The Reshoring Phenomenon

Exploring How Governmental Policies and Incentives Drive Reshoring in the Swedish and U.K. Manufacturing Sectors

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AUTHOR: Bryson Barnette
Chelsea Carroll/Meeker
Karin Rastrem
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Abstract

**Background:** Reshoring is a relatively new phenomenon that is gaining momentum amongst manufacturing firms. Due to the vast increase in offshoring over the years, the global supply chains of many firms have lost their value, thus driving a need for firms to reshore. Seven main categories of reshoring drivers have been identified in previous research where the governmental impact on a reshoring decision is a subcategory given minimal attention. The increased cross-border interaction amongst firms has led to the increased importance of governmental influence on reshoring. There is evidence that governmental policies and incentives play a prominent role in leading firms to reshore. However, there is a lack of research on what governmental policies and incentives affect firms in making the decision to reshore.

**Purpose:** The purpose of this bachelor thesis is to contribute to the current reshoring literature by expanding upon the role that governments play in influencing a firm to reshore through intervention by implementing policies and providing incentives. The aim of this thesis is to contribute to the research on reshoring by drawing on primary and secondary data of reshored firms in Sweden and the U.K. to develop a deeper understanding of the role that governmental drivers play in the reshoring process.

**Method:** This qualitative research is based on an interpretivist research philosophy and takes on the form of a multiple case study conducted on firms within the manufacturing sector in Sweden and the U.K. resulting in findings from seven firms. A literature review was carried out leading to the formation of the frame of reference. Semi-structured interviews, secondary data, and a database search were the main means of data collection used in this research paper. A thematic analysis of the collected data was utilized in order to capture the relevant themes that arose across the data set thus leading to a detailed and categorized description of it.

**Conclusion:** Through the combination of collected empirical data along with the findings of the frame of reference, the most significant governmental policies and incentives affecting a firm’s decision to reshore are identified. Dunning’s Eclectic Paradigm of International Production is applied as a framework to see if governmental policies and incentives driving reshoring lead to ownership, locational, or internalization advantages of the firm. Labor regulation, labor flexibility, and environmental regulation are found to be the most significant governmental policies driving firms to reshore within Sweden and the U.K. Financial support and access to skills and knowledge are identified as the most significant governmental incentives that drive firms to reshore within Sweden and the U.K. Although the identified governmental policies and incentives are increasing in importance, other drivers are found to be more significant in driving a firm to reshore.
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Brysen Barnette  Chelsea Carroll-Melzer  Karin Rutström

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1. Introduction

The introductory section gives an overview of the globalized world of business that has led to the trend of offshoring which, in turn, has led to the emergence of the phenomenon of reshoring. This is followed by the problem statement and purpose, leading up to the research question that defines what the research is set out to achieve. Lastly, definitions of key terms in the research are presented.

In a business setting characterized by greater degrees of interconnectedness where globalization has spread out its wings over large parts of the world, firms are showing a reflection of this movement in the complex structure of their supply chains (Ashby, 2016). Making decisions regarding location have become increasingly more important and over the course of the past three decades, the most effective and widely adopted strategy among firms has been to offshore manufacturing activities abroad (Bals, Kirchoff & Foerstl, 2016; Ancarani, Di Mauro, Fratocchi, Orzes & Sartor, 2015). According to Dunning (1980), there are mainly three incentives driving the decision to internationalize production. Firms seek unique resources that distinguish them from competitors in adding to their competitive advantage, consider efficiency aspects and value strategically beneficial resources and market advantages. Given that the objective of a firm is to move the production abroad, both ownership-specific advantages and the amplitude of attraction to foreign production bases affect the likelihood of the internationalization process. When these are strong, there is a greater chance that the firm will move their production to a non-domestic location. While more advanced economies have engaged in offshoring frequently, winds have changed in more recent years and multinational firms are now seen to analyze the effects of having an international supply chain (Bailey & De Propris, 2014a). As indicated by Bailey and De Propris (2014b), the complexity of global supply chains brings on risks and weaknesses that firms are faced with, and the discovery of these factors acts as an underlying reason behind the shift in trend. This has brought on opportunities and opened up a new door to a strategy that reverses the offshoring decision as firms bring back parts of their supply chains to once again operate on a domestic level, a strategy known as reshoring (Bailey & De Propris, 2014a).
1.1 Background

1.1.1 Offshoring

When firms look to move their operations abroad, they engage in the strategic decision known as offshoring (Ashby, 2016; Grappi, Romani & Bagozzi, 2015; Johansson & Olhager, 2018a). Joubioux and Vanpoucke (2016) argue that three variables lay the foundation for this type of location decision, these being firm-specific factors, the strategic goal of the firm and environmental factors related to these. There are several motivating factors underlying a firm’s decision to engage in offshoring ranging from cost reduction, access to labor and raw materials, and the opening of new markets (Ashby, 2016; Di Mauro, Fratocchi, Orzes & Sartor, 2018; Fratocchi, Ancarani, Barbieri, Di Mauro, Nassimbeni, Sartor, Vignoli & Zanoni, 2016). Offshoring enables firms to leverage favorable governmental policies such as, tax breaks, FDI-oriented policies, lowered trade barriers, and tariffs (Piatanesi & Arauzo-Cardo, 2019).

Offshoring has provided firms with many benefits however, several challenges have arisen as a result of firms moving their operations abroad including lead time issues, an increased risk of supply chain disruption, increased costs related to labor and logistics, a lack of quality, and a lower proximity to R&D resources (Stenfôft, Mikkelsen, & Jensen, 2016b). Additionally, firms face a decrease in employment in the manufacturing sector in their home countries (Theyel, Hoffman, & Gregory, 2018). Labor intensive industries such as the furniture, textile, electrical, and manufacturing industries have experienced the greatest impact from offshoring resulting in job loss (Heikkilä, Martinsuo & Nenonen, 2018). Ashby (2016) points out that the home country risks losing certain skills related to manufacturing in industries where offshoring is commonly practiced. This has caused governments to intervene against offshoring in developed countries, namely France, the United Kingdom (referred to as the U.K. throughout the following sections), and the United States (referred to as the U.S. throughout the following sections) (Johansson & Olhager, 2018b).

1.1.2 Reshoring

“Firms gravitate to, and thrive in, environments that align with their organizational features” (Rasel, Abdulhak, Kalfadellis & Heyden, 2019, p. 3). This statement indicates that operating in a familiar domestic setting could lead firms to perform better. In simplistic terms, reshoring refers to a geographical location decision through which firms restructure their supply chains and move their manufacturing back home (Hilletofth, Sequeira & Adlemo, 2019; Fratocchi et
al., 2016; Dachs, Kinkel & Jäger, 2019), where the definition of home is tied to the firm’s headquarters (Rasel et al., 2019). Di Mauro et al. (2018, p. 110) argues that the drivers for reshoring stem from two different variables, these being “the company’s strategic goal (i.e., increasing customer perceived value vs. improving cost-efficiency) and the predominant factors affecting the backshoring decision or “level of analysis” (internal to the company vs. relating to the external environment)”. As the existent literature on the concept of reshoring is relatively new, there have been several different terms used to refer to reshoring including, “backshoring”, “on-shoring”, “home-shoring”, and “repatriated manufacturing” (Moradlou, Backhouse, & Ranganathan, 2017). Throughout this paper, reshoring will be applied as an overarching definition for the aforementioned terms.

Over time, location advantages are seen to evolve (Barbieri, Ciabuschi, Fratocchi & Vignoli, 2018) and changes in the internal and external environment create a need for a continuous reassessment of a firm’s location decision (Gadde & Jonsson, 2019). Firms are placing a greater emphasis on the importance of responsiveness of activities along the supply chain, ultimately increasing the number of firms reshoring. In connection to this, three main issues were identified that affect a firm’s location decision including, the importance of supply chain management, trade policy, and an increased emphasis on overall value (Delis, Driffield, & Temouri, 2019).

Throughout the current literature, there have been several conflicting viewpoints as to which regions in the world reshoring is seen most frequently in. Barbieri et al. (2018), argues that Asian countries are characterized by the highest levels of reshoring but also mentions that there is a trend towards increased reshoring in Eastern European countries. On the other hand, Dachs, Kinkel, Jäger et al. (2019) points out Europe as the dominant region for reshoring, and refers to Asia as a region that is, in more recent years, experiencing higher levels of reshoring. Regardless of what region is in focus, a more generalized view on the frequency of the reshoring trend has concluded that for every three firms that offshored between the years 2013-2015, there was one firm that reshored (Dachs, Kinkel, Jäger et al., 2019). Reshoring has also been observed to be common among firms with more than 500 employees, although it is increasing amongst small and medium-sized firms (Benstead, Stevenson & Hendry, 2017).

Regarding the drivers motivating firms to reshore, Stentoft, Olhager, Heikkilä and Thoms (2016) has classified them into seven categories which will be presented in the frame of reference. Contrasting with offshoring, there is a lack of research on reshoring, calling for
further insight into the drivers and the effects that these have on a firm’s choice to engage in reshoring (Theyel et al., 2018).

1.2 Problem

The process of reshoring is a relatively new phenomenon that has become significant after years of firms engaging in offshoring manufacturing activities. Thus far, an in-depth focus has mainly been placed on reshoring within the manufacturing sector in the U.S. (Srai & Ané, 2016), but as reshoring is gaining momentum it is becoming a debated strategy in many countries, including the U.K. Still, the existing literature remains rather scarce (Bailey & De Propris, 2014a) and captures a firm’s decision to move their production from abroad back to their home country of operation, strictly as a decision of location. An emphasis has been put on the importance of the different drivers behind a firm’s decision to undertake this process where the cost aspect remains central, initially as a strong reason for the offshoring decision but follows as a prominent factor when that decision is reversed (Piatanesi & Arauzo-Carod, 2019). Due to the increased cross-border interactions amongst firms, it has been seen that a greater focus should be placed upon governmental aspects, namely the governmental policies and incentives, that are reflected in the literature. Empirical evidence has pointed to incentives provided by governments that promote reshoring by offering benefits that overcome the associated costs of undertaking such a move (Brandon-Jones, Dutordoir, Frota Neto & Squire, 2017). As the existent reshoring literature is lacking in regards to the governmental drivers behind this process, further research in this area is needed as it will be useful for policy-makers and governments when looking at the role they play in influencing a firm’s decision to reshore (Fratocchi, Di Mauro, Barbieri, Nassimbeni & Zanoni, 2014; Tate, Ellram, Schoenherr, & Petersen, 2014). Thereby, this paper specifically aims to investigate the different governmental drivers of policies and incentives that affect a firm’s decision to reshore from the perspective of the Swedish and U.K. manufacturing sectors.

1.3 Purpose

The purpose of this thesis is to contribute to the current reshoring literature by expanding upon the role that governments play in influencing a firm to reshore through intervention by implementing policies and providing incentives. The aim of this thesis is to contribute to the research on reshoring by drawing on primary and secondary data of reshored firms in Sweden and the U.K. to develop a deeper understanding of the role that governmental drivers play in the reshoring process. Investigating the effect that governmental intervention has on locational
attractiveness makes this research applicable to future policy makers and researchers through answering the following research question:

**RQ: What governmental policies and incentives drive a firm’s decision to reshore within the manufacturing sectors in Sweden and the U.K.?**

### 1.4 Definitions

**Driver**

A driver is defined as any factor that induces a firm to carry out a specific strategy (Di Mauro et al., 2018; Fratocchi, 2018). Locations vary in the value they add for a firm operating in that setting, and in turn impacts their choice of location and their strategy (Bailey & De Propris, 2014a). Regarding reshoring, drivers can include the challenges and unforeseen issues that arise when operating abroad, the benefits that can be leveraged by operating in the home country, and the need to reverse a previous location decision (Benstead et al., 2017).

