



Network effects of partial reshoring in the internationalization process

Daniel Pedroletti

Uppsala University, Department of Business Studies, Ekonomikum, Kyrkogårdsgatan 10C, Uppsala 75120, Sweden

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ABSTRACT

A growing number of firms is considering reshoring as an option to cope with the increasingly complex international business environment. However, especially when concerning only part of the activities outsourced to suppliers, reshoring may harm the firm's business relationships in the host country and restrain access to essential resources and capabilities. This paper examines the impact that reshoring outsourced activities has on the host-country network. Building on a case study and key concepts from the business network view of internationalization, the study reveals concurring but contrasting effects for the reshoring firm: the tangible commitment of the firm and its structural embeddedness in the foreign market diminish, while the intangible commitment and relational embeddedness simultaneously increase. Accordingly, the resulting host-country network counts fewer but deeper relationships. The study advances our knowledge of both internationalization and reshoring. The former is extended by furthering the understanding of the network and nonlinear views of internationalization, while the latter by exposing the multidirectional network effects of partial reshoring and discussing it in relation to recent global disruptions.

1. Introduction

Reshoring – the relocation of offshored activities back to the home country – is one of the options for firms reorganizing their international footprint (Kafouros et al., 2022). Reshoring may be driven by a host of factors, spanning strategic considerations, the correction of mistaken offshoring decisions, and adjustments to changing environmental conditions in the home or host country (Pedroletti & Ciabuschi, 2023). These have induced a growing number of firms to reconsider their prior offshoring decisions (European Reshoring Monitor, 2018; Moser, 2019), and reshoring may become increasingly frequent to address the recent disruptions in global value chains and geopolitical tensions (Tung et al., 2023; Witt et al., 2023).

Reshoring may involve the relocation of all (i.e., full reshoring) or part (i.e., partial reshoring) of the activities conducted in a host country, either by an own subsidiary or outsourced to foreign suppliers (McIvor & Bals, 2021). Internationalization does not necessarily imply the establishment of subsidiaries and occurs often by outsourcing to foreign suppliers (Fletcher, 2001; Hätönen & Eriksson, 2009). Outsourcing offshore has been indeed a widespread practice and a well understood source of competitive advantage (Mudambi & Venzin, 2010), to reduce costs and increase flexibility (Buckley, 2009) or tap into specialized knowledge and capabilities (Lewin et al., 2009). Sustaining these advantages when reshoring may nevertheless be as challenging as it is

important.

Extensive literature has highlighted the role that business relationships play in shaping a firm's international activities and its position in the host-country network. These provide access to essential resources and capabilities (Alcácer et al., 2016; Cantwell & Mudambi, 2011), which suppliers in other locations cannot provide (Jensen, 2012; Jensen & Pedersen, 2011). While in cases of full reshoring a firm may accept losing its position in the network, disregarding relationships with local suppliers and fully exiting the host country, partial reshoring may pose significant challenges. The latter may in fact require firms to safeguard their position in the host country network, to sustain the advantages derived from local suppliers (Alcácer et al., 2016; Jensen & Pedersen, 2011). Decisions to reduce the activities outsourced in a host country directly affect the business exchange with suppliers and may in turn harm the quality and survival of business relationships (Baraldi et al., 2018), making access to essential resources increasingly difficult and therefore threatening the outcome of reshoring.

Yet, prior studies on reshoring have mainly looked at the motivations behind such relocations rather than their outcome (Pedroletti & Ciabuschi, 2023; Wiesmann et al., 2017). In so doing, they highlighted that common factors behind reshoring decisions involve shrinking cost differentials (Martínez-Mora & Merino, 2014), the availability of new technologies in the home country (Ancarani et al., 2019; Dachs et al., 2019), quality issues (Kinkel & Maloca, 2009), and competitive

E-mail address: daniel.pedroletti@fek.uu.se.

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pressures (Fjellström et al., 2019). Although few contributions highlighted the impact of reshoring on the firm, by revealing for instance some of its knowledge dynamics (Fjellström et al., 2023) and the operational benefits it may generate (Johansson et al., 2019), we still know relatively little about the outcome of similar relocations.

In this regard, studying specifically the impact of partial reshoring of outsourced activities on the host-country network becomes important for at least three reasons. First, instances of partial reshoring have been largely neglected but are widespread (e.g., Baraldi et al., 2018; Grappi et al., 2015), and may result strategic to face the impossibility of relocating to the home country activities for which relevant resources and capabilities are not available (Witt et al., 2023). Second, reshoring outsourced activities is very common and concerns activities directly conducted by suppliers (Gray et al., 2013; McIvor & Bals, 2021). Hence, this type of reshoring typically generates a deep reconfiguration of the firm's business network (Baraldi et al., 2024), as the relocated activities represent an essential component of the firm's business relationships (Håkanson & Snehota, 1995). Third, and in relation to the previous, when reshoring is only partial, firms may be required to sustain access to resources and capabilities in the host country, which remain crucial for the performance of the activities relocated home and those left abroad. Hence, since not much is known about the dynamics triggered by partial reshoring in the host-country network, this study is guided by the following question: how does a firm's host-country network evolve following partial reshoring?

The paper builds on an abductive case study of an Italian firm reshoring a significant part but not all of its outsourced activities from China. The case is built on qualitative longitudinal data capturing the network dynamics generated by reshoring in the firm's host country, displaying the evolution of the firm's network following reshoring. This is done relying on key concepts of the network view of internationalization (Johanson & Vahlne, 1990, 2003, 2009), and in particular on those of relationship commitment and network position. These are traditionally employed to explain the firm's establishment in the host-country network (Liesch & Welch, 2024) and are here employed to explain the reverse, i.e., a partial disengagement from it.

Centering on two of the key variables of the model presented by Johanson and Vahlne in 2009, the findings reveal a contrasting evolution of the host-country network. Reshoring decreased the tangible component of relationship commitment, while conversely increased its more intangible aspects. This had a corresponding impact on the firm's position in the host-country network. On the one hand, the number of relationships substantially reduced and weakened the firm's structural embeddedness (Yamin & Kurt, 2018). On the other, a stronger relational embeddedness (Moran, 2005) emerged in the relationships that were sustained, which ensured access to essential resources and capabilities by mean of fewer but deeper relationships.

The contributions of this paper are fourfold. First, it uncovers the evolution of a firm's host-country network following partial reshoring, so far neglected by the literature on reshoring and more broadly decisions to reduce involvement in a host country (Kafourous et al., 2022). Secondly, it develops the network view of internationalization by adding granularity to two of its key variables and showing how they influence each other (Johanson & Vahlne, 2009; Liesch & Welch, 2024). In particular, it introduces the concepts of tangible and intangible relationship commitment and shows how they shape a firm's position in the host-country network, through corresponding changes in terms of structural and relational embeddedness (Forsgren, 2016). Thirdly, the paper addresses the linear nature of the internationalization process (Lamb & Liesch, 2002) and advances a novel perspective on its non-linearity (Vissak & Francioni, 2013). Finally, it discusses partial reshoring as specific relocation strategy, which may be tailored to address global disruptions such as the pandemic and the worsening geopolitical landscape (Tung et al., 2023; Witt et al., 2023).

2. Theoretical background

2.1. Reshoring outsourcing

Reshoring in-house and outsourced activities involve the same location decision (McIvor & Bals, 2021; Tsai & Urmetzer, 2024) but a different governance mode (Gray et al., 2013). This generates two distinct relocation processes, which have some fundamental differences. For starters, in-house reshoring occurs within the firm while the relocation of outsourced activities mainly in the firm's business network. Accordingly, reshoring outsourced activities affects the activities of the firm's suppliers much more than its own (Baraldi et al., 2024). Next, in-house reshoring may be much more resource-intensive for the reshoring firm (McIvor & Bals, 2021), whereas the relocation of outsourced activities leads to a reconfiguration of the resources mainly in the firm's supply network (Baraldi et al., 2024). Furthermore, reshoring of in-house activities may assure greater control on the implementation of the relocation and some of its challenging tasks (e.g., Barbieri et al., 2023; Fjellström et al., 2023). Conversely, when reshoring occurs at the level of suppliers, they have a certain control on the relocation process and may pursue their own interests and goals (McIvor & Bals, 2021), which need to be aligned with those of the reshoring firm to avoid unexpected challenges along the relocation. In this regard, the international business literature has developed a good understanding of how firms manage the activities outsourced offshore (Hätönen & Eriksson, 2009). However, how firms reconfigure those activities and their ability to sustain their competitive advantage when reshoring them is still unclear (Witt et al., 2023).

Similar to offshoring of own subsidiaries, offshoring to suppliers presupposes international activities that may be considered a form of internationalization per se (Fletcher, 2001). The activities outsourced in a host country are important not only because they may be occasional precursors of exporting opportunities (Korhonen et al., 1996), but also become valuable sources of foreign market knowledge (Karlsen et al., 2003) and induce growing commitment in the host country (Fletcher, 2001).

