 3 indicates that firms often make relocation decisions in phases, allowing them to adjust their strategies as

geopolitical conditions evolve. This phased approach is crucial for mitigating risks and ensuring sustained operational efficiency.

The Evaluation stage focuses on assessing the outcomes of relocation decisions, primarily through financial and operational metrics, as outlined in Chapter 2. Chapter 3's insights into behavioural and cognitive aspects of decision-making add a critical dimension to this stage. Managerial perceptions, cognitive biases, and subjective assessments of risk play a significant role in evaluating the success of relocation initiatives. Earlycomer firms are shown to employ continuous monitoring and adaptive strategies, responding to both internal performance metrics and external geopolitical shifts. This adaptive capability is essential for maintaining resilience in the face of uncertain and rapidly changing global environments. Firms utilise feedback loops that incorporate both quantitative performance data and qualitative insights from managerial experiences, ensuring a comprehensive evaluation process that can inform future strategic adjustments.

Interestingly, sustainability has rarely taken centre stage in reshoring decisions. In our interviews, the topic was occasionally discussed, but interviewees generally viewed sustainability as an ancillary consideration rather than a core motivator for reshoring. While some interviewees acknowledged potential environmental benefits, such as reduced transportation emissions due to proximity to end markets, these factors were not seen as significant enough to drive the overall decision-making process. In most cases, the primary drivers for reshoring, such as cost, risk management, supply chain resilience, and geopolitical factors, overshadowed sustainability concerns. As a result, while sustainability may offer reputational benefits or align with broader corporate objectives, it remains largely secondary in the operational and strategic priorities that guide reshoring decisions, which is consistent with existing literature (e.g., Fratocchi and Di Stefano, 2019).

In short, the cross-chapter discussion illuminates the interconnectedness of the Consideration, Decision, and Evaluation stages. Geopolitical considerations identified during the Consideration stage directly influence the strategic decisions made in the Decision stage and are continuously reassessed during the Evaluation stage. Nevertheless, our data is insufficient to predict the 'absolute' extent of the relocation trend, as it is arguable that no theory or study can fully encapsulate this complexity. For instance, many valid operational, economic, and managerial reasons exist for remaining in locations like China. While some firms choose to leave China completely, this should not be interpreted as a widespread industrial trend. What we will likely see, however, is the emergence of two independent supply chains serving distinct markets, a topic we will discuss later in this chapter. Regardless, this cyclical and iterative process ensures that relocation strategies remain aligned with both long-term objectives and short-term realities. The empirical evidence suggests that firms benefit from adopting a holistic and integrated approach, where insights from one stage inform and refine the processes in subsequent stages.

5.2 Relevance of earlycomer strategies to latecomers

Despite the focus of latecomers on their survival rather than relocation trends, as observed in Chapter 4, understanding the behaviour of earlycomer firms in changing economic environments yields critical insights for the strategic responses and adaptive behaviours of latecomer firms. Firstly, the increasing impact of state logics on earlycomer firm logics is likely to lead to decisions that might directly affect a latecomer firm's survival. Earlycomers are balancing economic rationality with political pressures and strategic priorities, considering a wide array of factors including geopolitical stability, regulatory environments, cost efficiencies, and long-term strategic goals. For latecomers,

this means facing not only their usual challenges like power asymmetry but also the new trend where their clients are increasingly cautious and strategic when deciding where to produce their products. This potentially implies that latecomers located in geopolitically unfriendly regions to their clients might need to consider strategic relocation sooner or later to mitigate risks. Unless they are starting their own brand and cultivating their own market like OBMs, it is often in the best interest of latecomer firms to align themselves with the long-term strategic goals of earlycomers, thereby reinforcing their relationships with these firms.

Latecomer firms, which often operate under resource constraints and power asymmetries, can also learn from the sophisticated decision-making frameworks of earlycomers to enhance their own strategic capabilities. One key lesson for latecomers is the importance of incorporating a broader set of considerations into their strategic planning. While latecomer firms may traditionally focus on immediate cost advantages and operational efficiencies, akin to earlycomer strategies during the globalisation era, insights from recent earlycomer decision-making highlight the necessity of integrating geopolitical risk assessments and regulatory foresight into their strategies as well. Studies, such as those by Pegoraro et al. (2022), have shown that successful relocation can lead to regional upgrading by enhancing local capabilities and attracting new investments, with local suppliers playing a pivotal role in supporting reshoring strategies. For latecomers, taking advantage of ongoing trends presents valuable opportunities to move to more ideal positions within the GVCs.