**Governmental Policy**

Governmental policy is defined as any policy implemented by a government that influences the institutional factors of taxes, trade policies, currency, environmental regulation, and labor regulation, and in turn, impacting the locational attractiveness of a region (Ancarani et al., 2015; Engström, Sollander, Hilletofth & Eriksson, 2018; Fratocchi et al., 2016; Gray, Skowronski, Esenduran and Rungtusanatham, 2013).

**Governmental Incentive**

Governmental incentives are defined as any instrument such as financial support, technology, innovation, tax cuts, subsidies, and education, that in turn, impacts the locational attractiveness of a region (Abbasi, 2016; Bailey & De Propris, 2014a; Barbieri et al., 2018; Engström, Sollander et al., 2018).
2. Frame of Reference

The frame of reference reflects the state of the existing literature tying into this research and will examine the main drivers a firm faces when reshoring. An emphasis is placed on the governmental perspective where different policies and incentives are identified. Finally, Dunning’s Eclectic Paradigm of International Production is presented.

2.1 Drivers for Reshoring

There currently exists limited research on the different drivers behind a firm’s decision to reshore (Dachs, Kinkel, Jäger et al., 2019). Gadde and Jonsson (2019) concluded that the specific drivers behind the reshoring decision, as well as the barriers inhibiting this process have seen their importance grow. Firms operating long supply chains face greater degrees of difficulty in forecasting demand and in understanding trend patterns in their offshore environment. This can aid in explaining why firms have a tendency to move to locations where the level of uncertainty regarding the environment is rather low (Huq, Pawar & Rogers, 2016). Despite this, firms continuously fail in making correct judgements about the offshore location which can lead them to reverse the strategy and reshore their manufacturing activities. Regarding the drivers motivating firms to reshore, Stentoft, Olhager et al. (2016) has classified them into seven categories, cost, quality, time and flexibility, access to skills and knowledge, risks, market, and other factors.

2.1.1 Cost

Ancarani and Di Mauro (2018) found that firm strategies based upon cost and quality are most likely to result in reshoring. There is a collective viewpoint throughout the literature that cost is the most important driver behind a firm’s decision to reshore (Zhai, Sun & Zhang, 2016; Dachs, Kinkel, Jäger et al., 2019; Fratocchi et al., 2016; Ellram, Tate & Petersen, 2013). Locations in developed countries have recently become attractive to firms when reshoring on a basis of cost due to the increased degree of technology implementation which reduces the production costs in the home country (Ancarani et al., 2015). Additionally, increased salaries and transportation costs have shrunk the wage gap between developed and developing countries, reducing the cost benefit of offshoring (Ashby, 2016; Benstead et al., 2017). Firms who place cost as the core value of their operations tend to pay special attention to several cost-related factors, including high transaction costs, diminished cost advantage, and locational
differences in productivity. These all add to the total operating cost and greatly impact the location decision from a cost perspective (Lampón & González-Benito, 2019).

2.1.2 Quality

Quality is strongly affected by distances between the key activities of development. It is a central focus for firms and covers a variety of operational functions, including infrastructure, communication, and services tailored to distinct products (Engström, Sollander et al., 2018). Lower quality standards in the offshore location have resulted in reshoring and this shift has seen significant quality improvements (Dachs, Kinkel, Jäger et al., 2019). Zhai et al. (2016) even refers to the quality aspect as the main driver triggering the process of relocating back to the home country. Firms that encounter issues with quality in the beginning years of an offshoring movement are more likely to reshore due to a lack of experience and knowledge of the new external environment. However, firms that have a high level of control in the management of quality issues as a result of the successful transfer of knowledge throughout the firm, are less likely to reshore based upon issues of quality (Ancarani et al., 2015). Reshoring was also found to lead to improvements in the overall quality of the product, as well as an increase in the potential for innovation (Benstead et al., 2017).

2.1.3 Time and Flexibility

As customization requests become more common, firms can greatly benefit from designing shorter and more responsive supply chains (Ancarani & Di Mauro, 2018). Reshoring can aid in increased compatibility and flexibility between activities along the supply chain and the market demand perspective which in turn, has led to shorter lead times and more efficient operations (Engström, Sollander et al., 2018). Therefore, time and flexibility are becoming increasingly more important for firms looking to properly respond to demand in order to achieve a competitive advantage (Dachs, Kinkel, Jäger et al., 2019).

2.1.4 Access to Skills and Knowledge

As sourcing patterns are constantly changing, the degree to which a firm moves its production influences the level of knowledge transfer between firm locations (Gadde & Jonsson, 2019). A knowledgeable and highly skilled labor force is an important resource for firms and their location decision. The lack of trained employees and needed resources in the offshore location can trigger reshoring and can be beneficial when there is a consolidated skilled labor force at home. In this case, reshoring allows for the firms to leverage the availability of resources and
employees that fit their domestic operations (Di Mauro et al., 2018). Simultaneously, offshoring can lead to deskilling of workers and increased unemployment in the home country. Hence, there is a trade-off between seeking favorable conditions abroad and sustaining domestic competences and employment (Benstead et al., 2017).

2.1.5 Risks

Reshoring has been motivated by the need to combat the risks associated with a firm’s global supply chain which can increase when operating abroad. An increased cultural distance between a firm’s home country and the foreign country of operation can lead to difficulties in offshoring, further driving firms towards reshoring (Benstead et al., 2017). Producing in the home country allows for better protection of the supply chain in retaining the unique know-how of firms (Benstead et al., 2017; Brandon-Jones et al., 2017; Di Mauro et al., 2018).

2.1.6 Market

A recurring market driver is the “made-in” effect which acts as an advantage for firms reshoring as it leads to value creation and added benefits for the customers (Benstead et al., 2017). When reshoring production activities of the firm to countries characterized by high costs, the attractiveness of the “made-in” effect further incentivized firms to resshore (Ancarani & Di Mauro, 2018). Ancarani et al. (2015) found that the country of origin is significant for certain products manufactured in European countries.

2.2 Governmental Drivers for Reshoring

The governmental aspect is amongst other drivers in Stentoft, Olhager et al. (2016) seventh category of reshoring drivers. Due to the vast increase in offshoring over the years, the global supply chains of many firms have lost their value, thus driving a need for governments to step in with supportive policies and incentives. Policymakers of governments can create value for a specific region, and in turn attract firms to return home through reshoring (Delis et al., 2019). Until recently, governmental policies have played a minor role in influencing a firm’s decision to resshore (Piatanesi & Arauzo-Carod, 2019) and have been focused upon significantly less than other drivers (Barbieri et al., 2018). However, Ellram et al. (2013) concluded that as the attractiveness of regions is constantly changing, government intervention is seen to play an increased role in affecting a firm’s location decision which indicates that a lack of governmental policies and regulation has a direct impact on a firm’s supply chain (Luthra, Mangla & Yadav, 2019). Furthermore, Ancarani et al. (2015) found that governmental
inscentives set out to encourage reshoring fall short of expected results and thus are less frequently implemented.

Policy makers within governments of offshored companies have placed an emphasis on governmental influence due to the increase in job loss and loss of know-how in the domestic country as a result of offshoring (Theyel et al., 2018). The state of global affairs was found to influence firms, as disruptions in trade patterns, ability to access resources, and the political stability of countries impacted firms in their decision to reshore activities (Engström, Sollander et al., 2018; Gadde & Jonsson, 2019). Governments should look to implement certain policies and incentives that lead to a reduction in the cost gap between the offshored and home country (Ancarani et al., 2015), mirrors characteristics that provided an advantage abroad (Di Mauro et al., 2018), and benefit the overall welfare of the country (Grappi, Romani & Bagozzi, 2018). When government intervention drives reshoring, it has been seen that firms are able to capitalize on the resulting internalization and ownership advantages (Wan, Orzes, Sartor, Di Mauro, & Nassimbeni, 2019). Furthermore, the existing literature has noted that governmental policies and incentives that drive the reshoring process should be favored as the resulting benefits of a decision to reshore exceed the associated costs of such a move (Piatanesi & Arauzo-Carod, 2019). This research paper will divide governmental drivers into policies and incentives to further explain the specific sub-categories of governmental drivers affecting the reshoring process.

2.2.1 Governmental Policies

2.2.1.1 Tax Policy

Tax policy is a public policy tool implemented by governments, that aims to promote economic development and generate revenues through the leveraging of taxes. Tax policy can be leveraged in locations where there is an opportunity to expand manufacturing (Brandon-Jones et al., 2017). It is seen that significant differences within the economic conditions between countries play an important role in a firm’s decision to locate their production within a certain region (Engström, Sollander et al., 2018). Highly unfavorable tax policies can lead a firm to reconsider their location decision (Foerstl, Kirchoff & Bals, 2016). Ancarani et al. (2015, p. 143) states, taxes “reflect both efficiency and strategic assets seeking motivations for relocating”. Policies of taxation implemented by governments, have led to an increase in the competitiveness of firms located within the given country which in turn, has led governments
to increase policy initiatives aimed at bringing firms back from abroad (Piatanesi & Arauzo-Carod, 2019).

2.2.1.2 Trade Policy
Trade policy is a governmental policy that affects the trade flows and patterns between countries, and in turn has an effect upon the attractiveness of a given location. This includes changes in country-specific factors such as risk, international trade instruments, competition in the marketplace, trade barriers, capital endowments and costs, and tariffs that all have an impact on the external environment (Fratocchi et al., 2016). Ellram et al. (2013) concluded that governmental trade policies are seeing an increased influence in regards to a firm’s location decision. Furthermore, governmental trade policies have been identified as a key factor in strengthening the appeal of locations within the manufacturing sector (Fratocchi et al., 2014). Trade policies can also be reflected in the increasing trend towards countries launching policies of protectionism, such as the European Union’s implementation of tariffs on goods imported to the European Union (Fratocchi et al., 2016).

2.2.1.3 Currency Policy
The global economic environment comprises of issues related to exchange rate and currency fluctuations and have been identified as both an important driver and barrier between a firm’s location decision (Engström, Sollander et al., 2018). Revaluation and devaluation of a currency are monetary economic instruments implemented by governments that make it relatively more or less attractive to conduct manufacturing activities in a given region (Bailey & De Propris, 2014b). Gray et al. (2013) concluded that differences in external cost drivers such as currency and the wage rate can lead to changes in the firm’s location decision.

2.2.1.4 Environmental Regulation
Environmental regulation is enacted by governments aimed at making firms more aware and concerned with the impact that their production decisions have on the global environment. Through increased regulation, firms have been seen to be more incentivized to reconsider their location decision, as they shift towards reducing their global carbon footprint. Furthermore, it has been found that the structure of the regulation plays a prominent role in influencing a firm’s decision (Gray et al., 2013). Carbon labeling programs set out to control pollution levels along a firm’s supply chain have been launched across several countries, making the environmental aspect of manufacturing more present in location decisions (Zhai et al., 2016).
2.2.1.5 Labor Regulation

Labor regulation influences the employment level, job creation, attracting of talented workers, and its associated costs. Engström, Sollander et al. (2018) concluded that today there remains a large gap in the economic differences amongst countries, which aids in explaining why the cost of labor and the amount of labor regulation in a given country can result in it being more or less attractive for a firm when considering its decision of location. Policy measures through labor regulation have led to the return of jobs in many countries (Gray et al., 2013). Higher skilled labor and investments implemented through labor legislation will lead to an overall increase in productivity (Barbieri et al., 2018). The increasing implementation of technology in manufacturing results in less employment of manual labor however, a positive correlation between having a more local value chain and domestic employment levels has been observed in developed countries (Dachs, Kinkel & Jäger, 2019). An identified barrier to reshore to Sweden was the difficulty of having flexible employment regulations (Engström, Hilletofth, Eriksson & Sollander, 2018).