By the same token, reshoring outsourced activities may be considered a decision to reduce commitment (Ciabuschi et al., 2019), whereby the activities affected by such change concern sourcing rather than foreign subsidiaries and directly involve suppliers (Karlsen et al., 2003). The reduced commitment is tied to resources in business relationships, since reshoring may reduce the level of sourcing from suppliers in a host country and the value exchanged in those relationships. Hence, reshoring outsourcing may be understood as a relationship commitment decision (Clarke & Liesch, 2017). This aligns well with the network view of internationalization (Johanson & Vahlne, 1990, 2003), whereby international expansion is seen as an endeavor to establish a position in the host-country network (Liesch & Welch, 2024) to overcome the liability of outsidership (Johanson & Vahlne, 2009), namely the greater difficulties of entering foreign networks vis-à-vis domestic ones.

2.2. Key network dimensions of internationalization

The network view of internationalization sees firms as establishing their position in foreign networks through the interplay of commitment and learning in business relationships (Johanson & Vahlne, 1990). Here, commitment decisions and current activities refer to investments in new or existing business relationships and the cultivation of mutual orientation (Johanson & Vahlne, 2003). Relationship commitment is thus understood as "an implicit or explicit pledge of relational continuity between exchange partners" (Dwyer et al., 1987, p.19), and commitment decisions as manifest in the development or dissolution of relationships, changes in mutual dependence, investment levels, and organizational adjustments (Johanson & Vahlne, 2009). The outcomes of such decisions are in turn learning, creating, and trust-building. Those emphasize that daily activities abroad create new opportunities,

experience, and trust, and should be viewed as processes for creating knowledge and fostering trust within business relationships (Håkansson & Snehota, 1995; Morgan & Hunt, 1994), thereby generating shared social capital and deeper relationships (Nahapiet & Ghoshal, 1998; Uzzi, 1997).

From this, the firm develops its foreign network position (Forsgren & Johanson, 1992; Johanson & Vahlne, 2009), which is characterized by a certain structural and relational embeddedness (Forsgren, 2016). The former captures structural aspects, such as the number of relationships with other actors and the associated advantages (Yamin & Kurt, 2018). The latter refers instead to relational aspects, including mutual dependence, knowledge sharing, and trust among parties (Moran, 2005). The firm's position in the foreign network serves as a source of new business opportunities, offering improved access to other actors and their resources, as well as the development of new capabilities (Vahlne & Johanson, 2017).

This theoretical perspective has proved valuable in explaining how firms establish their position in foreign networks and may reveal unique insights on the dynamics triggered by decisions to reduce such commitment, of which much less is known (Welch et al., 2016). In particular, Figueira-de-Lemos & Hadjikhani (2014) acknowledged that reducing commitment may be compelling under certain environmental conditions. Reducing commitment to business relationships may nonetheless result an arduous task. In particular, the firm may be constrained by the adverse impact on the relationship with the direct counterpart and those with other suppliers in the host country network (Clarke & Liesch, 2017), whose negative consequences may be further amplified by the firm's need to sustain access to resources and capabilities. This was underscored by Dominguez & Mayrhofer (2017), highlighting the risks of losing access to the host country network when reducing commitment. Despite valuable, these contributions have rarely moved beyond the conceptual level (Clarke & Liesch, 2017; Figueira-de-Lemos et al., 2011) and have pointed to the presence of network dynamics rather than unpacked them (Dominguez & Mayrhofer, 2017). Therefore, while the internationalization process has built a good understanding of the dynamics behind international growth (Liesch & Welch, 2024), decisions to reduce commitment and disengage from host-country networks may only be assumed to follow the same logic and entail opposite dynamics.

2.3. Business network dynamics of reshoring outsourcing

The decision to relocate the activities outsourced abroad may trigger significant changes in a firm's business relationships in the host country (Baraldi et al., 2018), and represent a critical event for their survival (Halinen et al., 1999). This is important and has the potential to affect the firm's competitive position, as firms may have only limited alternatives (i.e., capable suppliers) and face losses from the adverse reaction of those suppliers (Tähtinen & Vaaland, 2006). At the same time, they may have previously invested substantial resources in the development of long-lasting relationships, and result unwilling to make the new relational investments required to work and adapt to new suppliers (Ibid.).

Although there is a dearth of insights into the network changes generated by the reshoring of outsourced activities, it is plausible to envision these decisions as reducing commitment in the host-country network. These relocations may in fact decrease the level of resources exchanged with suppliers, a fundamental component of relationship commitment (Dwyer et al., 1987). Accordingly, certain relationships may strain or dissolve over time. The reduction of commitment may diminish the level of interdependence (Mohr & Spekman, 1994), as the two parties may derive limited benefits from their relationship after the relocation. Hence, if the reshoring firm does not commit the same level of resources to host-country suppliers, they may reciprocate the behavior and disengage from the relationship (Baraldi et al., 2018).

Reshoring outsourced activities may in turn lead to a weaker

network position in the host country. Foreign suppliers may decide to terminate their relationship and discontinue access to their resources and capabilities (Baraldi et al., 2018; Jensen, 2012). Hence, the reshoring firm may have to rely on a restricted number of actors, a key dimension of its structural embeddedness (Moran, 2005). At the same time, a weaker network position may stem also from a lower relational embeddedness. This concerns the content of the dyadic relationships rather than their number and structural connections and particularly their depth (Moran, 2005), in terms of elements such as mutual orientation and knowledge exchange (Forsgren et al., 2007; Håkansson & Snehota, 1995; Uzzi & Lancaster, 2003). The decision to reduce the activities conducted by foreign suppliers may require a lower level of interaction and make the reshoring firm perceived as an unreliable partner, hampering the trust and mutual orientation of suppliers (Morgan & Hunt, 1994).

This view of reshoring inducing the dissolution of business relationships and negatively affecting the depth of those sustained follows nonetheless the linearity assumption of the internationalization process (Welch et al., 2016). As reshoring of outsourced activities is not uncommon (European Reshoring Monitor, 2018; Moser, 2019) and the potential loss of access to resources and capabilities is not preventing firms from reducing their foreign commitment, although it represents a significant threat to the outcome of similar relocation (Baraldi et al., 2018), this paper explores the evolution of a firm's host-country network following partial reshoring.

3. Methodology

3.1. Research design

This study adopts a single-case study approach to build and extend theory on complex phenomena (Welch et al., 2013), given the limited availability of published literature on reshoring outsourcing. This research design has proved useful in studies on related topics, as nonlinear internationalization (Vissak et al., 2020; Vissak & Francioni, 2013) and subsidiary relocation (Reilly et al., 2023). A single-case study design was selected to achieve a deep understanding of the phenomenon (Siggelkow, 2007) and generate explanations concerning the relation between key theoretical concepts in the context of the investigation (Welch et al., 2022).

3.2. Case description

This study builds on the reshoring initiative of Alpha, a leading Italian toy manufacturer that has relocated to Italy about half of the activities it had previously outsourced in China. The case takes the perspective of the reshoring firm to understand how its host-country network evolves following reshoring, and it was purposefully selected to offer access to rich data and as theoretically salient (Yin, 2014). One reason for the selection was thus the possibility to access detailed descriptions of the phenomenon and conduct a deep empirical exploration, which was ensured by the good contacts held with Alpha. Another was the theoretical saliency of the case to partial reshoring of outsourcing, given that Alpha relocated a significant part but not all of its activities outsourced in a host country. Moreover, it was recently highlighted that full reshoring may be often not feasible (Witt et al., 2023), and the case was selected also to display how firms cope with partial relocations to the home country. At the same time, the partial reshoring of outsourcing aligns well the idea of commitment reduction to business relationships (Clarke & Liesch, 2017) and involves a relocation to the home country rather than the demise of foreign activities. Accordingly, the case offered fertile ground to observe the dynamics occurring in business relationships following partial reshoring.

The firm has about 600 employees located across Italy, nine sales units in Europe, Turkey and Hong Kong. First exporting in 1994, Alpha is in a mature stage of internationalization, with about 65 % of its revenues

coming from exports and a substantial part of its production activities outsourced in China. This is quite in line with the figures of the global toy industry, fully sourcing products from China and concentrating sales in the home market or region (European Commission, 2020).

The external context had an important impact on Alfa's reshoring process. On one side, the toy industry is highly concentrated in China, where 86 % of the world production is located and all the main players source their production (European Commission, 2020), including Alpha's competitors. This has led to the concentration of essential competences only in China (e.g., assembling of chips in extremely small plastic modules), making it impossible for Western firms to fully relocate their activities to a different country, and thus the decision to keep sourcing electronic components in China. On the other, the Italian context acted as a pull factor. The industrial structure of the region where Alpha is located is composed of small- and medium-sized actors, which were still recovering from the 2008 financial crisis (OECD, 2014) and had relatively cheap available production capacity to accommodate the manufacturing and assembly needs of Alpha.