The findings from Chapter 3 underscore the importance of strategic foresight and proactive engagement for latecomer firms. Earlycomers excel in anticipating future trends and disruptions, integrating this foresight into their strategic planning. Latecomer firms can emulate this proactive approach by developing robust strategic foresight mechanisms, such as scenario planning and market intelligence systems, which we also observe in

many ‘survivors.’ Latecomer suppliers play an integral role in the resilience of supply chains, as it requires both firm-level and network-level strategies to successfully build resilience in the face of global disruptions (Choksy et al., 2022). These tools enable latecomers to identify emerging opportunities and prepare for potential threats, allowing them to adapt their strategies accordingly. By embedding these mechanisms into their existing dynamic capabilities, latecomer firms can enhance their strategic agility and resilience, as well as become valuable partners in their supply chains.

Additionally, the behavioural and cognitive aspects of decision-making highlighted in Chapter 3 offer valuable insights for latecomer firms. We see that long-term strategic decisions are increasingly based on earlycomers’ managerial perceptions and subjective assessments of risk. Therefore, as business partners, latecomer firms could strategically position themselves to leverage these subjective elements in their favour. They might find themselves operating in potentially ‘risky’ locations or even being perceived as ‘risks’ themselves due to their value chain positions. By understanding and aligning with earlycomers’ risk perceptions, latecomers can navigate these challenges more effectively. This alignment involves not only adapting to the strategic priorities of earlycomers but also proactively addressing concerns related to geopolitical stability and regulatory environments.

In conclusion, the integration of insights from Chapter 3 on earlycomer strategies with the findings from Chapter 4 on latecomer survival strategies provides a rich analytical foundation for understanding the strategic dynamics within GVCs. By adopting a holistic approach that considers the economic, political, and strategic dimensions of earlycomer firms, latecomer firms can enhance their adaptive capabilities and strategic foresight. Aligning with earlycomer priorities and integrating robust risk assessments into their decision-making allows latecomer firms to mitigate potential disruptions and sense new opportunities. In addition to sensing opportunities, this enables latecomers to

sense ‘risks’ as well and seize chances to transform their business models. Embracing these practices not only prevents them from being replaced under the reshoring trend but also better positions them as resilient and indispensable partners in the global marketplace. Despite ‘survival’ being latecomers’ top priority, this comprehensive understanding and proactive adaptation are critical for latecomer firms striving for sustainable growth and competitive advantage in an ever-evolving economic landscape.

5.3 Relevance of latecomer strategies to earlycomers

The insights from Chapter 4 regarding the strategies employed by latecomer subcontractors provide valuable guidance for earlycomer firms as local or regional sourcing becomes more prevalent. Earlycomer firms, which have traditionally relied on global supply chains, now face the challenge of developing new supplier bases closer to home. This shift necessitates a nuanced understanding of latecomer behaviours to effectively select, foster, and collaborate with suppliers in a more localised context.

As earlycomer firms increasingly shift towards local or regional sourcing, the strategies of latecomer firms become highly relevant. Successful latecomer firms have demonstrated remarkable adaptability and resilience in the face of resource constraints and power asymmetries. Earlycomers must adjust their mindsets to effectively and efficiently establish robust local supplier networks. Developing new supplier bases, potentially from scratch, could be challenging due to the need to ensure quality, reliability, and adequate innovation capabilities in new suppliers. Studies have pointed out that maintaining and expanding existing manufacturing capabilities, as well as modularisation and consistency between products, are crucial for the success of reshoring initiatives (Eriksson et al., 2021). While an earlycomer firm may leverage power asymmetry over its suppliers in the short run, it must be fully aware that supplier

relationships under this power dynamic might not be sustainable and that such suppliers might not be ideal business partners if their goals do not align with those of the earlycomer.

In terms of supplier selection, earlycomer firms can benefit from observing the adaptive strategies of latecomers to identify potential local partners who exhibit strong dynamic capabilities. Suppliers with the ability to innovate, reconfigure resources, and swiftly respond to market changes make ideal candidates for collaboration. Earlycomer firms should prioritise suppliers who demonstrate a proactive approach to continuous improvement and possess a track record of resilience in dynamic environments. This strategic selection process ensures that the new supplier base is both capable of meeting current demands and adaptable to future changes.