2.2.2 Governmental Incentives

2.2.2.1 Financial Support

Financial support is any form of governmental economic support that is used to incentivize firms in making their location decision. To leverage capacity and networking on a local level, inward investment can be used as a support for smaller firms looking to move their manufacturing back to the home country (Delis et al., 2019). As Bailey and De Propris (2014a) pointed out, governments should focus on long-term policy initiatives in order to increase the availability of potential financial incentives for firms thus, making their countries more attractive as a location for firms’ production activities. The U.K. government has provided financial support in order to stimulate the U.K. economy and funding aimed at supporting the manufacturing industry. Streamlining these long-term financial policy initiatives gives managers of firms a better idea of the type of support they can expect and is, simultaneously, a way for the government to better ensure that funding is available (Bailey & De Propris, 2014b).

2.2.2.2 Technology

Governments can create competitive environments through increased technology, and in turn, make the location more attractive (Bailey & De Propris, 2014a). From a governmental perspective, there is a need for further development of an industrial policy that promotes increased levels of technology investment in order to incentivize firms to increase their output.
and employment. This could also function as a form of support for exporters and rapidly growing firms as well as make technology development accessible for smaller firms lacking sufficient capital (Bailey & De Propris, 2014b). Furthermore, governments should focus their support on projects that have the goal to develop more technical skills since these types of skills are increasingly important in industries that have been classified as having high degrees of technology, and where the “made-in” effect is important. Depending on the future economic environments for countries, governments may place more focus on economic incentives such as tax cuts or they may invest more in technology in order to incentivize firms to reshore (Barbieri et al., 2018).

2.2.2.3 Tax Cut
A tax cut is an economic tool implemented by governments that aims to increase the attractiveness of a location by offering firms a lower tax rate. Tax cuts have been seen to motivate firms to return to their home countries of operation from abroad (Stentoft, Mikkelsen & Jensen, 2016a). This is agreed upon by Ellram et al. (2013) who stated that tax advantages act as one of several factors relating to trade that can make operations in a specific region more appealing. Abbasi (2016) concluded that governments can speed up the process of bringing jobs back from abroad through the implementation of a corporate tax reduction plan. The implementation of tax cuts is a way for the government to attract firms while making the labor market more flexible (Barbieri et al., 2018).

2.2.2.4 Subsidy
A subsidy is a monetary economic incentive that is provided by governments to firms in order to reduce the costs of goods and services, which in turn encourages firms to reshore (Grappi et al., 2018). The implementation of government subsidies motivates firms to bring their manufacturing activities back to the home country (Bals et al., 2016; Brandon-Jones et al., 2017; Engström, Sollander et al., 2018; Stentoft et al., 2016a), hence resulting in a shorter duration offshore (Ancarani et al., 2015). Subsidies have provided firms with the ability to launch new technologies thereby providing ownership advantages. Furthermore, developed countries have implemented subsidies in an effort to counteract increasing levels of unemployment while supporting the domestic manufacturing sector. This has been observed to be more common during time periods of global crisis (Fratocchi et al., 2016).
2.2.2.5 Education

Education can be utilized by governments to incentivize firms to locate their production activities within a given country’s borders as this can provide firms with relevant knowledge and know-how to achieve a competitive advantage. In contrast to many other incentives, education is a non-monetary measure for governments to use to get firms to reconsider their location decision. To further develop and strengthen domestic manufacturing sectors, governments can focus on communicating budgets and risks of locations abroad, which in turn can lend to the attractiveness of those in the domestic country as highlighted by the quality of infrastructure and level of innovation in the home country (Di Mauro et al., 2018). Another aspect of education covers the initiation of scholarship and fellowship programs targeting students interested in engineering where a combination of management and technical competences are practiced. Investments in these types of programs is not enough on its own but also requires that universities redesign the content being taught within the field of engineering (Abbasi, 2016).

2.3 Dunning’s Eclectic Paradigm of International Production

The Eclectic Paradigm of International Production is made up of three determinants that drive the decision of a multinational enterprise (MNE) to engage in international production. The three determinants are Ownership (O) specific advantages, Locational attractiveness (L) and Internalization (I) (Dunning, 1980).

The first determinant of the eclectic paradigm is ownership-specific advantages where a firm’s decision to engage in international production hinges upon its ability to possess and leverage unique resources that enable it to achieve a competitive advantage (Dunning, 2000). The competitive advantages of a firm must account for and cover the costs that arise from undertaking international production, as well as aid in competing against potential competitors (Dunning, 1988). According to Dunning (2000), the greater the ownership-specific advantages possessed by a firm in comparison to their competitors, especially within the foreign country of operation, the greater the firm’s ability to engage in and increase their level of international production. Dunning (1988) identified three types of ownership-specific advantages: (1) the advantages that result from a firms ownership of, and access to resources that generate income, (2) those advantages held by a subsidiary firm operating in a foreign market in comparison to a firm operating in its home country, and (3) the advantages that arise from operating as a multinational or the firms locational decisions. As markets have drastically changed over the
years, and the process of generating wealth has required more knowledge, the level of importance of the three aforementioned types of ownership-specific advantages have also evolved, and their importance has been brought into question. A firm must be able to tap into and leverage knowledge intensive resources from different geographical markets and incorporate these with their existing competitive advantages, as well as with other firms that engage in complementary value adding activities. Dunning (2000), argued that as long as the evolved ownership-specific advantages do not undermine the original tenants of the paradigm, they are still applicable but do require changes over time in order to maintain their relevance.

The second determinant of the eclectic paradigm is the locational attractiveness of a foreign country or region of operation. The eclectic paradigm places a focus on the significance of the locational advantages a firm has as a driving force behind a MNE’s decision to engage in international production (Dunning, 2000). According to Dunning (1988), a firm will undertake international production if it is able to combine resources from its home country of operation, with resources gained from a foreign country of operation in order to achieve a competitive advantage. As firms have increased their operations abroad and the supply chain activities of firms has become increasingly spread out, this has contributed to an increase in R&D location specialization (Dunning, 1994). Technological advancement in transportation and communication, and the lowering of trade barriers around the world have contributed to an increase in the cross-border activities of firms (Dunning, 2009). In response to shifting trends, the global marketplace has begun to focus on the firm’s ability to offer a distinct set of location-based offerings that lend to their core capabilities (Dunning 2000). Some of the locational attractiveness determinants a firm considers are transportation costs, regional and local governmental policies, resource availability, consumer demand levels, economic and political stability. The locational advantages require changes over time to remain relevant and applicable to the original eclectic paradigm, as well to keep up with the rapidly evolving global environment (Dunning, 2000).

The third determinant of the eclectic paradigm is internalization and presents a framework for understanding the different ways in which a firm is able to organize and leverage its core capabilities in response to the locational attractiveness of a foreign country or region (Dunning, 2000). According to Dunning (1988), it must be in the best interest of the MNE to transfer their ownership-specific advantages across international borders within their own firm, as opposed to selling or licensing their use to a foreign-based organization. The basic incentive for a firm to internalize its ownership-specific advantages is to take advantage of imperfections within
the marketplace (Dunning, 1980). Dunning (1988) identified three main types of market imperfections: (1) imperfections and failures resulting from the possibility of risk and uncertainty, (2) the imperfections and failures that result from a firm's ability to take advantage of economies of mass production, and (3) the imperfections and failures that arise from the sale of goods and services that result in unforeseen benefits and costs to the parties involved in the process. The true impact an MNE has on the allocation of international production is dependent on how the internalization of cross-border product markets results in a changed economic structure than would have happened, had internalization not taken place (Dunning, 1998). Internalization does not require necessary changes over time to remain its relevancy and applicability as both the ownership-specific advantages and locational advantages aspects of the eclectic paradigm do.

Dunning’s Eclectic Paradigm of International Production originally resulted from a firm seeking to take advantage of the ownership, locational, and internalization advantages that they were able to harness as a result of undertaking a strategic decision of moving operations abroad through the process of offshoring. Despite it being a strong framework grounded in offshoring, Kinkel and Maloca (2009) and Fratocchi et al. (2016) found that the updated model can be applied to reshoring. Reshoring can result from a decline in the initial Ownership, Locational, or Internalization advantages that a firm harnessed as a result of operating abroad (Fratocchi et al., 2014). The activities of a firm when reshoring must be constantly assessed, changed, and repurposed, and a lack of only one of the three OLI aspects can result in a firm moving to reshore (Dachs, Kinkel & Jäger, 2019). Furthermore, as the business environment is constantly changing, reshoring can stem from changes in the locational aspects of the offshored country, as well as issues playing a role on the overall level of efficiency within the firms supply chain (Fratocchi et al., 2016). Dunning’s Eclectic Paradigm of International Production also aids in explaining reshoring, as it considers changes in the conditions and shifts in the advantages that firms seized upon as a result of offshoring, as motivating factors for firms moving production back to their home country of operation (Johansson & Olhager, 2018b).

2.4 Summary of Frame of Reference

Seven main drivers of reshoring emerged from the frame of reference. These were cost, quality, time and flexibility, access to skills and knowledge, risk, market, and other drivers of reshoring. The growing importance of reshoring and its relevancy for policy makers was highlighted by the literature as government intervention has a direct effect on the structure of a firm’s supply
chain. The governmental drivers identified in the literature were categorized into governmental policies and incentives however, the literature provided limited research on which policies and incentives were enacted by governments in supporting firms to reshore. Furthermore, there was a lack of research regarding exactly how the government impacted the reshoring decision through policy and incentive measures. As Dunning’s Eclectic Paradigm of International Production was originally created to identify the ownership-specific, locational, and internalization advantages that arose from a firm moving abroad through offshoring, the paradigm was adapted in response to the loss of these advantages in the offshore location. The eclectic paradigm was then applied as firms were able to recapture the OLI advantages through the process of reshoring.
3. Method

This section will provide a detailed outline of the method and methodology applied throughout the research and how these align with the purpose of the research. The perceptions of the researchers in terms of philosophy, design, approach and method are presented followed by the chosen research strategy, data collection and analysis process. Furthermore, the method critique, ethical considerations, and trustworthiness of the research are discussed.

3.1 Research Philosophy

In conducting scientific research, the research philosophy is a tool that guides the process of developing a coherent knowledge base in a specific field of study. It is a system of assumptions and beliefs that reflect how individuals view reality and interpret concepts and findings (Collis & Hussey, 2014; Saunders, Lewis & Thornhill, 2016). Paradigms are used to illustrate the fundamental structure of research philosophies and are based on a combination of ontological, epistemological and methodological assumptions (Guba & Lincoln, 1994) that explain the nature of reality, validity of knowledge and research process (Collis & Hussey, 2014). Johnson and Onwuegbuzie (2004) identify the three main paradigms of positivism, interpretivism and pragmatism. Positivism is rooted in realism and aims at developing theories that explain social phenomena in an objective manner, creating causal relationships between the observed variables. As such, the paradigm is linked to quantitative research methods. Located on the opposite end of the continuum, interpretivism finds social reality to be dependent on human perception. With a subjective orientation, it looks to describe, translate and find the meaning of more complex social phenomena, often applying qualitative methods (Collis & Hussey, 2014). Johnson and Onwuegbuzie (2004) refer to pragmatism as an alternative paradigm of mixed methods research that creates a bridge between conflicting philosophies.

