Reshoring: does home country matter?

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Abstract

The purpose of this study is to analyze the effect of the home country on reshoring processes. Using a sample of 529 cross-industry reshoring initiatives from five countries (i.e., US, Germany, UK, France, Italy), we find that these initiatives significantly differ in terms of industry, entry mode choice, firm size and motivations among the countries analyzed. We contribute to both reshoring and international business literature by highlighting the influence that the home country platform exerts in manufacturing repatriations. Our study provides also significant implications for policy makers at a time when several governments are considering the economic and employment potential of reshoring.

Keywords: Reshoring, Home country effect, Multinational corporations (MNCs)

Introduction

For several decades, offshoring – namely, the (re)location of activities from one country to another (Doh et al., 2009) – has been regarded as one of the most important strategies by multinational corporations (MNCs), particularly in developed nations (Albertoni et al., 2016; Contractor et al., 2010). Although it is still ongoing, a converse trend has occurred referred to as "reshoring", i.e., "a voluntary corporate strategy regarding the home-country's partial or total re-location of (in-sourced or out-sourced) production" (Fratocchi et al., 2014).

According to some scholars (e.g., Tate, 2014), reshoring has been largely driven by industrial policies aimed at "bringing jobs back home". US represents probably the most evident case: the Obama administration has established the Advanced Manufacturing National Program (AMPSC, 2012) and implemented actions to strengthen the manufacturing sector (The White House, 2014). In UK, the UK Trade & Investment has joined forces with the Manufacturing Advisory Service (MAS) to launch a project titled "Reshore UK", which aims to help MNCs to bring production back home (GOV.UK, 2014). These evidences alone could suggest that home country matters in reshoring

processes. But what does "home" mean? By the term “home country” we mean – according to a specific stream of studies – the firm's headquarters country. It could be argued that the “home” concept loses meaning in a global economy where companies are ready to move their roots to countries other than the country where the company is founded to capture location advantages (e.g., tax benefits). Some authors speak about “nationless” organizations (Ferner, 1997; Ohmae, 1990). However, empirical evidence suggests that the aforementioned situation is relatively rare. More than 90% of firms are headquartered in the countries where firms are founded and have original and core operations (Ghemawat, 2007). Empirical evidence also suggests that even the most global MNCs are still deeply rooted in their home country (Hu, 1992; Noorderhaven and Harzing, 2003; Ruigrok and Van Tulder, 1995).

Scholars in international management fields have shown that culture, resources, national policies, and institutions of both home and host countries (i.e., countries that host their operations) influence the internationalization activities of companies (e.g., Cuervo-Cazurra and Genc, 2008; Elango and Pattnaik, 2007). Nevertheless, these studies are mainly focused on outgoing internationalization, that is, on the foreign expansion of an enterprise. Considering the literature specifically focused on reshoring, prior studies have put much emphasis on the motivations (Gray et al., 2017; Wiesmann et al., 2017) and the “geography” of the reshoring process (e.g., Bailey and De Propris, 2014; Kinkel, 2009; Uluskan et al., 2016), which provide mostly *descriptive* pictures.

To the best of our knowledge, no study has analyzed so far the relationship between home country and reshoring. This relationship has potentially significant implications for re-internationalization strategies of companies and industrial policies of governments. Thus, the research question that inspires this study is the following: *how does the home country affect MNCs’ reshoring processes?*

Literature background

The study of how home country affects firm’s internationalization has been a mainstream topic in international business for decades (Cuervo-Cazurra, 2011; Ramamurti, 2012). Although prior research mainly focuses on the offshoring activities rather than reshoring, it provides valuable insights into the concept of home country and it shed light on the way in which home country effect manifests (i.e., the main factors that influence MNCs’ internationalization). We therefore frame and summarize this debate in the section *home country effect*, highlighting both its theoretical roots and the main factors/effects. Besides this literature of international business, another research stream exists rooted in operations management and specifically dedicated to reshoring. Although this literature does not contain any in-depth cross-country study that analytically investigates the link between country and reshoring, it offers some useful insights for our study. The section *reshoring country-specific studies* summarizes this second stream of research.