At the same time, the specificities of the business environment navigated by Alpha may have shaped its reshoring process. First, just before Alpha's reshoring decision in 2013, the toy industry suffered a product safety crisis. Chinese companies were blamed of safety shortcomings and, despite the wide majority of the safety issues were caused by faulty designs of Western firms, the toy production in China lost legitimacy and caused widespread outrage among Western consumers (Beamish & Bapuji, 2008). Secondly, during Alpha's reshoring process, the pandemic and rising geopolitical tensions caused disruptions in global supply chains (Gereffi, 2020). Specifically, the pandemic may have heightened the real and perceived risk associated with a long global value chain (Alvstam & Fang, 2021). In line with this, similar effects may have resulted from the worsening geopolitical relations between the US and China, producing a growing fracture between China and Western countries and with the potential to affect the strategy and structure of Western firms accordingly (Tung et al., 2023).

Finally, to fully grasp the evolution of Alpha's host-country network, it is necessary to consider the approach to business relationships in China and Italy, where the main actors of the investigation (i.e., Alpha and its Chinese suppliers) are based. The Chinese approach to business relationships revolves around a system emphasizing the closeness of personal ties, trust and reciprocity, typically referred to as *guanxi* (Luo, 2000). In this context, the quality of business relationships is largely associated with factors such as the perceived mutuality and long-term orientation between parties (Chen & Chen, 2004), which are essential to develop and sustain business relationships. Similarly, the closeness and reciprocity of relationships is a fundamental component also of the Italian environment (Putnam et al., 1993). If in some Western and European countries business relationships are shaped by the formal institutional environment, such as regulations and formal contracts or agreements (Jansson et al., 2007), social ties and personal trust remain essential for the development of business relationships in Italy (Lu & Abetti, 2008).

3.3. Data collection

Longitudinal data were collected from early 2022–2024, through retrospective and real-time interviews. A total of 29 in-depth and semi-structured interviews were conducted with 11 managers of Alpha, which constitute the main data source for this study (see Table 1).

Key informants were identified from different functional areas with the aid of two top managers, interviewed multiple times along the whole process. With varying seniority in the firm, they had all played an important role in the reshoring decision and/or implementation. Senior managers could share unique information on Alpha's relocation strategy and outcome, while lower-level managers provided valuable insights from an operational point of view on the relationships with Chinese suppliers. This ensured a multiplicity of perspectives on the network changes brought by reshoring in the host country.

The interviews were conducted face-to-face, either online or in person, and lasted an average of 55 minutes each. These were conducted in Italian, the mother tongue of all respondents, to enable better access to both the firm and the respondents' perceptions (Yeung, 1995). With the exception of five interviews, all were recorded and manually transcribed verbatim. After that, they were translated and cross-checked by two researchers for language verification. These interviews covered the events from the beginning of the pilot project to the relocation of the last activities in 2022, and were thus aimed at understanding the business network before reshoring, the evolution along the relocation, and most importantly its outcome. As the interviews covered a rather long retrospective period, the interviewees were often asked to cross-reference their accounts with available internal documents to verify the accuracy of their memories and alleviate recall bias (Soulsby & Clark, 2011). This latter was mitigated also discussing the relocation of specific products. These were selected by the interviewees as the most representative of their reshoring initiative and were brought for display during the interviews in their various versions, to establish the specific changes made at different points in time and the consequences on the relationships with the suppliers involved in their production. Furthermore, additional interviews were conducted in the following two years to capture the perceived effects of reshoring, which may partly differ over time and be subject to various influences (Pedroletti & Ciabuschi, 2023). Finally, a last round of interviews allowed the identification of the firm's current network position in the host country and its inherent lasting changes.

The main data were complemented by archival data, internal documents, and interviews with an Italian and a Chinese supplier (see Table 2). Archival data, spanning about 110 pages of media coverage, provided information on Alpha and specific details on its reshoring. Additionally, Alpha contributed internal reports on relevant topics, including its internationalization, the reshoring strategy and resultant supply chain changes. Moreover, additional interviews were conducted with other actors in Alpha's network of suppliers, to capture the network dynamics from their perspective. Four interviews were conducted with the Italian supplier receiving most of the relocated activities, and two

Table 1
Main interview data.

Respondent	Hierarchical level	Area of Responsibility	Seniority (Years)	Number of Interviews	Duration (mins)	Venue
R1	Executive	General Strategy	30	7	60–45–60–75–45–60–30	HQ and online
R2	Executive	Operations	9	8	60–60–75–30–60–30–60	HQ and online
R3	Executive	Marketing and Sales	4	1	75	Online
R4	Director	Marketing and Sales	22	1	60	Online
R5	Director	R&D & Innovation	18	3	60–60–30	HQ and online
R6	Manager	R&D & Innovation	5	1	60	HQ
R7	Manager	R&D & Innovation	13	2	45–75	Online
R8	Manager	R&D & Innovation	19	1	60	HQ
R9	Manager	Operations	15	1	60	HQ
R10	Manager	Supply Chain	37	2	60–45	Online
R11	Manager	Subsidiary	29	2	60–75	Online

Table 2
Additional data sources.

Data source	Amount of data	Focus
Publicly available data	110 pages	Media and industry reports, press releases, and information retrieved from the company website
Internal documents	4 reports	Internal presentations on company strategy and structure, historical development of competitive position and export activities, marketing and sales strategy, internationalization history, choice of markets and international strategy, international sourcing, reshoring motivations and strategy, impact of reshoring on supply chain and on actors involved.
Company visit (HQ and production unit)	2 visits of company facilities	Organization of internal production, warehousing, inbound and outbound logistics. Changes implemented with reshoring in terms of layout and organization of production, new machineries and equipment, and logistic flows.
Owner and co-owner of Italian supplier	4 interviews (260 minutes)	Development of the firm as a consequence of Alpha's reshoring, impact of reshoring on the firm's relationship with Alpha, products' development after reshoring, collaboration with Chinese suppliers and relational changes with Alpha.
CEO and key account manager of main Chinese supplier	2 interviews (115 minutes)	Initial establishment of business relationship with Alpha, status of relationship around 2010, initial perception of business exchange decrease, relational changes in the period 2011–2014 and current relationship dynamics.
Clarifications and corrections	From R1 and R2	During the data collection, constant communication was held with the two key informants for any clarification or need of additional data. The final version of the paper was cross-checked by them.

with Alpha's most important supplier in China before reshoring, whose business exchange has shrunk after the relocation. These additional sources were used to triangulate and ensure respondent and recall biases were reduced (Soulsby & Clark, 2011; Vissak, 2010), cross-referencing the information Alpha provided with the additional data sources (Cuervo-Cazurra et al., 2016).

3.4. Data analysis

Data were analyzed with an abductive approach (Sætre & Van de Ven, 2021), relying on a mix of inductive and deductive reasoning. Deduction was employed in the first steps to locate the phenomenon within relevant literature and later generate possible explanations based on existing theories (Mantere & Ketokivi, 2013). Conversely, induction was initially used to fully grasp the reshoring initiative and later ground it within its context. By the end of the research process, it was further employed to seek greater empirical understanding of the main explanations provided for the network dynamics of reshoring (Golden-Biddle, 2020).

The initial step involved the inductive creation of a case history of Alpha's reshoring, by cross-referencing information from the very first interviews and available media coverage, chronologically capturing Alpha's history, its internationalization, and reshoring process. Together with data from internal documents and following Fang et al. (2004), the case history was later employed to lay out the course of action of Alpha's reshoring process, which was organized and presented in a picture (see

findings Section 4.2) exposing its main temporal and contextual features. After this, four additional steps involving both inductive and deductive work were conducted, which are presented in Fig. 1 and below more in detail.

The second step entailed a progressive focus on the reshoring outcome on Alpha, to capture unexpected observations. Aware of the scant attention that extant literature has paid to the outcome of reshoring, the interviews started covering aspects such as its resulting performance, control, risk perception, and business relationships. During these early interviews, few unexpected observations became apparent. One related to the fact that, despite reshoring research has indicated efficiency issues to be central in similar initiatives (McIvor & Bals, 2021), the main challenge experienced by interviewees concerned business relationships with suppliers. Several accounts stressed the reaction of some Chinese suppliers to Alpha's reshoring, not only interrupting their relationship but also starting to work for close competitors or becoming one themselves. A correspondingly unexpected observation arose from the positive accounts about the current relationships between Alpha and its Chinese suppliers. Finally, reshoring has been often associated with a step back in a firm's internationalization (Kafourous et al., 2022). However, the importance of Alpha's presence in China was repeatedly underscored and an interviewee even mentioned the possibility of establishing in the future a manufacturing joint venture with a Chinese supplier. Because these observations seemed contradicting each other and diverging from extant literature, the aim of the study was refined to address the impact that reshoring outsourced activities had on the firm's host-country network.