Given that this study is seeking to investigate how governmental drivers influence a firm’s reshoring decision, the interpretivist paradigm will allow for rich data to be derived from knowledgeable respondents. Thereby, the ontological assumption is taking on a subjective perspective, based on the belief that there are multiple realities. Interpretivism is characterized by smaller sample sizes and has a natural location (Collis & Hussey, 2014) which allows for theory generation based on interpretation and understanding of an individual’s experience. A social constructionist epistemology is applied as this approach captures human interaction and challenges the notion that knowledge is based on an objective reality (Walker, 2015).
Governmental policies and incentives driving reshoring were investigated from an individual perspective and as such, the observations captured were subjective.

3.2 Research Design

The research design maps out the process of how the research question of interest should be answered. Saunders et al. (2016), lists four different purposes that the nature of a research project can be designed to fulfill. In exploratory studies, the research question often starts with “How” or “What” and is set out to develop an understanding of a given phenomenon. This approach is flexible as new data can result in insights that require the researcher to modify the initial plan. The process of descriptive research is to a greater degree structured and leads to a data set that generalizes characteristics in a given field of study (Collis & Hussey, 2014). Explanatory research focuses on relationships among specified variables that can be analyzed using quantitative or qualitative methods. Lastly, evaluative research focuses on the effectiveness of a process or strategy in gaining insight into how well something works and why. A research project should be defined in terms of its design but is not limited to only one of these approaches as a combination may also be adopted (Saunders et al., 2016). The exploratory design aligns with the purpose of this study as it aims to understand the phenomenon of reshoring. It further allows for flexibility in the process as insights can influence the research process which is seen as beneficial given that reshoring is a rather new strategy.

3.3 Research Approach

As stated by Lipscomb (2012, p. 244), “Abduction, deduction and induction describe forms of reasoning”. A deductive research approach uses an existing theory from which a hypothesis is developed to test the theory. Starting from a general viewpoint, deduction can make generalizations towards a specific focus in either verifying or falsifying the hypothesis. On the contrary, induction is aiming at developing new theory by first collecting data that is analyzed to identify patterns that often lead to a conceptual theory. This indicates that the inductive approach moves in the opposite direction of deduction, from the specific to the general (Saunders et al., 2016). Furthermore, induction aligns with the interpretivist philosophy focusing on the understanding of a given phenomenon (Collis & Hussey, 2014). The abductive research approach builds a bridge that connects theory with the field, in painting a more valid picture of the world when compared to deduction and induction as everyday life provides the basis for the development of new theory (Urdari & Tiron Tudor, 2014). As this study is set out
to identify and understand governmental driving forces in a firm’s reshoring decision, the focus is to add to the existing literature on reshoring rather than formulating and testing a hypothesis based on an established theory. Thereby, the inductive research approach is applied, and this is guiding the entire research process, from gathering the empirical data to coding and analyzing the data in order to find common patterns that reflect the movement from individual observations to general theoretical conclusions.

3.4 Research Method

Research methods fall into the two fields of qualitative and quantitative research. Distinguishing between the two is crucial in developing an overall research design where each of the included elements align, however, in some research projects it may be suitable to opt for a combination of the two approaches. Qualitative research adopts a variety of means in collecting and analyzing data in looking to the meaning and relationship between participants. Aiming to develop theory and conceptual frameworks, non-probability sampling is commonly applied, and the research process is often seen to be highly interactive and continuously modified. The interpretivist paradigm in combination with either an inductive or abductive research approach are associated with qualitative research as the studies are set out to understand a phenomenon through rich theory building. In contrast, quantitative research captures patterns in numerical data through the application of graphical and statistical methods. The respondents participating in a quantitative research process are independent from the researcher and are identified using probability sampling which allows for generalizations to be made across populations. The positivism paradigm and deductive research approach are associated with quantitative research, given that the data collection is used to test an existing theory (Saunders et al., 2016).

As argued for previously, this particular study aims at developing an understanding of what governmental policies and incentives act as drivers of reshoring, and based on the collection of empirical data, thematic analysis will generate patterns across the data set from which additions to the existing theory can be made. The qualitative nature of the study can be seen in the focus on non-numerical data that is collected through semi-structured interviews where the perspective of the individual is at the core of the data analysis.
3.5 Research Strategy

The research strategy guides the researcher in the process of finding an answer to the research question of interest and strongly connects to the identified research philosophy. A case study aims at investigating a given phenomenon in a setting that reflects its authentic reality (Collis & Hussey, 2014; Saunders et al., 2016). Reshoring is investigated from the perspective of the respondents’ subjective reality, supporting the social constructionist epistemology applied in this research. As case studies seek to develop a deep understanding in the context of a specific topic, they typically support a more selective approach to sampling that allows for the researchers to identify cases that have a greater likelihood of enabling rich data extraction (Flyvbjerg, 2006). Given its comprehensive nature, there are many alternative paths to how a case study can be designed. Under an inductive approach, the researcher will attempt at identifying common themes that lead to the development of theory (Saunders et al., 2016).

Knowledge that is tied to a specific context strongly connects to expertise, which is found to be at the core of a case study as a form of research strategy. It is further highlighted that the case study provides a subtle base for the generation of a nuanced perspective of reality as it is drawing on situations in a real-life setting (Flyvbjerg, 2006).

A case study can take on a single or multiple form where the former typically focuses on a unique phenomenon, impersonating the case, that has not yet been extensively researched. The latter rather uses several cases that are thought to lead to literal replication, that is, similar results are expected to be generated across the cases (Saunders et al., 2016). There has been a general misconception that conclusions drawn in a case study would contain a subjective bias due to the researcher’s role and its assumptions prior to the study. However, it has been proven that when the researcher takes this influential role, operating in the context of the phenomenon in focus that learning in its most advanced form can be achieved. (Flyvbjerg, 2006).

This research takes the form of a multiple case study as it aims to develop an in-depth understanding of what governmental factors drive the reshoring decision across a set of manufacturing firms. Looking to identify common patterns among the firms from a subjective perspective, a multiple case study is found to be the most appropriate strategy as the sampled firms are not confirmed to represent extreme cases of the reshoring process, but are rather expected to demonstrate literal replication of findings across cases. Furthermore, it is argued to be a cross-sectional study as the data has been collected within the same timeframe but in different settings, aligning with the definition presented by Collis and Hussey (2014).
3.6 Data Collection

3.6.1 Primary Data

Interviews are a common method applied in qualitative research for the collection of primary data and provide flexibility as they can be designed in a variety of ways (Collis & Hussey, 2014). This flexibility becomes evident as structured and unstructured interviews are put on opposite ends of a continuum, along which different compositions of these approaches to conducting interviews line up (Saunders et al., 2016).

In designing the interview structure, it is vital to consider the other methodological choices made in addition to the overall purpose of the research (Saunders et al., 2016). Aligning with the interpretivist paradigm and subjective perspective of this research, semi-structured interviews based on open-ended questions were chosen as the method for primary data collection. A semi-structured interview represents a middle ground between a structured and an unstructured form and balances prepared questions and/or topics with questions and/or topics that appear as the interview progresses. This allows for an understanding of the participant’s experience and ideas based on their personal beliefs (Collis & Hussey, 2014), and captures the “what”, the “how” but most prominently the “why”. The more in-depth perspective of this approach goes along with an exploratory research design that is aimed at understanding a given phenomenon through the generation of contextual background data (Saunders et al., 2016). In addition to this, open-ended questions go beyond simple yes and no answers and calls for more extended and processed answers (Collis & Hussey, 2014). Applying these methods for the primary data collection allows for the respondent to take the lead and can thereby generate richer data based on the respondent’s social reality, from which governmental drivers impacting the reshoring decision can be extracted and used in answering the research question.

3.6.1.1 Sampling of Primary Data

Applying a non-probability sampling technique where each case does not have the same likelihood of being selected applies to the qualitative orientation of this research. A purposive sampling approach, more specifically purposive theoretical sampling, was undertaken where the aim is to identify cases that are most suited to answer the research question (Saunders et al., 2016). However, the researchers were unable to continuously identify additional cases based on the emerging theory due to time constraints which did not allow for a thorough application of the theoretical sampling technique. Due to the unique circumstances brought about by the Covid-19 virus, the researchers had to turn to convenience sampling which is a
natural sampling approach that allows for the sampling to be guided by the ease of access to the cases being sampled. The conditions for the primary data collection consisted of firms operating in the manufacturing sector in Sweden and the U.K. and have previously reshored. The manufacturing sector was chosen as reshoring is found to be more strategically relevant over other sectors (Johansson & Olhager, 2018a). The researchers contacted 58 firms that reshored to the U.K. and 13 firms that had reshored to Sweden, which were found on the European Reshoring Monitor database as well as the Reshoring U.K. database. As reshoring is seen to be less frequently undertaken in Sweden, the researchers were unable to contact more Swedish firms. The researchers received two successful responses from the U.K. firms and zero successful responses from the Swedish firms. The circumstances surrounding Covid-19 were cited as a factor behind the low response rate in combination with firms who did not respond at all. The primary data sample is presented in Table 1 below.

<table>
<thead>
<tr>
<th>Firm</th>
<th>Interviewee</th>
<th>Type of Interview</th>
<th>Interview Length</th>
<th>Date of Interview</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firm A</td>
<td>CEO</td>
<td>Google Hangouts</td>
<td>20:36 minutes</td>
<td>2020-04-01</td>
</tr>
<tr>
<td>Firm B</td>
<td>CEO/Owner</td>
<td>Zoom</td>
<td>18:13 minutes</td>
<td>2020-04-28</td>
</tr>
</tbody>
</table>

3.6.1.2 Interview Guide

Prior to the construction of pre-scripted questions for an interview, it is vital for the researcher to review the existing literature in order to develop a sufficient knowledge base. Apart from the core questions of the interview, researchers benefit from using probes that push the participant to expand on their answer in order to be able to extract richer data (Collis & Hussey, 2014). The researchers created background questions in order to get an overall view of the firm being interviewed. In order to properly understand the process that the firm experienced when reshoring, the researchers first asked the firm its experience when offshoring. Both the offshoring and reshoring perspectives built the foundation from which the researchers were able to expand upon their focus of research, which was the influence of governmental policies and incentives as drivers for reshoring. In enabling the researchers to answer their research question, as accurately as possible, specific questions about the influence of governmental policies and incentives and their significance in driving a firm to reshore were asked. The questions in the interview guide were influenced by the emergent themes of the literature review. Regarding governmental policies and incentives, the questions were formulated in a
more general manner, allowing for the interviewee to take the lead and expand on specific drivers that were applicable in their specific reshoring process. This was further argued to aid the researchers in finding links between the empirical perspective on reshoring in relation to Dunning’s Eclectic Paradigm of International Production. The full interview guide can be found in Appendix 1.

3.6.2 Secondary Data

Secondary data plays an important role in answering, or partially answering, the research question of a study and is defined as data that has been collected previously to fulfill a purpose that is different from the purpose of research currently being carried out. It comes in a variety of forms but can be broadly categorized into document based, survey based and based on a compilation of multiple sources. Document based secondary data includes both text and non-text material, where non-text secondary data includes voice recordings. As such, the prerecorded interviews with Swedish firms presented further down in this section can be classified as secondary data. Through analyzing secondary data, researchers may add new perspectives to the existing knowledge base based on their interpretations and concluded findings. An important aspect to consider when collecting secondary data is that it should align with or be applicable to the specific research being carried out (Saunders et al., 2016).