Home country effect

The literature on the home country effect on firm’s internationalization processes mainly draws from four theoretical perspectives: institutional theory, cultural/cognitive perspective, industry-based view (IBV) and resource-based view (RBV). The influence of home institutions and culture on firms’ operations abroad and on overall performance has in fact been a predominant issue for scholars (Hoskisson et al., 2000; Peng et al., 2008). The influential factors identified from the aforementioned theories have been argued to affect a wide set of aspects of internationalization such as motivations (He and Cui, 2012; Yaprak et al., 2017), location choice (Child and Rodrigues, 2005; Khanna and Palepu, 2010), as well as entry modes (Chen et al., 2016; Contractor et al., 2014).

The ***institutional*** approach argues that firms' strategic decisions, behaviours and performances are all shaped by the formal and informal institutions (DiMaggio and Powell, 1983; Hoskisson et al., 2000, Wright et al., 2005), commonly known as "the rules of the game" (North, 1990). Institutions refer to "the humanly devised constrains that structure human interaction" (North, 1990), or "regulative, normative, and cognitive structures and activities that provide stability and meaning to social behaviour" (Scott, 1995). The existing literature on home country effect examines an array of institutional factors involving political, societal and legal aspects (Peng, et al., 2008). Political-related factors (e.g., political risk, political connection, corruption) has gained great attention.

The ***cultural*** approach emphasizes the influence of home-country cultural values and norms on the management decisions and practices of MNCs (Hofstede, 1980). In this sense, individuals' (e.g., managers, executives, employees) behaviours are affected by experiences, values, beliefs, and attitudes that are in turn significantly shaped by their home-country environment.

Turning to industry- and resource-based view, these two theories traditionally argue that firms' strategic decisions are affected by their internal capabilities and industrial conditions (Wei et al., 2014). Specifically, the ***industry-based view (IBV)*** arguers that conditions of industry have effect on firms' strategies and performance (Porter, 1990). The ***resource-based view (RBV)*** considers firm as a bundle of resources, ranging from human and financial assets to managerial and technological skills (Barney, 1991). Scholars suggest that the interaction between firm specific advantages (FSAs) and country-specific advantages (CSAs) – the natural factor endowments of a nation (Rugman and Li, 2007) – including national resource, labor force, technology development in home base exists, providing firms advantages in global competition (Porter, 1990).

In sum, theories/concepts and factors analyzed above show that home country matters in internationalization processes. However, all these studies and theories are focused on offshoring processes.

Reshoring country-specific studies

Prior research on reshoring has mainly focused on motivations and identified a variety of reshoring motivations (e.g., made-in effect, government incentives) (see Fratocchi, 2014; Di Mauro et al., 2017 for reviews). The understanding of home country effect on reshoring is very limited given the fact that there is no empirical study investigated the impact of the home country on reshoring initiatives with the one exception represented by Baraldi et al. (2017). In their study, it only shows the effect of the single factor (i.e., networks) of home-country and the host-country on reshoring, and the case study approach adopted provides very little basis for scientific generalization (Yin, 1984). In order to have a deeper insight into how reshoring firms behave in different contexts, we have examined the country-specific reshoring studies – which focus on Denmark, Germany, Italy, New Zealand, Spain, US, and UK – and summarized them in Table 1.

Notably, these differences – in particular in terms of industry and motivations – of reshoring firms among countries (as shown in Table 1) provide a preliminary insight that reshoring may be a country-specific phenomenon, highlighting the necessity of exploring home country effect in the reshoring process.

In sum, while there is a wide literature on the home country effect on internationalization processes, such effect has not been analyzed so far in the reshoring context.