It was in the third step that most of the interviews were conducted and their coding commenced. Efforts were here directed to fully grasp the changes induced by reshoring in Alpha's host-country network. This was a largely inductive endeavor, aimed at exploring the phenomenon and grounding it in its context. The interviews were nonetheless also informed by concepts from business network and internationalization literature (Forsgren et al., 2007; Johanson & Vahlne, 2009). Iterative thematic coding was conducted combining a top-down and a bottom-up approach (Locke et al., 2022). The top-down character related to the closeness to the research question (Krippendorff, 2018), defined in the previous step, and led for example to the use of "network position" as the initial key aggregate dimension in the coding process. At the same time, from a bottom-up perspective (Locke et al., 2022), thematic codes reflect recurring topics in the interviewees' accounts of Alpha's relationships with suppliers. For instance, the thematic code of "greater technical integration" emerged from the multiple quotes pointing to the greater exchange of technical information, the use of common software, and the joint development of new solutions. Later in the analysis, this led to the "stronger relational embeddedness" theoretical concept.

In the fourth step, data were organized with the aid of literature and preliminary explanations sought after. While the difference between "structural" aspects of Alpha's network position and "relational" ones was becoming clearer, the elements driving their changes remained puzzling. To better grasp these aspects, and relying on some of the key concepts from the network view of internationalization (Johanson & Vahlne, 2009), the "relationship commitment decisions" dimension was introduced. As this latter captured some relational elements already part of Alpha's network position, the initial coding was reassessed. This resulted in "reshoring decision" capturing key aspects of the relocation decision, "relationship commitment decisions" the immediate changes in business relationships, and "network position" the outcome generated by their longer-term dynamics.

The fifth step involved two main tasks. On the one hand, a synthesis of the results was performed around the final thematic codes and theoretical concepts, emerging from the data and relevant literature (Locke et al., 2022). In this endeavor, triangulation between archival data and interviews with the Italian supplier revealed crucial to minimize recall bias and impression management (Vissak, 2010). On the other hand, few additional interviews were conducted to inductively

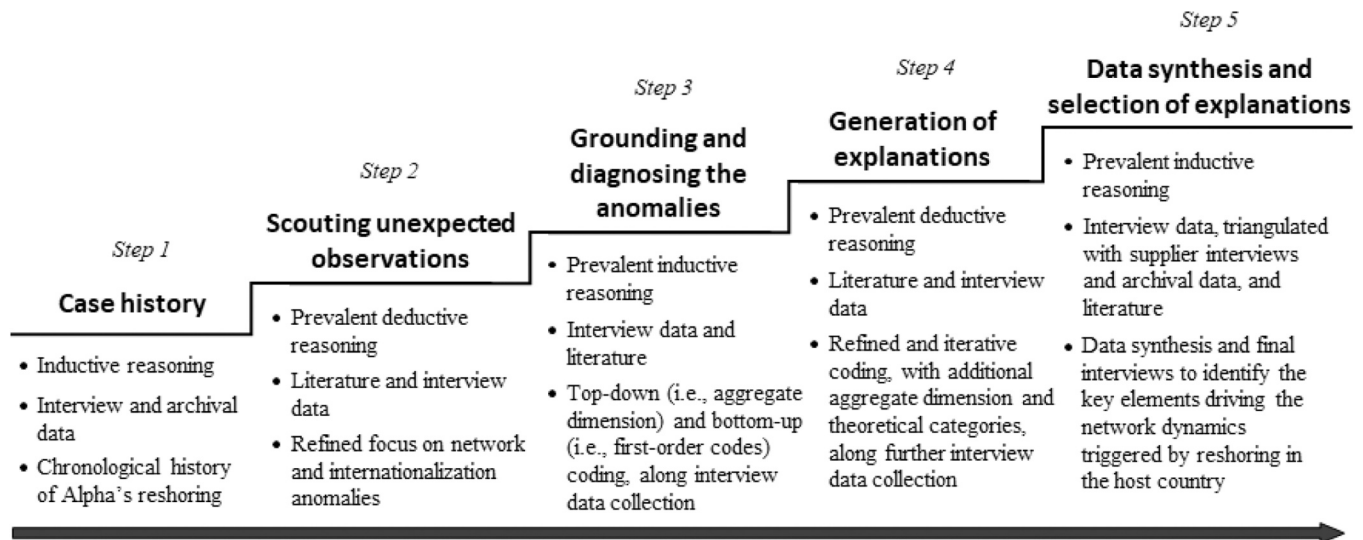


Fig. 1. Abductive data analysis process.

establish the key drivers behind the changes in the firm’s host-country network position. Once developed the findings and established the relationships between concepts, the results were member-checked to strengthen their trustworthiness (Lincoln & Guba, 1985) and cross-referenced with the interviews conducted with the Chinese supplier. The data structure resulting from this analytical process is displayed in Table 3 below.

4. Findings

4.1. The business network in China before reshoring

Before its reshoring process, Alpha was sourcing from a network of about 50 Chinese suppliers with a modular and turn-key solution (Gereffi et al., 2005). Few of them delivered small components that could not be sourced in Italy, while the majority of those suppliers were receiving an overall design of the finished product requested by Alpha and delivered it later for testing, before Alpha made it available to its distributors and consumers: *We were sourcing [in China] mainly finished products from numerous suppliers, while few of them were providing very low-value components, such as dices, pens, small pearls, and similar things. [...] It total we had about 50, with one accounting alone for more than \$20 million of our volumes and 40 for about \$700–900 thousand each, while the rest for very little* (R11).

Of those, the supplier conducting the largest part of Alpha’s outsourced activities (i.e., the one interviewed) had a long-lasting relationship with the firm and the value of the exchanged volumes had

constantly increased, before reshoring: *To make you understand how important we were for them [main supplier], just imagine that in their offices they displayed several pictures of their owner together with ours. They had started working together in the 1990s and, since then, as the volumes outsourced in China grew, so did the volumes they delivered* (R1).

Despite the size of the volumes exchanged between Alpha and its Chinese suppliers, and the length of some of those relationships (i.e., about 15–20 years, in 2010), they relied on exchanges mainly regulated by the price dimension: *We were just developing an approximate design of how the product should have looked, to then send it to the [Chinese] supplier. From there, all we had to agree upon was a price, and it was just a matter of achieving good margins for both* (R5). However, this setup lasted until Alpha decided to start relocating part of its activities outsourced in China back to Italy.

4.2. The reshoring process (2011–2022)

In 2011, Alpha decided to launch a pilot project to evaluate the feasibility of reshoring from China. The pilot project, which lasted one and a half years and concerned a single product produced in twenty-five thousand units, revealed that Alpha could partially reshore its sourcing activities from China by relying on Italian suppliers (i.e., domestic outsourcing) for plastic production and assembly activities; on its own Italian workforce (i.e., in-house) for designing, engineering and testing activities; and keeping on sourcing in China its electronic components.

The pilot project required a comprehensive redesign and reengineering of the products, in order to adapt them to the local Italian production. Also, they necessitated a significant reorganization of activities between Alpha and its network of domestic and foreign suppliers, as the latter had previously handled all of them and delivered the final products. Nevertheless, after the successful implementation of the pilot project, Alpha decided to reshore the activities of a much greater number of products. The respondents highlighted that this decision, made in 2013, was driven by three main factors related to economic and risk considerations. One concerned the shrinking cost differentials between the two countries: *The point was to figure out how to bring here the production, thinking that [in China] labor costs were increasing every year, raw material was as expensive [in the two countries]* (R10). The second was the long lead time and associated risk perception: *We had to order about six months to one year ahead the sales season, with a very high obsolescence risk, extremely high inventory costs, and the risk of making sales forecasts so early, which could still vary so much before the sales season* (R1). The third entailed the growing logistic costs: *we wanted to make the system more*

Table 3
Data structure.

Aggregate dimensions	Theoretical concepts	Thematic codes
Relationship commitment decisions	Decreased tangible commitment	Reduced value of economic exchange Reconfiguration of activities
	Increased intangible commitment	Increasing level of collaboration Stable level of dependence Dissolution of business relationships
Network position	Structural embeddedness	Rationalization of host-country network Greater interfirm integration
	Relational embeddedness	Greater technical integration Greater trust

flexible while reducing the impact of logistics costs on the product, as they are not visible to customers and they are not willing to pay more for this (R10).

Alpha could relocate only part of the activities outsourced in China, since the concentration of unique capabilities in China made it impossible for them to also relocate the production of its electronic components. Therefore, in line with the pilot project conducted earlier for a single product, the same partial relocation strategy was followed for all relocated production. This decision was motivated by the availability of molding and assembly suppliers in Italy, and conversely by the lack of Italian and European suppliers capable of producing and manually assembling electronic components in small plastic modules, which could only be sourced in China: *Back then we made two tests, to see whether we could source the electronic components from a supplier in India and later another one in Vietnam. I have to say it was a disaster, as they lacked not only any know-how of similar components but also the sourcing skills, which were close to craftsmanship. [...] We did the same here [in Italy], but no one could assemble the electronics in such small plastic modules.* (R2)

To attain the required cost-levels, Alpha relocated internally the designing, engineering and testing activities, while most of the manufacturing and assembling activities were outsourced to 25 existing and 15 new Italian suppliers: *We could do this internally, but it would be too expensive. If the labor cost in China was about 2€ to 3€, producing internally costs us 23€ and to our local [Italian] suppliers about 15€. They have much lower structural costs than us, and with reshoring we already became much heavier, as our R&D department exploded to take on all the design and engineering. If you consider all our competitors fully source from China, this was really the only way* (R1). The reliance on suppliers offering cheaper production was thus vital to attain the required level of efficiency. The automated solutions commonly fostering reshoring decisions (e.g., Ancarani et al., 2019; Dachs et al., 2019) could not enhance the performance of the relocated activities, since they were on one side already employed by Chinese suppliers (i.e., for plastic manufacturing), and on the other not applicable, due to the reduced but persistent manual tasks in the assembling activities.