3.6.2.1 Literature Search

The analysis, or evaluation, of the collected data is often referred to as a literature review (in this particular study, it is referred to as Frame of Reference) and acts as a foundation in illustrating the context and scope of the research. In addition to adding new ways of looking at existing knowledge, it can further identify gaps in the literature that can guide future studies (Turner, 2018). The frame of reference for this study was developed based on a thorough analysis of the existing literature published on the topic of reshoring. As the terms reshoring and backshoring are often used interchangeably, they were both identified as key words alongside policy and incentive, the latter tying in with the governmental focus of the research. The Scopus database was used in the literature search and the search terms developed based on the key words are presented in Table 2 below.
Table 2 – Search Terms

<table>
<thead>
<tr>
<th>Key Word</th>
<th>Search Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reshoring OR Backshoring</td>
<td>&quot;reshor*&quot; OR &quot;re-shor*&quot; OR &quot;backshor*&quot; OR &quot;back-shor*&quot;</td>
</tr>
<tr>
<td>Policy</td>
<td>reshor* OR backshor* OR back-reshor* AND policy</td>
</tr>
<tr>
<td>Incentive</td>
<td>reshor* OR backshor* OR back-reshor* AND incentive*</td>
</tr>
</tbody>
</table>

Some delimiters were applied to each of the searches in order to narrow down the results and to increase the likelihood of the hits matching the purpose of the given study. These delimiters included field, document type, source type, language and excluding subject areas, and are specified in Table 3.

Table 3 – Delimitations

<table>
<thead>
<tr>
<th>Delimitations</th>
<th>SCOPUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Field</td>
<td>Article title, Abstract, Keywords</td>
</tr>
<tr>
<td>Document type</td>
<td>Article</td>
</tr>
<tr>
<td>Source type</td>
<td>Journal</td>
</tr>
<tr>
<td>Language</td>
<td>English</td>
</tr>
<tr>
<td>Excluding subject areas</td>
<td>Earth and planetary sciences; Physics and astronomy</td>
</tr>
</tbody>
</table>

Table 4 shows a numerical presentation of the result of each of the searches in terms of the initial number of hits, the number of hits when applying the previously mentioned delimiters and the final number of articles included in the sample. The selection of the final sample was based on the abstract of the articles, where the number of citations of each article was considered in order to ensure the quality, relevance, and reliability of the information. The searches including the key words policy and incentive did not generate any articles that had not already been included in the first search.

Table 4 – Scopus Database Search

<table>
<thead>
<tr>
<th>Search Term</th>
<th>Hits</th>
<th>Filters</th>
<th>Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;reshor*&quot; OR &quot;re-shor*&quot; OR &quot;backshor*&quot; OR &quot;back-shor*&quot;</td>
<td>1228</td>
<td>297</td>
<td>34</td>
</tr>
<tr>
<td>reshor* OR backshor* OR back-reshor* AND policy</td>
<td>33</td>
<td>18</td>
<td>7</td>
</tr>
<tr>
<td>reshor* OR backshor* OR back-reshor* AND incentive*</td>
<td>7</td>
<td>3</td>
<td>2</td>
</tr>
</tbody>
</table>
In addition to the above searches, six articles were manually sampled as Dunning’s Eclectic Paradigm of International Production was identified as the main model of the research. The first version of the model from 1980 was used as a starting point and as the model has been revised over the years, an additional five articles were added. Complementing the 34 articles presented in Table 4, the manually sampled articles add up to 40 articles being included in the frame of reference, representing 21 different academic journals. To ensure the quality of the literature, solely peer-reviewed articles have been considered and the journals’ respective ABS rating has influenced the sampling. The aim was to exclude any articles that are not covered by the Academic Journal Guide of 2018 by Chartered ABS, however due to certain articles being identified as highly relevant to the research topic, exceptions were made. 33 out of the 40 articles, making up just over 80% of the final sample of articles can be found in the Academic Journal Guide of 2018 by Chartered ABS.

3.6.2.2 Prerecorded Interviews

As the researchers were unsuccessful in collecting data from Swedish firms resulting from the impact that Covid-19 had on potential respondents, they needed to resort to other means of data collection. This was achieved by gaining access to prerecorded interviews addressing the same topic as this research through a collaboration with an ongoing research project. As such, this data has been collected to fulfill a purpose beyond the purpose of this research and is thereby considered to be secondary data. The sample of prerecorded interviews are presented in Table 5.

Table 5 – Secondary Data Sample of Prerecorded Interviews

<table>
<thead>
<tr>
<th>Firm</th>
<th>Interviewee</th>
<th>Type of Interview</th>
<th>Interview Length</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firm C</td>
<td>Head of Production Development Department</td>
<td>Prerecorded audio</td>
<td>39:50 minutes</td>
</tr>
<tr>
<td>Firm D</td>
<td>Former Owner and Consultant</td>
<td>Prerecorded audio</td>
<td>26:04 minutes</td>
</tr>
<tr>
<td>Firm E</td>
<td>Director of Supply in Business Unit Crushing and Screening</td>
<td>Prerecorded audio</td>
<td>32:22 minutes</td>
</tr>
<tr>
<td>Firm F</td>
<td>Firm Owner and Business Developer</td>
<td>Prerecorded audio</td>
<td>44:03 minutes</td>
</tr>
<tr>
<td>Firm G</td>
<td>Vice President of Products and Manufacturing</td>
<td>Prerecorded audio</td>
<td>43:57 minutes</td>
</tr>
</tbody>
</table>
3.6.3 Complete Set of Sampled Firms

3.6.3.1 Firm A

Firm A is a bike firm located in the U.K. The respondent is the CEO of the firm. The firm offshored to China originally to produce their bike frames and then reshored their manufacturing actives back to Wales.

3.6.3.2 Firm B

Firm B is a firm in the technology industry that is working towards the development of sustainable energy products within the marine and other relevant markets. The respondent is the CEO of the firm. The firm is in the product development stage and is currently in the process of reshoring.

3.6.3.3 Firm C

Firm C is a global leader in the industry for mining and infrastructure, producing facility equipment, drilling rigs and tools with their headquarters located in Sweden. The respondent runs the production development department and is knowledgeable within the field of automation which was highlighted as the prominent driver for the reshoring decision.

3.6.3.4 Firm D

Firm D is a Swedish management consulting firm focused on supply chain management. The respondent is currently employed in a large Swedish industrial concern but is basing the reshoring perspective from the experience gained while employed in Firm D.

3.6.3.5 Firm E

Firm E is a high tech and global engineering firm headquartered in Sweden. The firm produces tools and tooling systems for industrial metal cutting, equipment and tools, service and technical solutions for mining and construction industries and produces stainless steel and special alloys for industrial heating. The respondent is a director of supply in business unit crushing and screening.

3.6.3.6 Firm F

Firm F is a Swedish firm that is specialized in lifting equipment. After producing in Taiwan and China, production was reshored to Sweden in 2017. The respondent is a business developer and owner of the firm.
3.6.3.7 Firm G

Firm G produces different types of trucks mainly in the industrial market. The firm has production factories in Sweden and Spain as well as subsidiaries around the continent that focus on service and sales. The respondent works as the Vice President of products and manufacturing.

3.7 Data Analysis

In contrast to quantitative data, the nature of qualitative data is characterized by greater degrees of complexity, variation, and elasticity which stems from the connection between the data and interaction in a social context (Saunders et al., 2016). Relating to this, Robson (2011, p. 466) states that there is “no clear and universally accepted set of conventions for analysis corresponding to those observed with quantitative data”. Following those lines, thematic analysis has been chosen for this study which is a foundational approach as the processes that relate to thematic analysis are applied across multiple methodological approaches (Saunders et al., 2016). As such, thematic analysis is commonly overlooked as an independent choice of method, and rather seen as a process within the major traditional approaches. A contradicting view is presented by Braun and Clarke (2006) and Nowell, Norris, White, and Moules (2017) who claim that this take on analyzing qualitative data should in fact be considered a legitimate approach on its own as they outline how it is conducted.

The core of thematic analysis captures the identification, analysis and reporting of themes across a set of data, leading to a detailed and categorized description of it. According to Braun and Clarke (2006, p. 82) “A theme captures something important about the data in relation to the research question, and represents some level of patterned response or meaning within the data set”. The flexibility of the approach makes it applicable to a great variety of studies (Nowell et al., 2017).

Given the inductive orientation of this particular study, the analysis follows the same suit. An inductive analysis is continuous as data needs to be analyzed as it is collected, subsequently generating new theory to guide the progression of the research. Hence, there is an interactive relationship between data collection, analysis, and theoretical development that contributes to a high level of flexibility in the research process (Saunders et al., 2016). Codes are tied to the theoretical and epistemological assumptions of the research but are identified as they emerge rather than having a prepared coding mold that the data must fit into. This allows for the coding process to have an impact on the development of the research question(s). Along with the social
constructionist epistemology of this research, the analysis is carried out on the latent level where interpretation of the data results in emerging themes based on the identification and understanding of the underlying ideas and assumptions that theorize the explicit data content. To make this approach more concrete, it can be split into six phases (Braun & Clarke, 2006) as presented in Figure 1.

*Figure 1 – Phases of Thematic Analysis*

<table>
<thead>
<tr>
<th>Phase</th>
<th>Description of the process</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Familiarizing yourself with your data:</td>
<td>Transcribing data (if necessary), reading and re-reading the data, noting down initial ideas.</td>
</tr>
<tr>
<td>2. Generating initial codes:</td>
<td>Coding interesting features of the data in a systematic fashion across the entire data set, collating data relevant to each code.</td>
</tr>
<tr>
<td>3. Searching for themes:</td>
<td>Collating codes into potential themes, gathering all data relevant to each potential theme.</td>
</tr>
<tr>
<td>4. Reviewing themes:</td>
<td>Checking if the themes work in relation to the coded extracts (Level 1) and the entire data set (Level 2), generating a thematic ‘map’ of the analysis.</td>
</tr>
<tr>
<td>5. Defining and naming themes:</td>
<td>Ongoing analysis to refine the specifics of each theme, and the overall story the analysis tells, generating clear definitions and names for each theme.</td>
</tr>
<tr>
<td>6. Producing the report:</td>
<td>The final opportunity for analysis. Selection of vivid, compelling extract examples, final analysis of selected extracts, relating back of the analysis to the research question and literature, producing a scholarly report of the analysis.</td>
</tr>
</tbody>
</table>

(Braun & Clarke, 2006, p. 87)

Upon conducting the interviews with the U.K. firms and listening to the prerecorded interviews, the first step in the data analysis was to transcribe the data. Throughout the process, the researchers gave attention to relative concepts that emerged from the raw data. The initial set of codes consisted of 17 codes and the majority of these connected to the governmental drivers that were identified in the literature review, however following the inductive approach, the process was data-driven with no pre-defined code frame. Further aligning with the literature review, the codes were divided into the broader themes of governmental policies and governmental incentives. It was a continuous process of reviewing the subthemes where some themes were eliminated, and some were combined. The final set of subthemes was reduced to 14 under the themes of policies and incentives which were defined to clarify what codes were applicable.
3.8 Research Ethics

Ethical considerations are vital for the success of a research project and have become increasingly more important over time. Ethics is critical and must be correctly evaluated and is particularly important when human participation is involved (Saunders et al., 2016). The respondents of the primary data were contacted by email stating a brief description of the purpose of the research, and thereby they were able to make an informed decision as to whether they would participate in the research or not. Upon agreeing to participate, the respondents were sent a consent form outlining their rights and choice to remain anonymous. The transcribed interview was sent to the respondent for their review, and they were allowed to adjust any of the information that was discussed. The researchers have not been in personal contact with the respondents of the prerecorded interviews and therefore their consent was not given personally to the researchers. However, the researchers gained access to the prerecorded...
interviews addressing the same topic as this research through a collaboration with an ongoing research project under the condition that these firms and the project remain anonymous. Upon completion of the data analysis, the transcribed interviews were deleted. The thesis was not funded or dependent on a third party, and therefore no conflict of interest exists regarding the research.