Table 1 *– Country-specific studies*

Country	Industry involved	Firm size	Entry modes	Main reshoring motivations	Authors
Denmark	/	/	/	Increased use of automation in Denmark, Recognition of having production close to the Danish R&D department	Arlbjørn and Mikkelsen (2014)
Denmark	Various industries (e.g., House building)	Medium and Large	/	Quality, Flexibility, Lead-time	Stentoft et al. (2016)
Germany	Various industries (e.g., Machinery)	All	/	Flexibility and delivery ability, Quality	Kinkel and Maloca (2009)
Germany	Various industries (e.g., Machinery and equipment)	All	/	Labor costs, Proximity to key customers, Access to new markets, Access to new knowledge/technologies/clusters	Kinkel (2012)
Germany	/	/	In- and out-sourcing	Availability of qualified personnel, Labor costs, Know-how loss, Proximity to home-base R&D	Kinkel (2014)
Italy	Clothing and apparel	Medium and Large	In- and out-sourcing	Protect knowledge and competencies, "made in Italy" effect, Product quality	Di Mauro et al. (2017)
New Zealand	Consumer and industrial goods	Small and Medium	/	Flexibility/ability to deliver quickly, Country of origin brand, A sense of patriotism towards the home country	Canham and Hamilton (2016)
Spain	Footwear	/	In- and out-sourcing	Increase in domestic production, Reduce delivery times, Failures in market entry strategy	Martínez-Mora and Merino (2016)
UK	Automotive	/	/	Transport costs, Quality, Supply chain resilience, Exchange rate shifts	Bailey and De Propris (2014)
UK and US	Various industries (e.g., Electronics, Apparel)	/	In- and out-sourcing	UK: Productivity improvements, Supply capacity US: Government and other institutional incentives, Energy price	Vanchan et al. (2017)
US	Textile and apparel	All	/	Made-in effect, Speed-to-market	Uluskan et al. (2016)
US	Various industries (e.g., Electronics, Automotive)	All	/	Labor cost gap, Energy cost, Skilled-labor, Labor output, Innovation	Tate et al. (2014)
US	Various industries (e.g., Electronic)	/	/	Quality, Lead time, Shipping cost, Wage, Market demand	Zhai et al. (2016)

Methodology

Data

This study uses secondary data derived from two databases: "*Uni-CLUB MoRe Back-reshoring*" and "*European Monitor on Reshoring*". The latter was funded by the European Union Agency Eurofound and is managed by a research team that includes the authors. Data were collected from 2011 to the end of 2016 through a keyword search (e.g., back-shoring, back-reshoring, inshoring) in the major international and national business-related newspapers, reports, magazines and white papers.

The unit of analysis (UOA) was the individual reshoring decision. Such unit of analysis has been widely used in reshoring studies. For each individual case, information was collected on firm size, industry, headquarters location, reshoring motivations, duration of stay abroad, entry modes, off- and re- shoring countries and years.

Starting from the 747 reshoring cases recorded in the databases, 70 cases were removed due to missing or unreliable data. A further 148 cases were removed because the number of cases belonging to a specific country was lower than 20, the threshold we used for a minimal country-based characterization. Our final sample includes therefore 529 reshoring cases covering five countries (US, Italy, UK, Germany, and France).

Descriptive statistics of the sample

Table 2 provides the main descriptive data for the full sample (N=529) and the five national subsamples (US, Italy, UK, Germany, France). The data shows that the home countries of reshoring initiatives are almost equally distributed between European Union (45.0%) and US (55.0%). Significant differences can however be observed among the

analyzed countries considering the most frequent sectors: clothing for Italian companies, mechanical for German companies. Regarding firm size, SMEs and large firms are almost equally distributed in the full sample (233 vs. 296, 44.0% vs. 56.0%). However, the share of large firms is significantly higher in the German subsample (89.8%). Regarding the entry mode choice, the share of German companies that adopted in-sourcing entry modes is however higher than the one of other countries (i.e., 98.0% vs. 79.2% on average), thus suggesting that the entry mode choice of reshoring companies may be affected by home country. With regards to the reshoring motivations, it is possible to notice some significant differences between countries, among which: (1) the "made in effect" seems to be very important for Italian companies; (2) the "labor costs' gap reduction" is not much relevant for Italian, German and French companies; and (3) the "government incentive" is very important for US companies.