The reshoring process was affected by two related external events, namely the outbreak of the pandemic in early 2020 and the logistics crisis of 2021. The lockdowns produced by the pandemic and an increase of about 700 % in transportation costs from China induced Alpha to continue the relocation of its outsourced activities until 2022, and extend it even to small products manufactured only in few units but of very high value, as evidenced by R5: *If transportation [costs] had become an increasingly relevant factor driving reshoring already in the period between 2013 and 2018, with the outbreak of the pandemic and logistic issues it became prominent, and we started working to relocate also these smaller and expensive products in Italy.* At the same time, the relocation conducted in the period before these disruptions provided Alpha with an advantage over some of its key competitors between 2020 and 2022. This was displayed by the same respondent: *For instance, if you take [main Italian competitor], they only import what they sell, with no internal production. And they, as well as other companies such as [US competitor] or [German competitor], now with the pandemic and the logistics issues are suffering a very harsh crisis, due to the increase in all costs* (R5) as well as by R2, from a longer-term perspective: *These days there is the key issue of business continuity in relation to these topics [ability to manage the supply chain], as if tomorrow anything happens with Taiwan, we are done sourcing in China.* (R5) Nevertheless, R1 stressed that these advantages may have a cost, as the greater control over their supply chain comes sometimes at the expense of its efficiency: *We are now the masters of our own destiny. This is a huge strength in the moments of crisis as what we are facing now with logistic issues [spike in transportation costs], but it is a weakness when everything goes well, as it becomes less cost-efficient.*

The reshoring process lasted until 2022, when the outsourced activities of the last products were relocated to Italy. Overall, the relocation affected the production of two million units and halved the total value of Alpha's sourcing from China, which decreased from \$54 to about \$24 million notwithstanding a significant growth in its turnover

over the same period. Fig. 2 outlines on the x-axis the key events of Alpha's reshoring process, which are discussed above; on the y-axis the sum of units/products that have been affected by reshoring up to each year; and the period over which Alpha's host-country network of suppliers evolved. In particular, it displays that Alpha's relationship commitment decisions mainly unfolded between 2013 and 2022, while the changes in its network position manifested between 2014 and early 2024. These are presented more in detail in the next two sections.

4.3. Relationship commitment decisions (2013–2022)

The reshoring process of Alpha implied a reduction in the relationship commitment (Clarke & Liesch, 2017) with Chinese suppliers, from which Alpha started sourcing only small components of most products rather than finished ones. The decreasing economic value exchanged resulted evident starting in 2013 and over time has almost halved: *We decided to reduce the value of sourcing from China, and now we have gotten to the point of sourcing only products for a total of about 22\$ to 24\$ million from Chinese suppliers, depending on the year, as compared to the 40–50\$ million we were sourcing in 2012.* (R2).

The choice of sourcing components rather than finished products led to a deep reconfiguration of the activities conducted by Alpha in its relationships with Chinese suppliers. This shift required Alpha to take on a more active role in the management of their suppliers in Italy and China, necessary to ensure coordination in the supply chain: *Well, consider that sourcing a smaller component rather than the whole product in China entails a change in what is done there [in China], but not really a decrease of work. Now we have many more tasks dedicated to the combination of the small components sourced in China and the parts produced in Italy. What we do with Chinese suppliers has changed rather than decreased, as we have the same number of people dedicated to the collaboration with them* (R8).

The level of collaboration between Alpha and its Chinese suppliers has therefore increased rather than reduced. If before most of their relationships were transactional and based on interactions aimed at defining prices or contractual terms, from 2013 reshoring required Alpha to intensify the interaction with Chinese suppliers: *The main interaction with them was [before reshoring] related to the costs dimension, as we were only sending them [Chinese suppliers] an overall design of the final product we wanted. Reshoring meant instead for the designers and product managers to be involved [working with Chinese suppliers] in most of the phases of the production process, and products are often co-designed* (R6). This was made necessary by the need to jointly develop certain aspects of the components, as Alpha had to make sure that the components sourced in China could later be integrated with the rest of the product and coordinate the work of suppliers across Italy and China (see Appendix A).

Furthermore, Alpha's dependence on Chinese suppliers remained stable (see also Appendix A) until and after 2022, as they are essential for the electronic components, despite the concerns expressed by R2: *We decided to continue working with the same suppliers, as we had to source the electronic modules from them. [...] We knew this would imply a problem of business continuity. Because also today, if they [Chinese government] decide to invade the small island there [Taiwan], we can sell nothing but puzzles and plastic toys.*

4.4. Changes in network position (2014–2024)

The reduction of sourcing from Chinese suppliers has over time led to a reconfiguration of Alpha's business relationships and generated corresponding changes in its network position. An expected dynamic induced by reshoring was the termination of business relationships with suppliers unwilling to switch from selling finished products to supplying components of a much lower value (see Appendix B), especially during the period when most of the economic exchange was reduced (i.e., between 2014 and 2021). However, reshoring led also to unexpected

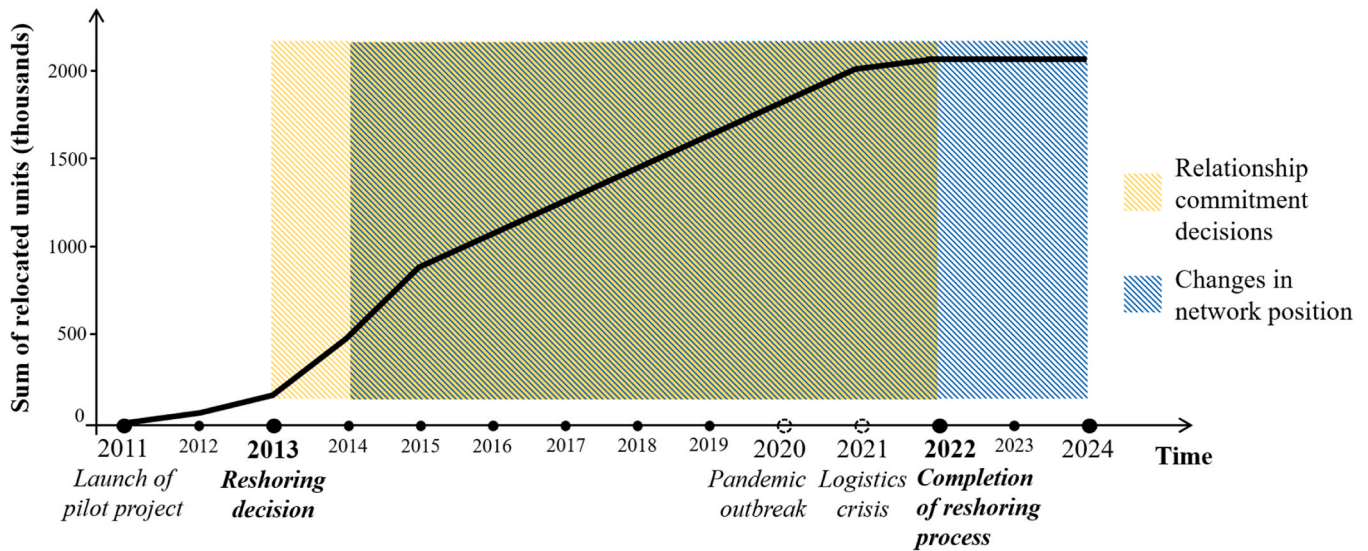


Fig. 2. Alpha's reshoring process: Key events and network evolution.

hostile reactions whereby, immediately after terminating the relationship, a supplier with important competences started working with a close Italian competitor of Alpha (see Appendix B). At the same time, another one started selling the same products in the European market, becoming a competitor: *At one point this supplier became a competitor and we had to end the relationship, because the volumes with them had first risen up to the point they became one of our main Chinese suppliers, but since reshoring they have fallen a lot and those products started appearing on the same markets where we operate, and we were seeing that they were extremely similar to ours* (R1).

The termination of business relationships may be expected after a significant decrease in the economic value exchanged, but Alpha conducted also a strategic rationalization of its business network between 2014 and 2024. This was part of an active strategy aimed at reallocating the outsourced production to a smaller number of Chinese suppliers in order to remaining relevant customers: *We conducted a deep reorganization of our Chinese suppliers, moving from having about 50 of them to 30 or 35, not more. With the volumes going down we could do a gradual [in time] but drastic [in the results] rationalization of the supply base that became necessary to remain important customers* (R11).