Fostering these new suppliers involves a commitment to long-term partnership development. Knowing that successful suppliers are actively sensing opportunities within their ecosystems, earlycomers could proactively engage with these latecomers and form a more collaborative and inclusive approach to supplier management. Building strong, integrated relationships with suppliers requires investment in training, technology transfer, and joint innovation initiatives. Earlycomer firms should consider engaging in capacity-building efforts to elevate the capabilities of their local suppliers, thereby creating more resilient and responsive supply chains. Earlycomers could also consider establishing open lines of communication, encouraging collaborative problem-solving, and aligning strategic objectives with their suppliers. Joint planning sessions, regular feedback loops, and shared performance metrics not only enhance the operational capabilities of suppliers but also foster a sense of mutual commitment and shared alignment of goals.

Furthermore, the shift towards local or regional sourcing also opens opportunities for engaging in sustainability and ethical practices. Earlycomer firms can harness their

power in supply chains to actively promote sustainability initiatives in latecomer firms, providing resources and incentives to help suppliers achieve environmental and social targets. Supporting suppliers in adopting sustainable and socially responsible practices not only improves the overall profile of the supply chain but also enhances compliance with regulatory requirements and meets the growing consumer demand for ethical products.

In conclusion, the strategies employed by latecomer subcontractors offer critical lessons for earlycomer firms as they navigate the shift towards local or regional sourcing. Supplier strategies should be crafted with precision, especially when supplier capabilities have not been adequately developed in new locations (Bailey and De Propris, 2014), leaving little room for mistakes. From selecting and fostering to collaborating with suppliers, earlycomers can leverage insights from latecomers' survival strategies to their advantage.

5.4 Outlook on the future of (de-)globalisation

As more scholars recognise that the institutional structure may be undergoing changes that impose additional limitations for international business (IB), primarily due to geopolitical tensions (Witt, 2019; Casson, 2021; Hartwell and Devinney, 2021; Meyer and Li, 2022; Witt et al., 2023), we can expect to see the emergence of a multi-polar world with seemingly divergent economic systems. These limitations reflect an urgent need for corporate strategy shifts within GVCs, with a focus on adaptability and strategic foresight.

We can see from Chapter 2 that the trend of de-globalisation is gaining prominence as companies reconsider their international production strategies. Chapter 3 further examines that these efforts are not solely about reducing risks from lengthy supply chains but also about mitigating risks associated with having production in 'politically incorrect'

places. However, given that governmental actions such as sanctions have inherent limitations due to their dependency on supplementary enforcement mechanisms (Meyer et al., 2023), firms still retain some strategic flexibility, especially in the short to medium term. Nevertheless, the vulnerabilities of extensively linked supply chains and subsequent geopolitical events are prompting firms to rethink their strategies, moving away from the pursuit of pure cost efficiencies towards a more balanced approach that prioritises resilience and stability. Insights from Chapter 3 reveal a strategic pivot among earlycomer firms towards regionalisation and friend-shoring—relocating production to countries with shared political values and stable diplomatic alliances. This shift ensures greater predictability and security, reducing exposure to geopolitical risks.

Such a move towards friend-shoring contributes to the formation of a multi-polar world, characterised by distinct and sometimes competing economic systems (Tung et al., 2023). This fragmentation is driven by geopolitical rivalries and divergent economic policies among major powers, particularly between the United States and China. These two superpowers represent different models of governance, regulatory environments, and economic philosophies. Additionally, the rise of right-wing political parties across Europe, potentially leading to more protectionist or nationalist policies, introduces state logics that could endure, as discussed in Chapter 3. Studies have shown that protectionist policies, while intended to promote domestic production, may have complex and sometimes counterintuitive effects on MNE decisions (Temouri et al., 2023). We further argue that considering the dynamics between state and market logics is crucial for predicting whether and where firms would relocate. Firms operating in these institutional fields must navigate the differences in systems, each with its own set of rules, regulations, and market dynamics. Potential division de-coupling within organisations might one day be mandatory in order to effectively manage the nuances in different systems.

In such a multi-polar world, firms in different positions within the GVCs face distinct challenges and adopt varying strategies to navigate these shifts. These differences are rooted in the differing priorities of the firms. Earlycomer MNEs, whose aims in international manufacturing were to lower costs and access new markets, now encounter more boundary conditions in their calculations. Trade-offs have become significantly more complex amidst heightened geopolitical tensions, with clear patterns of environmental sensemaking (Nigam and Ocasio, 2010) emerging as firms interpret and respond to evolving political situations. On the other hand, latecomer manufacturers are often tied to specific locations, limiting their locational flexibility compared to their earlycomer counterparts. Their priority is primarily focused on survival, as they navigate the complexities of maintaining competitiveness and achieving functional upgrades within global value chains.