Table 2 *– Sample characteristics (N=529)*

			Home country										
	All (N=529)		**US (N=290)** (55.0%)		**Italy (N=92)** (17.3%)		**UK (N=60)** (11.3%)		**Germany (N=49)** (9.2%)		**France (N=38)** (7.1%)		**Chi square test[a]**
Industry													
Clothing	87	16.4%	34	11.7%	32	34.8%	11	18.3%	2	4.1%	8	21.1%	
Electronic	82	15.5%	45	15.5%	17	18.5%	9	15.0%	6	12.2%	5	13.2%	
Mechanical	88	16.6%	51	17.6%	12	13.0%	7	11.7%	17	34.7%	1	2.6%	
Automotive	60	11.3%	31	10.7%	7	7.6%	6	10.0%	9	18.4%	7	18.4%	
Home appliance	29	5.5%	20	6.9%	4	4.3%	3	5.0%	1	2.0%	1	2.6%	χ^2= 57.476
Furniture	27	5.1%	15	5.2%	7	7.6%	2	3.3%	0	0.0%	3	7.9%	*P*<0.01
Chemical	21	4.0%	7	2.4%	5	5.4%	3	5.0%	5	10.2%	1	2.6%	
Food	16	3.0%	10	3.4%	1	1.1%	2	3.3%	1	2.0%	2	5.3%	
Other	119	22.5%	77	26.6%	7	7.6%	17	28.3%	8	16.3%	10	26.3%	
Firm size													
SME	233	44.0%	152	52.4%	31	33.7%	35	58.3%	5	10.2%	10	26.3%	χ^2= 44.825
Large	296	56.0%	138	47.6%	61	66.3%	25	41.7%	44	89.8%	28	73.7%	*P* <0.01
Reshoring entry mode													
In-sourcing	419	79.2%	233	76.9%	73	79.3%	43	71.1%	48	98.0%	32	84.2%	χ^2= 14.052
Out-sourcing	110	20.8%	67	23.1%	19	20.7%	17	28.3%	1	2.0%	6	15.8%	*P* <0.01
Reshoring motivations													
Logistic cost	112	21.2%	84	29.0%	9	9.8%	8	13.3%	5	10.2%	6	15.8%	χ^2= 24.105 *P* <0.01
Made in effect	97	18.3%	60	20.7%	29	31.5%	4	6.7%	1	2.0%	3	7.9%	χ^2= 28.667 *P* <0.01
Quality issues	95	18.0%	65	22.4%	7	7.6%	9	15.0%	13	26.5%	1	2.6%	χ^2= 19.455 *P* <0.01
Labor costs' gap	82	15.5%	60	20.7%	4	4.3%	12	20.0%	3	6.1%	3	7.9%	χ^2= 20.594 *P* <0.01
Delay in deliveries	78	14.7%	54	18.6%	1	1.1%	16	26.7%	5	10.2%	2	5.3%	χ^2= 27.423 *P* <0.01
Total cost	69	13.0%	46	15.9%	5	5.4%	14	23.3%	1	2.0%	3	7.9%	χ^2= 19.112 *P* <0.01
Customer proximity	86	16.3%	52	17.9%	17	18.5%	13	21.7%	0	0.0%	4	10.5%	χ^2= 20.594 *P* <0.05
Government incentives	53	10.0%	41	14.1%	0	0.0%	8	13.3%	0	0.0%	4	10.5%	χ^2= 28.733 *P* <0.01

[(a)] Fisher's exact test (rather than Chi square) was performed for two variables (i.e., total cost and government incentives) as the data was non-normally distributed.

Data analysis

We performed two set of statistical analyses. *First*, we compared the reshoring initiatives of the five countries in terms of industry, firm size, reshoring entry mode, and reshoring motivations and tested the significance of these overall differences through Chi square test or Fisher's exact test (when data were non-normally distributed). *Second*, to shed

light on the peculiarities of each country compared to the others, we performed five binary logistic regression models. Such models have estimated the probability that a reshoring case belong to a particular country rather than to the others in terms of industry, firm size, reshoring entry modes and motivations. The dependent variable (i.e., the home country) was therefore a dummy variable equal to 1 if the case belongs to the considered country and to 0 if it belongs to the other countries. The independent variables (i.e., industry, firm size, reshoring entry modes, reshoring motivations) were operationalized through dummy variables too. The final resulting logit equation is shown below:

$$Y_i = \beta_1 X_{i1} + \beta_2 X_{i2} + \beta_3 X_{i3} + \beta_4 X_{i4} + \varepsilon_i \quad (1)$$

(Y_i=home country$_i$, X_1=industry, X_2=firm size, X_3=reshoring entry mode, X_4=reshoring motivations)

Results

The results of the first set of analyses (i.e., Chi square / Fisher's exact tests) are reported in the last column of Table 2. It shows that the reshoring initiatives of the five analyzed countries significantly differ in terms of industry, firm size, reshoring entry mode, and reshoring motivations. The results of binary regressions are reported in Table 3. The correlation matrix and the analysis of the Variance Inflation Factors (VIF) (all lower than 2) reveal that multi-collinearity was not an issue (Allison, 1977; 2012).