The overall number of actors in the business network has thus decreased, but Alpha has taken on a much more active role in integrating the different actors in the network (Uzzi, 1997). After reshoring, Alpha became responsible for designing the products and some components with the suppliers, but most importantly for coordinating and integrating the work and resulting components of Chinese and Italian suppliers: *This happens much more often [than before], that we put in contact the Italian suppliers with those in China, but under our guidance, as the meetings are held together with us. And the conversation is guided by us, with the meeting in presence in Hong Kong or on video call* (R2).

The greater involvement in design, engineering and production activities of Alpha with its suppliers generated in turn a greater technical integration between them. This has made the interaction increasingly technical, working together on solutions to develop and improve the products (see Appendix B). Therefore, Alpha and its Chinese suppliers had to share much more information and they have started working on shared platforms for certain tasks: *Now we have a shared sourcing platform with them [Chinese suppliers], where we order what we need digitally and can see the progress of it. For the designing activities we are not yet at that point, and often rather than co-designing we exchange files with all the necessary technical details. Then the Chinese suppliers that are more structured work very well on our 3D designs and we work directly exchanging those* (R7).

Finally, the evolving collaboration between Alpha and its Chinese

suppliers has deepened not only the technical and interfirm integration, but also their trust (Håkansson & Snehota, 1995; Morgan & Hunt, 1994). While Alpha was already perceived as a reliable partner, the increased interaction and exchange of information characterizing the joint activities such as co-design have strengthened over the years this perception (see Appendix B). At the same time, the greater collaboration has led to closer personal relationships: *The relationship has evolved and changed a lot: while before the supplier was not a partner, now it has become a partner and the relationships are much more technical, as there is a greater exchange of information when we work on product development. The relationships have become much closer at the human level as well, as a consequence of how they developed technically.* (R11)

5. Discussion

The findings illustrate the key elements of Alpha's reshoring and the dynamics it triggered in its host-country network. The dependence on host-country suppliers persists, and the intensity of interaction between them and Alpha increased following reshoring. The electronic components remain fundamental for the finished products and Alpha had to start collaborating more intensively with its host-country suppliers, to ensure that their development and production would match those of the components relocated to Italy.

The partial reshoring of outsourced activities triggered adverse reactions of some host-country suppliers and posed significant challenges. Not only access to valuable competences was suddenly discontinued by some suppliers, but few started working immediately with Alpha's competitors or became one themselves. To mitigate the risk of such adverse reactions and ensure access to essential capabilities in the host country, Alpha engaged in a deliberate strategy aimed at reallocating more activities to fewer suppliers, building on the resources freed by ending relationships considered not indispensable.

The rationalization of the network of suppliers ensured a sufficient level of commitment between parties and relationships conducive to cooperation. Such cooperation became increasingly necessary to coordinate the activities conducted in China and those relocated to Italy, and led to greater integration between parties. These interact now much more often and work together on shared platforms, with greater information sharing and pooling complementary skills.

By linking these findings with key concepts from the network view of internationalization (Forsgren, 2016; Johanson & Vahlne, 2003, 2009), this study advances a model of the network dynamics generated in the host-country by the partial reshoring of a firm's outsourced activities,

which is presented below in Fig. 3, and discusses partial reshoring in relation to recent disruptions (Barbieri et al., 2020; Tung et al., 2023).

This enables four contributions. First, it introduces the concepts of tangible and intangible relationship commitment, and uncovers how they relate to the firm’s structural and relational embeddedness in the host country, defining its network position. Second, it furthers our understanding of the nonlinearity of internationalization. Third, it explains the evolution that partial reshoring of outsourcing triggers in the host-country network, providing an additional key element to expand our understanding of reshoring processes. Finally, it discusses partial reshoring as specific relocation strategy tailored to address disruptions such as the pandemic and the worsening geopolitical landscape.

5.1. Tangible and intangible relationship commitment decisions

Partial reshoring implied multifaceted adjustments in the firm’s relationships in the host country that cannot be understood simply as a decision to reduce its commitment (Clarke & Liesch, 2017). Johanson & Vahlne did not clearly define what relationship commitment decisions entailed and limited themselves to claiming that “the decision will be visible through changes in entry modes, the size of investments, organizational changes, and definitely in the level of dependence” (Johanson & Vahlne, 2009, p. 1424) and that these decisions entail “reducing diversification, leaving a market, and discontinuing a relationship” (Vahlne & Johanson, 2017, p.1092), pointing to any form of withdrawal from a host country. In contrast to this, shifting from markets to relationships, and drawing on the distinction between tangible and intangible market commitment (Figueira-de-Lemos & Hadjikhani, 2014; Hadjikhani, 1997), the model advances the concepts of tangible and intangible relationship commitment.

Tangible relationship commitment refers to the aspects of commitment that are more concrete and easier to observe, such as the value of economic exchange and the activities conducted in the relationship. Conversely, intangible relationship commitment captures more immaterial aspects, such as the level of collaboration and dependence. This distinction becomes valuable to grasp the specific factors that make up relationship commitment, and adds to a concept that has remained rather abstract (e.g., Mohr & Spekman, 1994) and referred to the general level of inputs, time and consistency of an exchange (Dwyer et al., 1987, p.19).

This new characterization of relationship commitment sheds light on its multifaceted nature, which has been previously neglected. The proposed distinction acknowledges that the economic value exchanged is a fundamental component of relationship commitment (Dwyer et al., 1987). Yet, it emphasizes that commitment may increase or decrease regardless the economic value of the inputs exchanged (Håkansson & Snehota, 1995), since the parties may derive significant benefits also from more intangible aspects of the relationship, such as greater exchange of information and joint problem solving (Forsgren et al., 2007; Mohr & Spekman, 1994; Uzzi & Lancaster, 2003). Therefore, separating

tangible and intangible relationship commitment becomes key to fully grasp the dynamics triggered by partial reshoring, but may also enhance our understanding of other decisions to reconfigure or even enhance the firm’s position in the host-country network.

5.2. Structural and relational network position

The findings illustrate also how the commitment decisions generated by partial reshoring affect the firm’s network position. In so doing, they reveal a two-fold impact on the firm’s network position, underscoring the distinction proposed by Forsgren (2016) between the firm’s structural and relational embeddedness. In particular, the decreasing tangible relationship commitment weakens the firm’s structural embeddedness in the host-country network, which consists of fewer actors and relationships (Yamin & Kurt, 2018). Reshoring triggered the dissolution of business relationships with suppliers unwilling to see the economic exchange reduced and not finding sufficient benefits in sustaining the relationship. But, in addition to that, the reshoring firm engaged in a strategic rationalization of the network, aimed at concentrating more resources in relationships with suppliers providing access to important capabilities and ensuring their continuity.

The increase in intangible relationship commitment, by contrast, deepens the business relationships that are sustained, due to a more frequent interaction and much greater exchange of information between parties. These latter develop a better understanding of each other’s resources and capabilities, and increase the level of interfirm integration and trust (Andersson et al., 2002; Morgan & Hunt, 1994). In a similar vein, the increasing collaboration fosters greater adaptation of the production processes and products, and generates a greater technical integration between the parties (Forsgren et al., 2007). As a result, the relationships that are sustained after reshoring encompass a sufficient level of activities and become tighter.

The dual change in the firm’s network position triggered by reshoring suggests a trade-off between structural and relational embeddedness, together with a potential substitutive effect between the two. The reduction in the number of actors in the host-country network resulted pivotal not only to sustain relationships providing access to essential capabilities (Cantwell & Mudambi, 2011), but also to deepen them. A greater relational embeddedness does not necessarily imply a weaker structural embeddedness (Moran, 2005), as both may simultaneously expand when internationalizing and strengthen the firm’s position in the host-country network (Forsgren, 2016). However, this study reveals that, in the readjustment of their network position, firms may focus more on developing their relational or structural embeddedness (Moran, 2005), by making commitment decisions that ensure benefits tied more to the structure or the depth of their relationships.

Additionally, the findings add to the understanding of the importance of relationship ending and the re-deployment of resources freed by terminating business relationships (Halinen & Tähtinen, 2002). These areas have received scant attention in the business network literature

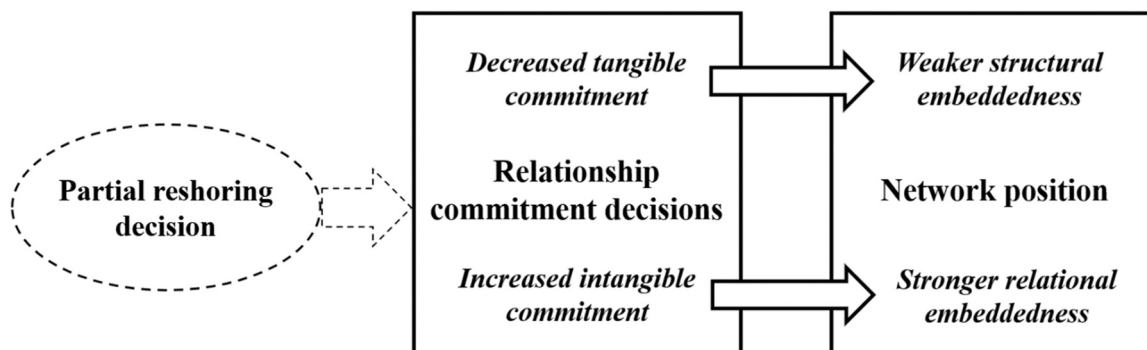


Fig. 3. Model of network dynamics in partial reshoring.