3.9 Reliability and Validity

Establishing the trustworthiness of a research project is an essential aspect that is of the upmost importance for qualitative research. Guba (1981) presented four main aspects to consider: credibility, transferability, dependability and confirmability.

Credibility captures how the empirical perspectives presented in the research should match the intentions of the respondents when agreeing to participate (Saunders et al., 2016). In order to ensure credibility, the transcribed interviews were sent to the respondents to verify the accuracy of the content. A variety of methods were used in collecting data on the topic such as interviews and secondary data which increases the credibility of the research through triangulation. Furthermore, the respondents were given the opportunity to remain anonymous, to eliminate further bias or risk in the replies received from the respondents.

Transferability looks at to what extent the research carried out can be used in other contexts and across different respondents (Shenton, 2004). As this study is conducted based on qualitative research, it may be potentially difficult to apply the findings within another context as qualitative research is built upon in-depth inspection of data. Due to the relatively small size of the sample within the data set, it may be problematic to apply the findings to other cases.

Dependability captures how the everchanging environment affects the progression of the research, especially in the context of an interpretivist study where the focus tends to shift with the environment. Acknowledging any such changes throughout the research process allows for others to better follow along and understand how the research has been carried out (Saunders et al., 2016). The method section of this research has aimed at providing detailed information that allows for the reader to follow along the process which allows for the study to be replicated in the future.

Confirmability is concerned with achieving objectivity in the research and eliminate bias in ensuring that the presented results align with the respondents’ experiences without being influenced by the researchers. Triangulation is emphasized in this criterion as it helps to reduce
any bias present (Shenton, 2004). The researchers may have had bias, as they possessed previous knowledge on the topic of reshoring which may have influenced the lens through which they view reshoring. Based off this knowledge they knew that there was a gap that existed regarding the governmental aspect relating to reshoring. To prevent further researcher bias, three of the researchers coded, analyzed and interpreted the data separately before discussing together, increasing confirmability. This indicates that there was analyst triangulation.

3.10 Limitations

Covid-19 combined with limited time restricted the researchers from obtaining additional primary data for Swedish firms. The time constraint also limited the researchers from narrowing down the types of firms being interviewed and therefore, a broader manufacturing sector perspective was applied. As the researchers received prerecorded interviews for the Swedish firms, they were unable to ask the same questions to the Swedish firms, as were asked to firms within the U.K. This could lead to potential inconsistencies amongst the data and empirical findings. Furthermore, an issue of validity could have arisen as the questions asked in the prerecorded interviews were not designed to fulfill the purpose of this research and the respondents were not able to verify the transcribed interviews. A selective bias may have occurred as the researchers played an active role in the interview setting and the researchers have previous knowledge on the topic of reshoring. A further limitation due to Covid-19, prohibited the researchers from conducting in-person interviews. This may influence the ability of the researchers to capture the discrepancies of facial expressions and body language.
4. Empirical Findings

This section presents the findings in the two broader themes of governmental policies and governmental incentives.

4.1 Findings on Governmental Policy

4.1.1 Tax Policy

Tax Policy is a form of governmental policy that is enacted with the aim to stimulate economic growth and development by leveraging taxes in an advantageous way. Governments can enact tax policy through legislation that can make reshoring both attractive for firms, as well as less attractive for firms.

Firm E emphasizes the significance of tax policies in a firm’s location decision. Firm B further agrees that tax policy affects a reshoring investment:

“For example, you don’t pay tax for a number of years in that investment. It subsidizes in some way that it creates work, it creates connected networks of people or factories.”
- Firm B

Firm G believes that Sweden has a relatively favorable tax rate compared to other countries however the respondent believes that the tax on labor in Sweden is too high. A reduction in the tax on labor would probably positively affect a firm’s decision to reshore. The respondent suggests that an incentive for the future could be a regulated tax rate for firms based upon their past results. If a firm is able to deduct a tax loss from a previous year this would provide capital for the following year, thereby they are able to generate profits again.

4.1.2 Trade Policy

Trade policy is a form of governmental policy that affects a country’s terms of trade, specifically the trade patterns and flows of trade. Trade policy is important for the well-being of the economy, and it has been seen that the government can have a positive effect on firms when reshoring.

Firm E states that trade in the form of exports is pointed out as particularly important for Sweden, being a major source to the capital inflow in the country. Trade instruments will
essentially play a part in determining where a firm has its customers and suppliers as imports and exports can be made more or less favorable through government intervention:

“It can have an incredibly large effect if you can save 10% on value added but then you get a 25% import tax, clearly this would throw off any calculation.” - Firm D

Firm A states that the rising costs of importing goods made abroad, have led to their firm being just as competitive when manufacturing from home as they would have been when operating abroad.

4.1.3 Currency Policy

Currency policy is a form of governmental policy enacted that affects exchange rates, currency fluctuations, and can have an impact on the wage rates of a firm’s workers. Currency fluctuations can often have an impact on firms’ decision to reshore in the short-term, however currency fluctuations in the long-term tend to be less volatile and therefore have less of an impact as a driver for the reshoring decision.

As put forward by Firm E, currency fluctuations theoretically even out over time and should as such not be incorporated into any long-term decisions. Looking to the short run, it is possible to strategically hedge but taking a long-term perspective Firm E further found:

“If we look to wage development in Sweden, it is around 1.8-2%. In China and India where we operate, the wage development is approximately 8-12% per year and this means that if you forecast five years ahead, you will find that you are currently paying close to Swedish wages for qualified English-speaking office workers in Shanghai. This is sometimes forgotten, and in the long run we are becoming more of a middle-cost rather than high-cost country through this.” - Firm E

The respondent from Firm B finds that currency policy is significant as currency fluctuations have a direct impact on import costs thereby affecting a firm’s competitiveness:

“Ideally if we can stabilize that from the beginning and get some sort of control over the currency fluctuations that we have then that’s what we should try to aim for.” - Firm B

Firm A believes that labor laws in countries in Asia that were not previously in place, have worked to protect their labor force more than in the past and this combined with the increasing cost of labor has led to a reduction in the gap between European and Chinese labor making it beneficial to employ labor in the home country.
4.1.4 Environmental Regulation

Environmental Regulation is a form of governmental policy that has been enacted with the aim to make a firm more aware about the impact it has upon the environment. This regulation can have the effect of both driving a firm to reshore, as well as making it less attractive for a firm to reshore.

Environmental legislation can either encourage firms to reshore as they have the capacity to be more sustainable at home or discourage them from locating their production abroad. The government has the power to enact environmental legislation that can both encourage and prevent firms to locate their production in a certain location:

“I think one of the other significant factors that will become more significant in the next few years, is the impact on the environment. We know that the industry in Asia is often not very clean, in terms of the energy that they use. We know that in the U.K. we can source environmentally responsible energy, our packaging can be recycled and made of recyclable materials, made from recyclable material already, and recyclable.” - Firm A

Firm F believes that the European Union project Eureka is a positive incentive to keep R&D in Europe. The respondent believes the European Union’s regulated environmental regulations provide benefits for firms as they set a common standard and is essential in evaluating the product’s impact on the environment. The respondent regarded how transportation connects to Co2 emissions and how these radically decrease as production is reshored.

4.1.5 Labor Regulation

Labor Regulation is a governmental policy measure that has an influence on job creation, the level of employment, and the ability to attract talented workers. Governmental policy measures enacted through the regulation of labor have been seen to lead to an increase in job creation within certain countries.

The Swedish perspective indicates that the regulations in Sweden are strict which causes lower levels of flexibility of the workforce relative to other countries. In Sweden, the main difficulty found by Firm D and Firm E is high costs connected to laying off labor as well as restrictions regarding who a firm is allowed to lay off. While strict policies generally function as a protection of workers from the government’s side, Firm E points to a simultaneous effect that can cause firms to look for production locations abroad:
“In this sense it is counterproductive to have a strong safety net as it can incentivize people to place production in other countries.” - Firm E

Firm A highlights that the primary goal of the government in aiding their firm in reshoring, was to bring jobs back to the area that had previously been lost:

“We started talking to the Welsh government, and their main objective understandably is to getting jobs back in the area. They were totally focused on how many people we were going to be able to employ, and they tailored a grant package according to a head count.”

- Firm A

Firm A sees a closing wage gap between European and Chinese labor, which has been closed by increased labor regulations in Asia.

4.1.5.1 Labor Flexibility

Governmental policy enacted through labor regulation, can in turn have an effect upon the flexibility of a firm’s labor force. A high degree of labor flexibility has been seen to aid a firm when reshoring, while a low degree of flexibility within the labor force has been seen to hinder a firm’s ability to reshape in certain countries.

The respondent from Firm G points out the importance of labor flexibility in the event that a firm needs to shut down production, and that the government could pay half of the employee’s salary and thereby avoid laying off employees:

“We must be flexible with working hours. That we can close two days in June, we half the salary but the county board pays the other half for example. Alternatively, we terminate them and then they become unemployed.” - Firm G

Firm D in agreement with Firm G finds that the low flexibility in the workforce in Sweden makes it difficult for firms to quickly respond to fluctuations in demand:

“Most companies don’t experience a completely even demand which means that their capacity must be able to fluctuate to match demand and it has been quite difficult to do this in Sweden.”

- Firm D
4.2 Findings on Governmental Incentives

4.2.1 Financial Support

Financial support can be provided by the government through direct grants or other forms of legislative support. This type of support has been seen to have a positive impact for a firm when reshoring. However, the timing of the financial support and how it is provided to the firm is vital in determining if the effect is positive or negative for the firm when reshoring.

Firm A received a cash grant from the U.K. government that was tied to their employment of the local workforce, which aided them in moving their production back from abroad. However, even though the financial support from the government helped them in reshoring, it was not enough on its own to drive them to reshore.

The respondent from Firm C explains that the government in Sweden is not able to offer forms of financial support to firms when reshoring, as this will go against policies set in place by the European Union.

The respondent of Firm F mentions Vinnova which is a state incentive to drive R&D in Sweden, however the respondent has found that this incentive requires a lot of resources in applying for the development check and believes that if it is easier for firms, this type of financial support could be beneficial in the product development stage. Firm G also shares the view held by Firm F:

“We have tried to seek support but because we do not do research and development but only product development, we do not get it. It is something that would be more helpful in also receiving product development in Sweden. If the production is offshored, the production development will follow and vice versa.” - Firm G

4.2.2 Technology

Governments aim to incentivize firms to reshore through the offering of advantages associated with increased technology, which in turn can lead them to being more competitive after a decision to reshore.

Firm G found that they were only able to produce in-house through automation. This is further agreed upon by Firm B:

“There is an opportunity to use technology to bring back that high-value manufacturing. You are competing cheap labor with technology at the end of the day.” -Firm B
The respondent of Firm C also states that Sweden has an advantage over many countries that lack knowledge, as they are able to automate almost everything in Sweden:

“Everything can be automated in Sweden and this is not possible in many other countries due to lacking knowledge.” - Firm C

4.2.3 Subsidy

A subsidy is a designated amount of money that is given to a firm to support their production. Depending on the intent of the subsidy, it can support a firm’s reshoring activities in several ways.

Firm G and Firm F believe that there should be no direct subsidies to support firms reshoring but rather specific subsidies that support the production development phase. Firm C agrees and emphasizes that subsidies can result in unfair competition in Sweden and that the government should have strict regulation to ensure that the subsidy is properly applied:

“In Germany, it is easy to build factories if the production closes in the rest of Europe and has to move back to Germany. The government provides support and subsidizes both machinery and factories to attract firms move back their production. In Sweden, this would result in fines for unfair competition.” - Firm C

4.2.4 Education

Education is a form of a governmental incentive that can provide firms with necessary information and know-how. This can include the communication of risks, budgets, training programs for workers, investments in education, and specialized university courses or programs.