Our analyses show that the ***industry*** distributions of reshoring companies are different between countries, especially for Germany and Italy. While mechanical and automotive reshoring companies are more likely to be German (β=1.231, P<0.01; β=0.960, P<0.05, respectively), clothing and electronic ones are more likely to be Italian (β=1.497, P<0.01; β=0.953, P<0.05, respectively).

Considering ***firm size***, we found that large reshoring firms exhibit a higher propensity in Germany (β=2.131, P<0.01), by contrast, SMEs are more likely to be found in US and UK (β=-.410, P<0.05; β=-.622, P<0.1, respectively). For Italian and French companies, the variable firm size is not significant.

As far as reshoring ***entry mode*** is considered, we find that reshoring companies adopting an equity solution (i.e., in-sourcing) are more likely to be German (β=2.535, P<0.05), while reshoring companies adopting non-equity solutions (i.e., out-sourcing) are more likely to be American (β=-.502, P<0.1). The entry mode variable is not significant for the rest of the countries.

Considering ***reshoring motivations***, US companies are motivated strongly by the government incentives (β=1.285, P<0.01), logistic costs (β=.696, P<0.05), labor costs' gap reduction (β=.628, P<0.05), made-in effect in home country (β=.466, P<0.1), and higher production quality in home country (β=.478, P<0.1). By contrast, Italian companies are motivated strongly only by made-in effect (β=.807, P<0.01), while they are less likely to be motivated by delay in delivery (β=-2.895, P<0.01), labor costs gap reduction (β=-1.394, P<0.05) and higher production quality in home country (β=-.813, P<0.1). UK companies are motivated strongly by delivery reliability in home country (β=1.162, P<0.01), while they are less likely to be motivated by logistic costs (β=-1.542, P<0.01), made-in effect (β=-1.515, P<0.01), and higher production quality in home country (β=-.718, P<0.1). German companies are only motivated by the higher production quality in home country (β=1.238, P<0.01), while they are less likely to be motivated by made in effect (β=-2.327, P<0.05) and total cost (β=1.757, P<0.1). Finally,

French companies are less likely to be motivated by higher production quality in home country (β=-1.819, P<0.1) and made in effect (β=-1.177, P<0.1).

Table 3 *– The results of the binary logistic regressions*

Variables	**US vs. others N=529** (US=1; Other = 0)		**ITALY vs. others N=529** (Italy=1; Other = 0)		**UK vs. others N=529** (UK=1; Other = 0)		**GERMANY vs. others N=529** (Germany=1; Other = 0)		**FRANCE vs. others N=529** (France=1; Other = 0)	
	Coefficient (b)	Std. error	Coefficient (b)	Std. error	Coefficient (b)	Std. error	Coefficient (b)	Std. error	Coefficient (b)	Std. error
Constant	.524	.315*	-2.181***	.452	-1.554***	.437	-6.492***	1.296	-2.672***	.656
Industry										
Clothing	-1.018***	.294	1.497***	.359	.017	.428	-.528	.811	.456	.516
Electronic	-.313	.282	0.953**	.374	-.210	.433	-.069	.533	-.201	.539
Mechanical	-.159	.278	.459	.402	-.656	.466	1.231***	.432	-1.893*	1.044
Automotive	-.255	.319	-.246	.469	-.303	.508	0.960**	.490	.236	.500
Firm size										
Large	-.410**	.204	.366	.275	-.622*	.317	2.131***	.538	.505	.417
Entry mode choice										
In-sourcing	-.502*	.257	.152	.348	-.142	.363	2.535**	1.070	.321	.527
Reshoring Motivations										
Logistic costs	.696**	.281	.112	.436	-1.542***	.488	-.036	.575	.272	.553
Made-in effect	.466*	.259	.807***	.301	-1.515***	.558	-2.327**	1.041	-1.177*	.641
Quality issues	.478*	.263	-.813*	.436	-.718*	.424	1.238***	.437	-1.819*	1.032
Labor costs'gap reduction	.628**	.302	-1.394**	.580	.549	.411	-1.019	.685	-.665	.689
Delay in delivery	.171	.301	-2.895***	1.039	1.162***	.379	.546	.611	-.740	.782
Total cost	.140	.303	-.731	.525	1.024	.393	-1.757*	1.051	-.118	.653
Customer proximity	.199	.271	.069	.346	.463	.381	-18.572		-.129	.584
Government incentives	1.285***	.359	-19.968		.626	.449	-18.911		.128	.588
-2 log likelihood	653.017		407.345		330.187		243.104		245.374	
Cox and Snell R^2	.133		.143		.080		.146		.051	
Nagelkerke R^2	.178		.237		.157		.317		.128	