(Zaefarian et al., 2017) but also specifically in relation to reshoring. Barbieri et al. (2023) highlighted that the reintegration of the reshored activities in the home country may be a complex and challenging endeavor. However, how the disintegration of the activities abroad is managed in the reshoring process has been neglected. In response to this, the present study shows how firms may approach the termination or downsizing of their relationships with host-country suppliers and the strategic reallocation of the freed resources. This results key in partial reshoring, whereby the freed resources are reallocated to attenuate the adverse reactions of host-country suppliers providing access to specialized capabilities, and avoid the loss of business opportunities and past relational investments made in existing relationships (Tähtinen & Vaaland, 2006).

5.3. Partial reshoring as nonlinear internationalization

From the findings, partial reshoring of outsourcing may be conceptualized as a phase in the firm's nonlinear internationalization, whereby commitment to host-country relationships is reconfigured rather than merely reduced. This offers a new view of the nonlinearity of internationalization. Extant research has challenged the idea of internationalization as a linear process from multiple angles (Lamb & Liesch, 2002), showing commitment decisions that are not path-dependent (Santangelo & Meyer, 2017) and discontinue the firm's expansion or presence in a host country (Dominguez & Mayrhofer, 2017; Vissak & Francioni, 2013). If the model corroborates the idea that the network position and relationship commitment decisions influence each other and do not necessarily increase (Liesch & Welch, 2024), it nonetheless brings a shift in the interpretation of their interplay.

The two variables are shown to influence each other, but they do so by mean of the contrasting impact of tangible and intangible relationship commitment on the firm's structural and relational embeddedness in the host-country network (Forsgren, 2016). Therefore, the nonlinearity resides in the concurrent changes affecting the nature of relationship commitment and the position in the host-country network, rather than simply in their overall increase or decrease. This moves the discussion on the nonlinearity of internationalization beyond the traditional alternative of stable, increased or decreased relationship commitment of previous research (e.g., Clarke & Liesch, 2017; Liesch & Welch, 2024; Vissak & Francioni, 2013), and highlights the importance of changes in the nature of the firm's relationship commitment.

Although it is difficult to evaluate whether the greater relational depth ultimately outweighs the challenges stemming from relying on fewer relationships in the host-country, the findings display that the reduction of certain aspects of relationship commitment may be paralleled by the expansion of others. To fully grasp the evolution generated by commitment decisions in the internationalization process, it is thereby necessary to unpack what those commitment decisions actually entail and the idiosyncratic changes they trigger, which extant research has addressed very limitedly (e.g., Figueira-de-Lemos & Hadjikhani, 2014; Hadjikhani, 1997).

5.4. Partial reshoring of outsourcing

This study is the first to specifically focus on the process of partial reshoring of outsourcing and its impact on the host-country network. Previous research displayed the important role of suppliers taking on the activities relocated to the home country (Baraldi et al., 2024), and that a foreign supplier whose business is reduced may terminate its relationship with the reshoring firm (Baraldi et al., 2018). Going beyond that, this study uncovers the deep evolution generated by partial reshoring in the host-country network and its effects on the reshoring firm.

The partial reshoring of outsourcing generated new coordination needs between the firm and its host-country suppliers, due to the further fine-slicing of the activities between Chinese and Italian suppliers. These require now an increasing inter-firm resource combination and growing

coordination efforts (Håkansson & Snehota, 1995), which may configure an additional cost of partial reshoring. Nevertheless, those efforts and the growing collaboration may result instrumental also to maintain or even further develop the relationship commitment between parties.

The findings also uncover some of the advantages and risks of partial reshoring of outsourcing. The advantages may be those typical of deeper relationships, as a facilitated knowledge exchange and opportunity creation with suppliers (Andersson et al., 2005; Uzzi & Lancaster, 2003), greater trust (Morgan & Hunt, 1994), and motivation to further develop the relationship (Moran, 2005). At the same time, partial reshoring may expose firms to the risks of relying on a restricted number of relationships, such as access to less diverse knowledge and opportunities (Forsgren, 2016), the potential overreliance on a limited number of relationships (Nell & Andersson, 2012), or the loss of bargaining power with suppliers that become increasingly unique and difficult to replace (Tähtinen & Vaaland, 2006).

Furthermore, the findings display that the firm might have considered full reshoring, had it been able to fully relocate to its home country. Yet, the lack of essential capabilities in the home country, which may be one of the major factors discouraging reshoring (Witt et al., 2023), made the relationships with Chinese suppliers indispensable. Although it is only possible to speculate on the longer-term trajectory of these relationships, the lack of specialized capabilities in Alpha's home country and region (i.e., Europe) makes full reshoring unfeasible, and those relationships essential also in the near future. In this regard, public incentives may help revive capabilities of firms in developed countries (Pegoraro et al., 2022). However, only significant long-term investments may enable those firms to alleviate their dependence on suppliers with specialized capabilities and in strategic sectors (e.g., electronics, pharmaceutical), to reduce the significant bargaining power of those suppliers, and to fully disengage from specific foreign countries (e.g., China).

All in all, this study shows the value of adopting a network perspective to illuminate the reshoring process. This is done by providing new evidence of a specific type of reshoring process, that of partial reshoring of outsourcing; by showing that it may trigger a decrease in tangible commitment that does not necessarily imply a lower dependence nor collaboration with foreign suppliers, but rather leads to a greater relational depth; and by highlighting partial reshoring as a specific reshoring process that firms may undertake when faced with the impossibility of fulfilling full reshoring.

5.5. Partial reshoring and disruptions in the global economy

Existing research has explored how disruptive developments in the global economy, such as the outbreak of the pandemic (Barbieri et al., 2020) and a deteriorating geopolitical landscape (Tung et al., 2023; Witt et al., 2023), may encourage reshoring. In relation to this, the present study underscores the role that partial reshoring may play in enhancing a firm's resilience and mitigating the risk of supply chain disruptions. The findings illuminate how similar disruptions may affect a firm that proactively (i.e., before the disruptive events) engaged in reshoring. Specifically, Alpha's decision to relocate most of its outsourced activities before the pandemic and geopolitical tensions ensured greater control over its supply chain, enabling it to outperform competitors during the global logistics crisis. Thus, the study corroborates that a proactive reshoring strategy, i.e., deployed before a disruptive event, may strengthen a firm's resilience to external shocks and support a de-risking strategy (Tung et al., 2023).

However, the findings also reveal that the resilience achieved through reshoring comes with an essential trade-off. While partial reshoring provided Alpha with greater control and reduced its risk exposure from over-reliance on Chinese outsourcing, it also introduced inefficiencies under stable conditions. This highlights the need for firms to balance efficiency and resilience when structuring their international activities, and that, although this trade-off is not new to location

decisions (Pisano & Shih, 2012), the current turbulent global economy may place increasing importance on resilience.

Last but not least, the findings highlight that retaining activities in China entails a continued vulnerability to geopolitical risks. A partial relocation may indeed reduce the risk of disruptions caused by geopolitical tensions or unforeseen events as the pandemic, but it does not fully eliminate such risks. Yet, partial reshoring may balance the opportunities and challenges of reshoring and retention, positioning firms more favorably to handle potential disruptions. In this regard, the findings indicate that a partial relocation may introduce additional coordination costs, but the fine-slicing of activities between host and home countries may allow firms to reduce their dependence on specific locations (e.g., China) while addressing the limitations in their ability to fully reshore (Witt et al., 2023). A selective and dual approach may in fact mitigate the cost implications of full reshoring and ensure sustained access to critical capabilities. Furthermore, partial reshoring may reduce the risk exposure by laying the foundations for future relocations or full reshoring, which may leverage the resources and capabilities already developed in the home country (Nujen et al., 2018).

5.6. Boundary conditions

The findings of this study are not aimed at statistical generalization, that is validity across all firms engaging in partial reshoring of outsourcing. Rather, they aim at analytical generalization (Welch et al., 2022) and specifically at explaining how the firm's relationship commitment and network position may evolve in a specific context (Ibid.). In particular, the high concentration of manufacturing activities in a single location, the dependency on local specialized suppliers, and the specificities of the business environment in China and Italy are all part of the explanation of the network dynamics generated by the partial reshoring of outsourcing. In this sense, the study sets a stepping stone highlighting how a relationship commitment decision (i.e., partial reshoring of outsourcing) may influence the firm's network position in the host country. Future scholarly work may thus build on this to further untangle these dynamics across different contexts, such as industries with similar and different characteristics, global value chains that are not based on turn-key suppliers (Gereffi et al., 2005) and located in regions with a different local environment (e.g., the US and/or Northern Europe), but also other relationship commitment decisions (e.g., divestment, market exit, sudden increased investment, etc.).