Sweden places a large emphasis on ensuring that the population studies at university level which according to Firm D has resulted in lacking skills in regards to performing industrial work tasks.

Firm C believes that governments could do more by implementing policies that alter the structure of education within Sweden which could have positive effects for firms when hiring future talent:

“Another possibility would be to restructure the higher education so that it focuses on what the industry is missing today, why do firm’s fail in their calculations, in their finances, the
bottom line as to why they are approaching things wrong. This is what we need to do in order to not make the wrong decision.” - Firm C

4.2.5 Made-In Effect

The “made-in” effect can be characterized as the advantages a product receives as a result of being manufactured in the home country of origin, which can create value and added benefits for consumers. While the “made-in” effect was previously seen as a market driver to reshoring, it emerged as a governmental driver in the empirically collected data.

Quality aspects can be tied to governmental functions as some countries pose requirements regarding the origin of products that they import. An example of this is the EUR1 certificate, stating that 70% of a machine must be of European origin. Firm E illustrates how these type of formal requirements can become of great importance when posed by key customers in key countries:

“This may force you to produce in Europe because otherwise you will lose the deal.”
- Firm E

Firm E further points out that the “made-in” effect can function as a safety net when making purchases. Firm A reinforces the growing importance of the “made-in” effect for firms when reshoring, as consumers are more likely to be drawn to products that are manufactured in their country of origin:

“Because people love buying a bike that has been made in Europe. Partly the perception of quality, partly supporting local jobs. So that’s something we’re quite proud of. And it’s certainly something that our bike stores will promote when they’re talking to families, saying why should I choose this bike over this bike? When they actually say, this one is made in Wales they get, Oh ok! There’s a sense that it would be a higher quality product than one made in China. Whether that’s true or not, I’m not sure, but that’s certainty the perception that the public has in the U.K.” - Firm A

4.2.6 Access to Skills and Knowledge

The accessibility of knowledge captures the level of skills of the workforce and is tied to governmental functions in the empirical data collection as the offshoring move often leads to a decline in the skill level of domestic workers.
Firm D, Firm E, Firm F and Firm G point out that there is a lack of industrial workers within the Swedish manufacturing sector, and would find it beneficial if the government provided support:

“However, you want this argument, that there are skilled workers and that you can access them, to be a driver for moving back home.” - Firm D

“There is a shortage of labor in many places around Sweden, at least appropriately educated labor, and I do not mean that you have to be a civil engineer but there is a shortage of industrial workers as an example.” - Firm E

The respondent of Firm C also states that Sweden has an advantage over other countries, in that there exists a high degree of highly skilled labor within the workforce:

“We have a very important factor in Sweden. Number one is that the basic level of knowledge of the population is very high, which means that there are theoretically many highly educated workers in the factory, making it easier to access workers who can run automation.”

- Firm C

Firm B highlights the importance of local knowledge clusters in driving firms to reshore:

“It is about building clusters and driving all that knowledge into one area, which is productivity at the end of the day.” - Firm B

4.2.6.1 Competence

As an extension of knowledge in the form of skilled workers, competence can affect the attractiveness of a location. Government intervention may encourage firms to operate at home through the provision of sufficient support where competence is lacking.

The respondent of Firm C states that Sweden has the highest level of competence within automation construction in the entire world, making it an attractive location:

“We have another factor in Sweden that I consider absolutely unique, and that is that Sweden has the world’s highest competence within automation construction. You won’t find the same level in Germany or in Switzerland and I have worked a great deal with the U.S. where you definitely won’t find it. Sweden has a few leading firms that are extremely competent when it comes to automation.” - Firm C

The respondent of Firm F emphasizes the importance of not hindering the competence of foreign workers in Sweden but rather encourage it.
Firm D finds that larger firms tend to have a higher level of competence in-house than smaller firms, making support vital in order to incentivize these smaller firms to reshore.

4.2.7 Political Stability

The political landscape affects the orientation of the work carried out by the government and the regulations that are put in place. If there is great political instability, firms expect rapid changes which makes it more difficult to forecast future conditions. As such, the political stability has an effect on where firms find it attractive to produce.

Firm B, Firm D and Firm E stress the importance of the government having a long-term orientation:

“Having a long-term approach and stability of governmental regulations may be more important than the regulations themselves so that firms know what to expect.” - Firm D

“You don’t know if the government will change in three years’ time, you are forced to ignore all these short-term changes. In other words, these factors have no significance when making such decisions.” - Firm E
5. Analysis

This section analyzes the empirical findings, identifying connections between the literature and the sampled firms.

5.1 Governmental Policies

5.1.1 Tax Policy

As identified by Engström, Sollander et al. (2018), tax policy is seen as a common factor influencing a firm’s decision to resharoe which is confirmed by the Swedish perspective as Firm E and Firm G highlighted the importance of tax policy. In aligning with the Eclectic Paradigm of International Production, a favorable tax policy in the home country would lead to the domestic location being more attractive for a firm, rather than the foreign location thus influencing the firm’s location decision. The government is unable to provide large financial support, however by implementing a tax policy enabling firms to receive a tax break, this was found to be beneficial by Firm B. Furthermore, Firm G pushed for a reduction in taxes that reflects the increased role that governments can play through the implementation of policy measures. An additional link was found as tax policy can have an effect upon the level of competition in the resharoed location (Piatanesi & Arauzo-Carod, 2019), thus leading to an increase in ownership-specific advantages as put forth in Dunning’s Eclectic Paradigm of International Production.

5.1.2 Trade Policy

Although the trade policies of Sweden and the U.K. differ, Firm A, Firm D, and Firm E found that a favorable domestic trade policy is important. This is reinforced in the literature, which emphasizes that changes in a country’s trade policy, including tariffs and trade instruments, affects the external environment (Fratocchi et al., 2016), making government intervention a determining factor in where a firm places its production activities. As tariffs placed on certain imports made it more profitable for Firm A to resharoe, government intervention affected their location decision. From a Swedish perspective, exports are vital for the capital inflow which indicates that measures that affect the relative competitiveness of the country have an impact on the firm’s decision to resharoe.
5.1.3 Environmental Regulation

As put forward by Zhai et al. (2016), governments across the globe are imposing stricter regulations that forces firms to decrease their carbon footprint. The result of such regulations is reflected by the interviewed Swedish firms who expressed that the level of environmental regulation imposed by governments affected a firm’s location decision. Swedish Firm F and U.K. Firm A found that the environmental regulations within the European Union compared to the more lenient environmental regulations in China provided benefits for their firms as they placed a greater focus on sustainability. As sustainability is becoming increasingly more important for consumers, the stricter environmental regulations imposed by the government will tend to add value for the firms in the long run as it encourages them to shorten their supply chain through the process of reshoring.

5.1.4 Labor Regulation, Labor Flexibility, and Currency Policy

Two of the Swedish firms identify that the labor regulations in Sweden are strict, making it very costly and difficult to lay off workers. These findings align with the literature where the lower degree of flexibility in the labor regulations currently acts as a barrier for firms when reshoring to Sweden (Engström, Hilletofth et al., 2018). These strict labor regulations combined with increased levels of technology can trigger a fear of job loss (Dachs, Kinkel & Jäger, 2019), therefore the government can enforce more favorable labor conditions and support for firms to incentivize them to reshore. For example, the U.K. government supported Firm A in reshoring which resulted in job creation in Wales. In regards to labor regulations there is an indirect influence from currency policy which has an impact on wages. As the wage gap between Europe and Asia continuously decreases, firms are finding that cost benefits associated with labor are no longer as impactful. This further highlights the importance of government intervention in implementing policies that provide favorable labor regulations, which is reflected in Bailey and De Propris (2014b) finding that the manipulation of currency is a factor that affects the attractiveness of a location. In further comparing the Swedish and U.K. perspectives, Firm B found that currency fluctuations have a significant impact on a firm’s reshoring decision therefore, a stable currency policy is important. The Swedish firms found that currency policy had little impact on their reshoring decision, however, they did state that favorable labor regulations are essential which indicates that currency policy influenced the sampled Swedish and U.K. firms. Currency policy may be more significant for the U.K. firms.
as their economy is facing uncertainty surrounding Brexit where currency fluctuations are uncertain. Currency fluctuations in Sweden are expected to be relatively more stable.

5.2 Governmental Incentives

5.2.1 Financial Support

The majority of Swedish firms concluded that financial support was not possible, as it would go against existing European Union regulation and in turn, affect the level of competition in the marketplace. However, financial support from the government would be beneficial if it was provided during the product development stage in supporting technology whereas subsidies provided as a short-term solution were seen as an unfair advantage for firms in Sweden. From an academic point of view, subsidies, regardless of their intention, are seen to provide firms with an incentive to reshore (Ancarani et al., 2015). Aligning with Firm A and Firm G, Fratocchi et al. (2016) highlighted that subsidies can be implemented to offset increasing unemployment levels. Financial support creates ownership advantages for firms as it aids them in implementing more advanced technology (Wan et al., 2019). This is important for firms in high-cost countries as automation is vital for their survival. It is especially important for governments to leverage inward investment towards smaller firms (Delis et al., 2019), as represented in the data set of this research as this would provide them with financial incentives to reshore.

The literature on reshoring states, that a long-term orientation by governments can provide for a better understanding of what types of financial support is available for firms when reshoring (Bailey & De Propris, 2014b). This was further mentioned by the firms in the data set as political stability decreases uncertainty and a long-term governmental orientation aids firms in planning their activities accordingly. As governmental factors indirectly affect the reshoring decision in regards to political stability, a long-term approach combined with greater transparency and visibility provides firms with more certainty when reshoring. A stable environment in the home country was found to be of great importance from both a Swedish and U.K. perspective.

5.2.2 Access to Skills and Knowledge

The role of education in society influences a firm’s location decision. If a country is lacking in workers that have knowledge in a particular field of work that a firm needs, this forces the firm
to outsource their workers. Looking to the economy and workforce in the long run, the
government can aid in providing more programs and education for their citizens for future jobs
that may be needed. As the availability of knowledge and skills along with supplier networks
increases in the home location, a decision to reshouse becomes easier for firms. Firm B found
that clusters of knowledge and skills provide firms with the opportunity to produce their
products closer to home at competitive prices. As firms previously offshored, the offshored
location provided skills and knowledge that the firm may have been unable to find in their
home country. The respondents from the Swedish and U.K. firms have both highlighted the
availability of a highly skilled workforce in their home countries which has enabled the
advancement of technology. This has increased the amount of clusters of skills and knowledge
which supports Di Mauro et al. (2018) finding that access to a consolidated workforce and the
leveraging of resources drive reshoring. The importance of access to skills and knowledge has
been reinforced by both the existent literature and the empirical perspective thereby concluding
that the government can have a significant impact by providing firms with support in this area.

5.3 Links to Dunning’s Eclectic Paradigm of International Production

5.3.1 Ownership-Specific Advantages

Few of the studied firms in the data set were able to access the ownership-specific advantages
that result from operating as a multinational due to their smaller size. The ability to transfer
knowledge from one location to another is an important aspect that affects a firm’s capability
to carry out production on an international level (Dunning, 1988). The empirical data showed
that operations offshore can restrain this transfer as the corporate structure abroad may differ
from the domestic country. This was highlighted in the context of operating in China where
Firm C experienced that every decision made on site had to involve a senior manager. As such,
the knowledge that had been transferred from the domestic setting to the workers employed
abroad was insignificant as the workers possessing the knowledge had no power to influence
changes in the operations or any decisions that had to be made. The result of this is that the
knowledge link between the domestic country and the foreign country is cut short and prohibits
the firm from fully leveraging its knowledge base.