$^{*}p < 0.1$, $^{**}p < 0.05$, $^{***}p < 0.01$

Note: Government incentives variable was excluded from the Italy and Germany models since there were no cases pointing out this motivation. Customer proximity variable was also excluded from the Germany model for the same reason.

Discussion

A Country-based perspective

It is worth to note that the significance of variables must be understood in comparative terms: US, Italy and Germany have more remarkable features when compared to other countries. We will discuss these three countries from a country-based perspective respectively.

US

Compared to other countries, the distinctive characteristics of US reshoring processes concern the industry (clothing significant and negative), the firm size (significant and negative), the entry mode (outsourcing prevails), and some motivations (e.g., government

incentives, logistic costs). As far as industry is concerned, the US textile and clothing sectors have reduced considerably in recent decades: the share of these sectors on gross domestic product fell to 0.16% in 2015 from 0.57% in 1998 (Lu, 2017). Unlike other countries such as Italy, US textile and clothing has migrated massively abroad, this way weakening the domestic manufacturing base and making it less able to take productions back. US reshoring is also characterized by the smaller size of the reshoring enterprises and a greater propensity to outsourcing. These figures may come as a surprise, since US is generally regarded as the country of the large global multinationals. One possible explanation is that in the US, more than in other countries, manufacturing activities are in the hands of relatively small businesses, while large companies privilege other value chain activities. In other words, we can assume that large US manufacturing firms tend to maintain a "smiling curve" pattern in geographical value distribution (see Mudambi, 2008). Instead, it is not a surprise to see that government incentives and labor and logistic cost motivations distinguish American companies from others. The US Government has provided substantial fiscal incentives and other support to reduce the manufacturing costs in order to attract investments. It is then possible that the renewed energy efficiency, thanks to shale gas, has allowed the reduction of some cost categories. This finding is consistent with the study conducted by Tate et al. (2014), which show how cost is a significant driver of the reshoring decision. In addition, US companies increasingly realize that quality problems can be serious in some markets, even if they are considered to be a factor that is not fully quantifiable (Gray et al., 2017). In line with the national survey conducted by the Consumer Reports National Research Center, 78 percent of Americans would like to buy the product made in the USA rather than abroad (Consumer Report, 2013).

Italy

Italy is in second place after the United States by number of reshoring initiatives. Its reshoring processes are significantly characterized in terms of industry (clothing and electronic) and some motivations (made-in effect). These results should be understood in the light of Italy's manufacturing specialization, where textile/clothing industry and some electronics subsectors represent relevant part of the manufacturing system. In the last few years, these industries have undergone intense relocation processes that in many cases have betrayed the quality, delivery, and even costs expectations. Especially in fashion-sensitive markets, a remote production increases delivery and quality problems. In order to differentiate against the offer coming from the low-cost countries, many Italian companies have decided a market reposition in segments with higher added value, where the made-in effect is more important. The findings of Di Mauro et al. (2017) support this explanation. The fashion market has been considerably reactive to first-class products entirely “Made in Italy”, a country that stands for an array of unique and irreplaceable qualities (Vladi, 2016) and that can give a specific value (e.g., premium price) to the made-in factor. It is worth noting that both the clothing and the consumer electronics industries are characterized by dynamic demand patterns, short product life cycles, and high mix and volumes flexibility requirements. These aspects have reasonably favoured the re-composition of a manufacturing base closer to the outlet European markets.