6. Concluding remarks

6.1. Managerial implications

Although grounded in theoretical reasoning, the study has valuable managerial implications. First, it emphasizes the need for managers to carefully consider the collaboration required with foreign suppliers when reshoring outsourced activities. While efforts may often focus on developing relationships with domestic suppliers taking over the reshored tasks (Baraldi et al., 2024), managers must also prioritize and commit resources to sustaining key foreign supplier relationships that cannot be easily replaced.

The study also highlights specific network challenges, such as the dissolution of business relationships and the risk of former suppliers partnering with competitors or becoming competitors themselves. Managers should thus assess the value of each business relationship potentially impacted by reshoring, anticipate supplier reactions, and focus their efforts on preserving the most critical ones.

Additionally, the findings underscore the need for a deliberate network strategy when engaging in partial reshoring, rather than merely reacting to suppliers' decisions. For Alpha, strategically rationalizing its network was essential to maintain its position in the host-country network. By redistributing volumes and fostering deeper relationships with fewer suppliers, the company mitigated the risks associated with a

reduced supplier base. However, managers should be aware that while deeper relationships may offer a number of benefits, they may also make the firm over-dependent on a limited number of partners.

Moreover, managers may consider partial reshoring as a relocation strategy to rebalance the need for resilience and efficiency. Whereas it may generate higher coordination costs, partial reshoring may allow firms to diversify their operational footprint and reduce over-reliance on specific locations, such as China, without fully disengaging from such critical market. This approach may not only mitigate vulnerabilities to disruptions, but also help maintain access to specialized capabilities not readily available in the home country. Managers may therefore view partial reshoring as a flexible solution, which enables gradual adaptation to evolving global conditions and offers the potential to scale relocations over time.

6.2. Policy implications

The findings may provide insights on reshoring policies in both developed and emerging economies. They highlight that suppliers in emerging markets often possess specialized capabilities that cannot be easily replaced by domestic suppliers in developed countries. Thus, policy efforts in developed economies should prioritize investments in developing these capabilities rather than relying solely on subsidies or tax incentives. Although these latter may still be effective in encouraging partial reshoring in sectors with existing domestic capabilities and where the policy goal is to boost local employment, incentives to develop capabilities may be essential for sectors vulnerable to disruptions from geopolitical tensions and of national strategic importance (Witt et al., 2023).

For policymakers in emerging economies, the deployment of incentives to develop or enhance specialized capabilities may be a valuable strategy to discourage reshoring by foreign firms and strengthen local actors' bargaining power. This approach may indeed reduce the losses produced by reshoring decisions and increase foreign firms' dependence on local suppliers, enhancing this way the competitiveness of domestic industries (Gereffi, 2019).

6.3. Limitations and future research

A noteworthy limitation of this study is that it was conducted from the perspective of the reshoring firm. This was motivated by the intention of being close to key informants and fully grasp their experience of the phenomenon, involving people with different roles in the firm and located both in the home and host country. Although the findings were cross-referenced with data from an Italian and a Chinese supplier, they are nonetheless built from the perspective of the reshoring firm. Therefore, future studies may concentrate on better capturing the impact of reshoring outsourcing also from the perspective of suppliers in the host country.

Future research may additionally address the network changes brought by reshoring in the home country. These latter were overlooked in the current study, to fully untangle the changes occurring in the host country. Yet, reshoring may lead to substantial changes also in domestic relationships, which may be connected to the evolution of the business network in the host country and need to be accounted for a broader understanding of the network dynamics of reshoring.

Finally, future studies may focus on specific aspects of business relationships that are affected by reshoring. For instance, Fjellström et al. (2023) displayed knowledge transfer to be an important factor when reshoring in-house, and the reconfiguration of Alpha's network seems to indicate a change in the knowledge dynamics between the firm and its suppliers. As this was largely beyond the scope of the present study, future work may be directed specifically to unpacking those knowledge dynamics.

Declaration of Interest

None

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Appendix A. Additional data on relationship commitment decisions

Theoretical concept	Thematic code	Representative data
Tangible commitment	Reduced economic value exchanged	<p>What has changed is that while before for several suppliers we represented 5–10 % of their production capacity, now we generally account for about half of it, in most cases between 2.5 % and 5 % (R11)</p> <p>Sourcing more and more components rather than finished products, those that were our two main Chinese suppliers have seen the business with us reducing from about 10–12\$ million to 2–4\$ million (R2)</p> <p>We were sourcing the finished product in its entirety from a Chinese supplier, already assembled and packaged, but now we have re-conceptualized it in order to have all electronic components in its mane, a small module, and we source only that latter from China, producing the rest of the horse in Italy. [...] Sourcing the mane still there [China], now we have to make sure it fits the rest of the product and it works together with the rest (R6)</p>
	Reconfiguration of activities	<p>For these [reshored] products, now, we [in Italy] have much more to do for their fine-tuning, which was before all conducted by the Chinese suppliers, with the Chinese [Hong Kong] office that is often responsible for this, as we send them the parts produced in Italy to be combined and fine-tuned there with the Chinese components. [...] What we source has dramatically decreased but we still have a lot of components bought there (R2)</p> <p>[With reshoring] the integration of the various components was key, so that we would have to collaborate closely with the designer of the electronic module, as well as with the mechanical engineer that further develops the design and the molds here (R10)</p>
Intangible commitment	Increasing level of collaboration	<p>With that re-design [of a table toy], we had to go to the Chinese supplier and collaborate to make sure that their module could match the rest of the manufacturing activities conducted here [in Italy], in terms of molding and assembly, repositioning the trimmers, cables, and buttons that were previously done in a completely different way (R7)</p> <p>The Chinese suppliers are more or less the same as before relocating production back. If I had moved the production of certain types of products from China to Vietnam, then yes, we wouldn't have needed them [Chinese suppliers] anymore. But what we have done is very different, because we relocated the production only of some components (R2)</p>
	Stable level of dependence	<p>What we do here [China] is different but not less important, as more or less we have the same resources and people but there is a different way of working with our suppliers. [...] We have tested alternatives to the Chinese market, but all the trials have not been successful (R11)</p>

Appendix B. Additional data on network position

Theoretical concept	Thematic code	Representative data
Structural embeddedness	Dissolution of business relationships	<p>Losing suppliers was a problem not only because they had very important skills, but also because often these contracts do not include exclusivity clauses, although informally there is something like that. However, as soon as we have decreased the volumes ordered, one supplier established a contract with this large Italian competitor. We didn't expect it to happen that quickly, but it did (R1)</p> <p>The relationship with this supplier has progressively reduced, up to the point it was terminated. This was a result of the decreasing volumes, which has probably also led this actor to focus on other business areas and do something different from what they were doing for us (R11)</p>
	Rationalization of foreign network	<p>We have redistributed the work on more actors, as before 2 or 3 of them were covering more than 50 % of the total value sourced, while now that is distributed on at least 5 of them, or probably 10. We realized we couldn't source more than 10\$ million from 2 or 3 actors and 200\$ thousand from the other 50, as we had to start counting for someone other than the big ones (R2)</p> <p>We have done a progressive rationalization and concentration of sourcing on more actors. Now there isn't an enormous gap between the top 10 suppliers, but we have also cut 20 of them that were redundant or became irrelevant (R9)</p>
Relational embeddedness	Greater interfirm integration	<p>We had much more detailed and in-depth discussions between parties, because whoever made the mold in Italy and the electronic part and a small part of the mold in China, which had to match, had to cooperate much more, with a closer cooperation. To do this, we also involved an Italian external mold supplier. We got to the point of making the Italian supplier come here to Hong Kong to work together with the Chinese suppliers in our offices (R11)</p> <p>We had to manage a three-way interaction, where we were connecting for the first time the Italian mold supplier and the Chinese supplier of the mane, as the molds had to integrate perfectly. Then the Italian supplier had support from three or four subcontractors, and the Chinese from a similar number (R7)</p>
	Greater technical integration	<p>The change of skin consisted of getting into the technical details of our products. What we do with them [Chinese suppliers] has changed completely, as now we speak of co-design, when we develop the CAD. We send them, from here [Italy] the 3D drawings of the parts we produce here and where the electronic module should be snapped, so that they can develop that accordingly and we can also check their progress and align (R7)</p> <p>Solidworks is used by my colleagues to develop the engineering of a product, and we can see simultaneously what the supplier is doing and working on, to sometimes even work together on the same aspects of the product, mainly with local suppliers but sometimes also with Chinese ones (R5)</p> <p>[Chinese] suppliers already knew who we are, that we have a great constant cash flow, and that we are not among those disappearing after ordering. But working more with us, they understood we can be tough but also take responsibility for our part, and if something that we are responsible for doesn't work out we deal with it ourselves (R11)</p>
	Greater trust	<p>What this process has changed is a lot the trust and relationship that we have with some of our suppliers, as they have to plan and dedicate resources working and collaborating only for us, with our product technicians that interact with them very frequently (R8)</p>

Data availability

The data that has been used is confidential.

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