From the Swedish perspective, the basic level of knowledge regarding automation was found
to be high. This is a competitive factor that can be leveraged domestically, which can act as an
incentive for reshoring. However, the lack of industrial workers that many of the Swedish firms
emphasized can act as a barrier to reshoring. From a governmental perspective, the industry is in need of support where developing the current educational system was pointed out as important. Leveraging knowledge could be made easier in Sweden if the government intervenes to ensure that the extensive knowledge base that exists extends from the top level and down throughout the hierarchy all the way to the workers who perform the tasks in the factories. Furthermore, the empirical data highlighted the importance of competence as an ownership-specific advantage that firms are able to leverage in making their location decision. As competence was seen as an important factor in the success of the investigated firms, lower levels of competence were seen to hinder firms in achieving success. Through reshoring, firms may be able to increase their level of competence as there are less barriers such as cultural distances, and language barriers in acquiring this in the home country.

The “made-in” effect further aligns with the ownership-specific advantage aspect of the Eclectic Paradigm of International Production. Firms have been able to utilize the associated value of manufacturing in the home country of operation to influence customer perceptions in order to achieve a competitive advantage by adding value when production is placed in a certain location (Benstead et al., 2017). The importance of the “made-in” effect as an incentive for firms to reshore, was further highlighted by Firm A and Firm E who found that locally manufactured products were of the upmost importance for their consumers. Furthermore, governments should ensure that technical skills are available by providing support for projects that focus on developing skills, which is especially impactful in settings where the “made-in” effect is meaningful (Barbieri et al., 2018). Based upon the empirical findings, as the government provides more support for firms this will enable them to relocate to their home country of operation, thus allowing them to take advantage of the “made-in” effect after reshoring.

5.3.2 Locational Attractiveness

The pillar of locational attractiveness captures a variety of different factors that help firms determine where it is feasible and profitable for them to place their production. The government perspective has, according to Dunning (2000), a central role and can affect the attractiveness through policy implementation and the overall stability of the political landscape. The latter was found to be of great importance from an empirical perspective as uncertainty to some degree can be mitigated through a long-term orientation of the government. If the domestic country allows for the firm to create a competitive advantage through access to key resources
as well as skills and knowledge while enabling them to make predictions regarding the political environment, this can create a stronger incentive for the firm to reshope.

Aligning with the locational attractiveness aspect of the Eclectic Paradigm of International Production, advancements in technology was a key resource for Swedish and U.K. firms as it made their domestic location more attractive and enabled them to reshope. The decreasing wage gap between Europe and Asia is reducing the attractiveness of the foreign location and the incentive to reshope is further amplified by the U.K. government in placing an emphasis on bringing jobs back. Furthermore, the locational attractiveness is affected by the degree of skilled workers available, which can discourage reshoring when low or vice versa. This was reflected in the perspective of the sampled Swedish firms that found a lack of industrial workers in Sweden.

Many of the firms that were interviewed originally offshored for cost advantages, however, they found that increasing costs of labor in offshored locations led to them reshoring but found that through automation they were able to offset these costs. Therefore, as this was regarded as very important to these firms, the government should offer more policies and incentives that support automation, increasing the attractiveness of their home locations. Such government intervention can enable firms to produce in a high-cost country where the general cost level is above the firm’s desired cost base. However, it may not be feasible unless the location simultaneously brings the firm closer to its suppliers and customers.

5.3.3 Internalization

As the internalization pillar relates to the leveraging of internal core capabilities governmental policy and incentive measures were found to be an external instrument leveraged to aid firms in their location decision. After carrying out research on the firms that have reshored to both Sweden and the U.K. it was found that the internalization pillar of Dunning’s Eclectic Paradigm of International Production was significantly less applicable to firms affected by governmental policy and incentive measures. Furthermore, governments should implement policies and incentives that promote ownership-specific advantages more, which in turn can be internalized by firms after making a decision of location.
6. Conclusion

This section provides a summary of the findings, illustrates how the research fulfills the purpose and answers the research question.

As the reshoring phenomenon has significantly grown in recent years, firms must place a greater emphasis on the driving forces behind their location decision. The shift of firms moving their production back to their home country of operation is increasingly becoming a popular choice for firms looking to negate the consequences of offshoring, while capturing the benefits of reshoring. Additionally, the role of governmental policy and incentive measures are seen to play an increasing role in driving firms to reshore, however there exists room for governments to improve their offerings and implementation of these aspects. Governmental institutions should work towards implementing policies and incentives that make their specific country a more attractive option for firms than the choice of operating abroad. Furthermore, this paper contributes to the existing research on reshoring through the use of both primary and secondary data on firms that have reshored to Sweden and the U.K. within the manufacturing sector in order to gain insight on the role that governmental drivers play in influencing a firm to reshore. The findings of the research aimed to answer the following research question: What governmental policies and incentives drive a firm’s decision to reshore within the manufacturing sectors in Sweden and the U.K.?

While Dunning’s Eclectic Paradigm of International Production was originally found to be applicable to firms when offshoring, it has also been modified and adapted to firms when reshoring. After collecting data on the reshored manufacturing firms located within Sweden and the U.K., it can be concluded that there exists room for a more profound examination of the role that governmental policies and incentives play in affecting a firm’s reshoring decision. Furthermore, the data collected shows that while governments in their respective countries have enacted policies and incentives affecting the reshoring decision, these measures are not the driving force behind the firm’s overall decision to reshore. Through the research it is found that governmental support through policy and incentive measures would aid firms in reshoring, though firms do not base their decision to reshore strictly upon the level of governmental support provided as other drivers of reshoring play a more prominent role in driving firms to reshore. The empirical findings show that the government has an indirect impact on reshoring drivers that were not initially classified as governmental drivers in alignment with Stentoft,
Olhager et al (2016) seven categories of drivers. Without the empirical perspective, the research would have shown that governmental policies and incentives have little to no impact on a firm’s decision to reshore as the frame of reference fails to identify the indirect connection that the government has on the seven categories of drivers. Thus, the significance of the role of governments in a reshoring decision is strengthened by the empirical findings of this research.

In responding to the research question from a policy perspective, government intervention through taxes and trade instruments are seen to continuously affect a firm’s location decision in the manufacturing industry. However, they play a less prominent role as a driver in comparison to labor regulation and flexibility. Additionally, the Swedish and U.K. governments must adapt their policies to account for the growing importance of environmental factors. From an incentive perspective, government intervention through financial support and access to skills and knowledge are seen to positively affect a firm’s ability to reshore however, they are not the main driving force.

To conclude, the limited scope of this specific research shows that governmental policies and incentives aimed towards favoring domestic firms through labor regulation and flexibility, environmental regulation, financial support, and access to skills and knowledge would be most beneficial for firms reshoring within the manufacturing sector in Sweden and the U.K.
7. Discussion

This section provides a brief discussion of the implications of this research and suggestions for future studies.

7.1 Implications

This paper adds new insights to the existing literature in the reshoring field as it attempts to fill the gap regarding governmental policies and incentives. The findings provide a deeper understanding of what type of government intervention affects firms in deciding where to place their manufacturing activities. Identifying policies and incentives that are significant in the reshoring decision brings a valuable perspective for governments and firms.

7.1.1 Practical Implications

The practical implication of this paper is that governments can gain insight into what factors firms find to be beneficial in their location decision. This is important as governments may need to reevaluate their current policies and incentives in order to support firms in their reshoring decision. Designing policies and incentives that meet the needs of firms can increase the attractiveness of the domestic location.

7.1.2 Theoretical Implications

Prior reshoring research is thus far lacking on explaining the impact that governments can have on a firm’s reshoring decision through policy and incentive measures. The current literature places a focus on Stentoft, Olhager et al. (2016) seven categories of reshoring drivers, where the government drivers play a minor role. The research in this paper fills this gap and can be used by future researchers looking to investigate governmental policies and incentives as a driver for firms when reshoring.

This research has reinforced the relevance of Dunning’s Eclectic Paradigm of International Production in the context of reshoring. Although the locational attractiveness aspect takes local and regional governmental policies into account as a factor influencing the locational attractiveness for a firm when making a location decision, the current paradigm does not capture the true extent to which these governmental measures have on a firm’s overall location decision as well as incorporate it into the ownership-specific, and internalization aspects of the
model. The results of this research give a more explicit view on what role the government plays in a firm’s location decision.

7.2 Limitations and Future Research

The main limitation of this research was Covid-19 which had a direct effect on the researchers’ ability to obtain sufficient primary data. The Swedish perspective reflected in the empirical findings is based on prerecorded interviews and therefore posed a limitation for the researchers as this had to be considered as secondary data rather than primary data. Additionally, the Swedish and U.K. perspectives were not represented by the same number of firms. More primary data would have enabled the researchers to reach more generalized conclusions as the number of firms limited the researchers’ scope. Therefore, the research is not representative of the majority of manufacturing firms in Sweden and the U.K. Interviewing a larger and more representative set of firms in Sweden and the U.K. could have led to greater replication and extension of the findings. Expanding on this paper will allow researchers to further examine governmental policy and incentive measures that can influence a firm to reshore in areas other than those focused on in this study. Furthermore, the time constraint that the researchers faced limited their ability to carry out a more expansive literature search. Additionally, in-depth research covering policy making within Sweden and the U.K. was unable to be carried out, due to a lack of time.

This paper can provide researchers with insight for their future research in the area of reshoring. An extension of the research in this paper provides future researchers the foundation to expand upon Dunning’s Eclectic Paradigm of International Production. Currently, a governmental aspect is recommended to be applied to Dunning’s Eclectic Paradigm of International Production, in order to capture the increasing role that governments are seen to play in influencing a firm’s location decision. Additionally, an extension of the paradigm could account for the increased significance of governmental policy and incentive measures due to the growing cross-border interaction amongst firms.
References


# Appendices

## Appendix 1 – Interview Guide

### Background questions

1. Can you provide a brief history of the firm as well as your role within the corporation?
2. Can you describe the offshoring decision and the reasons behind why this was undertaken?
3. Give an overview of the reshoring decision, and how this came about?

### Governmental perspective

1. What governmental incentives or policies have influenced your decision to reshore?
2. To what extent have these drivers played a role in your decision to reshore?
3. In looking at all drivers that impacted your decision to reshore, how significant was the role of the government in comparison to other drivers?
4. Have you experienced a difference with how the government incentives and policies have influenced your decision when you first decided to reshore until now?
5. Have the drivers for reshoring for your company been motivated from internal or external factors? If so what factors did you find have the most significance for your company?
6. Do you feel as if the government is currently doing enough to incentivize firms to reshore, and if not, what areas could be further improved upon/offered by the government that would make reshoring more attractive?
Appendix 2 – Consent Form

Thank you for agreeing to participate in our study. We believe that your expertise and experience can contribute to our research on reshoring. This study is set out to investigate how governmental drivers influence a firm’s decision to move their manufacturing activities back to their home country of operations, through the process of reshoring.

Your participation in this research is voluntary and you have the right to withdraw at any time. Upon completion of the interview, the interview will be transcribed and sent to you for your records and you have the right to change any of the information discussed.

The final research will be published on the domain DIVA and the data collected through the interview will be presented anonymously, if preferred.

The interview will be conducted online on (day) 2020.

If you have any further questions regarding the interview, withdrawal or other concerns relating to the research you may contact Karin Rutström via email at ruka1796@student.ju.se

___________________________________________
Karin Rutström

Signature            Date