Germany

The distinctive characteristics of German reshoring processes concern the industry (mechanical and automotive), the firm size (large), the entry mode (insourcing prevails), and some motivations (quality issues, made-in effects and total cost are both significant and negative). The excellence of the mechanical and automotive industry, and more

generally of German engineering, is known worldwide. This country has built a significant competitive advantage in these sectors based on world-class R&D infrastructures, highly skilled workforce and integrated value chains. Germany continues to heavily invest in innovation and is now one of the pioneering countries in Industry 4.0 technologies. It is also characterized by the originality of industrial relations, where workers and trade union representatives have significant power, particularly in large-sized companies. There are examples of German firms where precisely a shareholder agreement between ownership and workers ("mitbestimmung") has allowed to save or even to increase jobs. The consultation between government, unions and the Federation of German Industries on industrial projects based on innovation and quality has led to significant wage growth in the last years. Our data are consistent with this country profile. German companies, particularly large ones operating in the leading manufacturing sectors, are focusing on quality and pursuing reshoring paths based on internal governance. Insourcing (equity solutions) can in fact better protect jobs and justify intangible (workers educations) and tangible investments, particularly in high-tech and capital-intensive industries. This evidence is in line with earlier observations conducted by Lewin and Couto (2007) and Hutzschenreuter et al. (2011).

Policy implication

In order to be fully aware of policy implications, we have examined the main official initiatives regarding manufacturing (in particular reshoring) of five countries in recent years and summarized the main ones in Table 4.

***Table 4** – Main official initiatives of five countries*

Country	Title	Institution	Year	Objective(s)	Main Measures	Target			
						Reshoring firms	Industry	Firm size	Entry modes
US	Tax Cuts and Jobs Act (TCJA)	United States Congress	2017	To bring jobs back to the US and revive US manufacturing	-Corporate tax rate cut -Substantial tax reforms	Included	/	/	/
UK	Reshore UK	UK Trade & Investment & Manufacturing Advisory Service	2014	To help companies bring production back to the UK	-Matching and location service -Access to the advice and support	Target	/	/	/
Italy	Piano Industria 4.0	Ministry of Economic Development	2016	To support innovative investment and empowerment of skills	-Financial support -Tax incentives -Workforce development	Included	/	SMEs (primary)	/
Germany	Industrie 4.0	Federal Ministry of Education and Research & Federal Minister for Economic Affairs and Energy	2017	To drive digital manufacturing forward	- Financial support - I40 platform development	Included	/	/	/
France	Industrie du Futur	French government	2015	To modernize the French production base and production tools	-Financial support -Tax incentives -Staff training -Platform development	Included	/	SMEs (primary)	/

As shown in Table 4, policy initiatives differ in terms of measures. As far as target is considered, it is worthy to note that these initiatives are very similar in the sense that they lack specific targets. There are few polices which deliberately targeted reshoring firms with the one exception *Reshore UK* although the general target audience of all these initiatives includes reshoring firms. Considering firm size, these initiatives are directed to the firms with different size, and only Italy and France's initiatives place SMEs in the primary position. Notably, the industry and entry modes (in-sourcing vs. out-sourcing) differences of firms has been largely overlooked and no initiative is tailored solely for them.

Given the fact that our result clearly show that reshoring phenomenon has distinct features in various countries in terms of industry, entry mode, firms size and motivations,

we are suggesting that the policy makers need to be fully aware of the necessity of developing effective reshoring-targeted policies by taking the aforementioned differences of reshoring into consideration.

Conclusions and limitations

This study contributes to the literature on home country effect in three significant ways. *First,* this research extends literature on home country effect to reshoring initiatives, demonstrating the home country has strong effects on reshoring practices. *Second,* by comparing the effect of home country on reshoring practices between five countries, we empirically contribute to a deeper understanding of reshoring phenomena from knowing which factors affect the likelihood of undertaking reshoring strategy in each country. *Third*, this study develops a broadened interpretation of the home country effect by analyzing practices jointly.

This study also offers several implications for both mangers and policy-makers. For mangers, it helps them to broaden its scope to consider the factor endowments of home country in reshoring decision making. For policy-makers, it highlights the importance of developing effective reshoring-targeted policies.

We acknowledge some limitations in this study. *First*, our study used secondary data, further research could build on our work and improve the reliability of the data by conducting a survey. *Second,* we did not include contingency factors in our model. To further advance the understanding of home country effect, future research could for instance explore the moderating role of the country from where the company move back production.

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