Looking ahead, the future of international manufacturing is likely to be characterised by significant shifts towards regionalisation, political alignment, and geopolitical diversification. Strategic flexibility and adaptability will be essential, with firms cultivating dynamic capabilities to respond swiftly to changing geopolitical and economic conditions. As local or regional sourcing becomes more prominent, firms must balance this with their global strategies to ensure competitiveness. Optimising supply chain configurations to leverage both local advantages and global opportunities will be crucial for maintaining a competitive edge. Insights from Chapters 2, 3, and 4 together provide a comprehensive framework for understanding the impacts on organisational behaviour when navigating global shifts and their strategic responses to shifting business environments. This holistic approach ensures sustainable growth and resilience in an increasingly uncertain global environment, equipping firms to thrive amidst the challenges and opportunities presented by a multi-polar world.

5.5 Thesis contributions

This thesis provides several key contributions to the academic discourse on organisational behaviour by addressing three distinct research questions (RQs), each examining a critical facet of organisational decision-making in the context of shifting global dynamics. The structure of the thesis was designed to systematically address each research question across different chapters, offering a comprehensive exploration of the factors influencing firms' relocation decisions.

The first research question (RQ1)—*What is the decision-making process like for determining manufacturing locations, given today's evolving global economic landscape?*—was thoroughly examined in Chapter 2 through an extensive review of the literature on manufacturing relocation. By developing the C-D-E (Consideration, Decision, Evaluation) decisional framework, this chapter consolidated and expanded the current understanding of relocation decisions. The framework outlines the critical stages and decision points that firms encounter when considering reshoring. It highlights how firms assess economic factors, geopolitical tensions, and operational risks when selecting new manufacturing locations, offering a structured approach that had previously been absent in the fragmented literature. This framework contributes significantly to academia by synthesising decades of research and presenting a model relevant to today's increasingly volatile global environment.

The second research question (RQ2)—*How do earlycomer multinational manufacturers navigate the strategic complexities of location decisions in response to changing geopolitical and economic environments?*—was explored in Chapter 3 through an empirical examination of earlycomer firm strategies. This chapter provided insights into how earlycomer firms balance state logics with market logics, adapting their strategies to ensure both economic viability and compliance with national policies. The analysis revealed that these firms often adopt a phased or hybrid approach to relocation,

maintaining operations in multiple regions to mitigate risks while remaining agile in the face of political shifts. This chapter enriches the discourse on de-globalisation (e.g. Cui et al., 2023; Herold and Marzantowicz, 2023) by expanding the understanding of institutional logics and their impact on global manufacturing strategies, particularly in how earlycomer firms adapt to the increasing complexity of global and local pressures.

The third research question (RQ3)—*How do latecomer subcontractors leverage dynamic capabilities to sustain their competitive advantages amid shifting global value chain dynamics?*—was investigated in Chapter 4 through in-depth case studies. Utilising the dynamic capabilities framework, this chapter explored how latecomer subcontractors develop sensing, seizing, and transforming capabilities (Teece, 2007) to not only survive but also thrive in highly competitive and fluctuating environments. The study identified specific strategies, such as leveraging business ecosystems and fostering strategic partnerships, that enable these latecomer firms to innovate and adapt despite their relative lack of resources. Combined with Humphrey and Schmitz's (2002) findings on GVCs, this chapter contributes to the understanding of how firms on the periphery of global networks can enhance their resilience and maintain market position, even while facing power imbalances (Sinkovics et al., 2018).

Together, these contributions provide a comprehensive answer to the overarching research question—*What are the impacts on organisational behaviour when navigating global shifts, and what are the strategic responses to shifting business environments?* This thesis adds substantial value to the fields of strategic management and international business by offering novel insights into the strategic decision-making processes of both earlycomer and latecomer firms in manufacturing industries, elucidating the diverse impacts of global economic and geopolitical changes on organisational behaviour. The research advances both theoretical and practical knowledge on global supply chain management in an increasingly uncertain and fragmented global economy. It not only fills

significant gaps in the existing literature but also provides actionable frameworks and strategies to guide future research and managerial practice.

5.6 Thesis limitations

This thesis, while comprehensive and insightful in its exploration of organisational behaviour and strategic responses to shifting global business environments, has several limitations that deserve attention. These limitations pertain to study design, methodology, data sampling, and overall scope, and are crucial to consider for a holistic understanding of the research contributions and their implications.

Geographical and Cultural Scope. The earlycomer study predominantly centres on firms from the 'Global North,' such as Europe and the US, which limits the applicability of the findings to other significant regions like China, Japan, or India. Although the intent was to eliminate noise in data for a cleaner comparative analysis, this geographic focus inherently introduces bias and restricts the global generalisability of the conclusions. Furthermore, the earlycomer study did not account for the cultural differences that might influence institutional logics and decision-making processes in non-Western contexts. Similarly, the latecomer study's focus on the Taiwanese context omitted the influence of cultural and political (regulatory) factors, limiting the understanding of how different cultural settings impact organisational behaviour, earlycomer or latecomer.

Building on this point, some firms in latecomer economies, such as Taiwan, have already transformed their businesses and now belong to the earlycomer group that outsources production worldwide. It would be interesting to examine and compare earlycomer versus latecomer firm behaviour within the same region. For instance, it would be particularly revealing to observe the decision-making processes of Taiwanese

earlycomers when considering reshoring, such as whether they exhibit similar behaviours to their Western counterparts or if there are additional considerations or logic patterns due to the sensitive political nature. Future studies are also encouraged to adopt similar methodologies in other economic systems, especially where state logic is somewhat opaque and leaves room for interpretation by managers (e.g. China). This approach would allow for a more in-depth understanding of how market versus state logics interplay.

Qualitative Methodology. The qualitative nature of the research, while providing depth and nuanced insights, means that the findings are highly context-specific. This specificity may limit the ability to generalise the results across different contexts and industries. However, we argue that this is a necessary limitation, especially given the current 'nascent' stage of the literature (Edmondson & McManus, 2007), as the field is still developing an understanding of this relatively new phenomenon. Therefore, we encourage future research to adopt quantitative or mixed-method approaches to validate our qualitative findings on a larger scale or to provide more robust and generalisable results.

Furthermore, the primary reliance on semi-structured interviews for data collection in this thesis means that the findings are heavily dependent on the participants' perspectives and experiences, despite our efforts to triangulate data. It would be beneficial for further theoretical development if the link between managerial perspectives and broader organisational or industry-wide realities could be further clarified.

Sampling Bias and Diversity. The empirical studies include only firms that have engaged in relocating production or survived within the GVCs, which introduces a survival bias. Including data from earlycomers that did not consider relocation and latecomers that faced challenges and failed upgrading would offer a more balanced view.

However, the sampling rationales were designed to gather rich insights into the relocation or upgrading journeys. Including contrasting groups, while offering more balanced perspectives, might prevent us from diving deeply into the specific phenomena under investigation and could lead to exploring different research questions. Nevertheless, this approach means we essentially ignored firms that prefer to stay in host countries for reasons such as maintaining market presence in certain regions. We encourage future scholarly efforts to dive into such comparisons to further enrich our findings.

Longitudinal Perspective. The research captures a snapshot of current strategies and outcomes but does not account for how these might evolve over time. This limitation is primarily due to the inherent time constraint of the doctoral degree itself. Adopting a longitudinal approach, or potentially redoing the study in coming years, could offer deeper insights into the dynamics of organisational behaviour and strategic decision-making as they adapt to ongoing global changes. Furthermore, the rapidly changing global landscape, particularly concerning political matters, means that the findings may quickly become outdated. We encourage regular updates and longitudinal efforts to maintain relevance and inform theory.

5.7 Conclusion

Over the past decade, the international business environment has gradually transitioned from a globalised, free trade order towards a more protectionist and regionalised framework. This thesis explored the impacts these global shifts have on organisational behaviour and examined the strategic responses manufacturers exhibit. By analysing both earlycomer and latecomer perspectives, this thesis highlighted the importance of integrating geopolitical considerations, dynamic capabilities, and adaptive frameworks

into decision-making processes. The findings extend our understanding of organisational behaviour in turbulent times and underscore the importance of companies cultivating strategic foresight, resilience, and agility to ensure sustainable growth and competitive advantage amidst the challenges de-globalisation brings. This thesis aims to create a platform for conversations across diverse positions in the global value chain and introduce new perspectives to investigate corporate decision-making and organisational behaviour, thereby enhancing our understanding of the complexities involved in global manufacturing and organisational strategy in an increasingly polarised world.

5.8 References

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