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"Reshoring, the strategy of return: fifteen Italian companies in the manufacturing sector"

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INTRODUCTION

The last few decades have witnessed a change of course regarding the off-shoring of enterprises. Until twenty years ago, in fact, multinational companies carried out a lot of off-shoring of their production. These activities were mainly demoralized to countries such as China, Romania, Bangladesh, etc., as companies were attracted by the far lower labor costs compared to European and U.S. countries.

Firms that had previously relocated have found in recent years that the gap between labor costs in European and U.S. countries and labor costs in Asian and Eastern countries has narrowed greatly, making it less convenient for them to keep their manufacturing operations in low labor cost countries. Labor cost is also not the only factor to be considered when a company relocates its production activities to a geographical area far away from its home country, however, it will have to consider the costs of transporting goods produced in the foreign country, coordination costs, complex supply chain and especially labor productivity. Since labor cost is not to be considered as the only driver for off-shoring, it will be necessary to take into consideration the productivity of the workforce since if the labor cost is low, but also the productivity of employees in a given country is very low compared to that of the company's home country, it will not be convenient for the company to relocate its production activity to that country.

In recent decades, many enterprises, in order to avoid incurring the costs discussed above, have decided to engage in an activity opposite to off-shoring, which is called re-shoring. Re-shoring can be defined as the opposite activity to off-shoring, in that, instead of demoralizing their activities abroad, companies decide to implement a strategy whereby they return their productive activities (previously demoralized in a foreign country) to their home country or to a country neighboring it. The purpose of the thesis work is to analyze the change that has been occurring in recent years and to understand the motivations and drivers that drive companies to engage in re-shoring activities. The paper also has as its own purpose the study of the re-shoring phenomenon in Italy from 2014 to the present to understand its size and type. A further objective is to understand whether the re-shoring phenomenon is transient or whether it is due to an evolution of the global political-economic environment following the Covid-19 pandemic. The thesis work is divided into three chapters and within the first part of the paper the phenomenon of re-shoring is defined, the differences presented with off-sharing and the different types and drivers that drive companies to apply this strategy are analyzed. The second chapter, on the other hand, analyzes re-shoring in Europe and Italy and the impacts on the global value chain due to COVID-19. The third chapter focuses on the analysis carried out, in an experimental way, on the phenomenon of re-shoring in Italy in the manufacturing sector, with particular attention to companies operating in the food,

fashion and furniture sectors. I examined a sample of 15 Italian companies, which implemented the re-shoring strategy, with the goal of understanding the reasons behind the decisions of some companies to complete or not this process.

1. *RE-SHORING THE STRATEGY OF RETURN*

1.1 What it is re-shoring and how it came about?

The phenomenon of re-shoring, especially in recent years has grown exponentially, thus going on to transform what are the global production dynamics. Re-shoring is not given a single definition, but there are multiple ones. In fact, numerous scholars have studied the phenomenon, each giving their own interpretation, demonstrating the complex and multifaceted nature of re-shoring. The first definition was given by Holz (2009, p. 156), who defines the *back-shoring: "the geographic relocation of a functional, value creating operation from a location abroad back to the domestic country of the company".* This explanation encapsulates the core of *back-shoring*, highlighting both the geographic dimension and the value creation that is associated with it. Through this definition, Holz wants to emphasize the importance of back-shoring as a separate phenomenon within a broad scenario to which all business operations refer. Additionally, one perspective is offered by Ellram (2013), who succinctly defined re-shoring as the process of *"moving manufacturing back to the country of [the firm's] parent company".* (Fratocchi *et al*., 2015). This definition, unlike the previous one, focuses on the strategic aspect of relocating various production activities from foreign to domestic locations of the firm, so it tends to emphasize the geographic aspect.
Another definition attributed to re-shoring is the transfer of value-creating activities from off-shore locations to geographically closer locations, such as domestic or nearshore, this one is based on three premises (Foerstl *et al.*, 2016, p. 495):

- *"it is the reverse decision of a previous decision to off-shore*;
- *it can refer to all or only a part of a previously offshored activities*;
- *it is irrespective of the ownership more in the offshore country".*

Gylling et al. (2015) proposed a definition of re-shoring that focuses on returning goods and functions to the company's home country (Wiesmann et al. 2016). This definition emphasizes the importance of bringing jobs and production back to the country of origin. Different definitions of re-shoring aim to provide an explanation of what it entails. Of these, the definition provided by Foerstl et al. (2016) stands out as the most comprehensive, as it includes various approaches that companies can take to implement re-shoring. However, to fully understand this phenomenon before it is necessary to explain in details the phenomenon of off-shoring, which will be discussed in the next paragraph.

There have been technological breakthroughs and different legal changes during the 1990s, when globalization became increasingly prevalent. Many businesses, notably industrial firms, have begun to use off- shore as a competitive advantage strategy. This enabled them to enter new markets while lowering prices. Manufacturing enterprises began offshoring in reaction to growing competition, with the objective of lowering costs by shifting certain company operations from the home country to overseas. *"Off-shoring has emerged as one of the most widespread strategies implemented by Western manufacturing companies in order to maintain or to foster their competitive advantage"* (Di Mauro *et al.,* 2017, p. 108).

1.1.1 ***Differences between off-shoring and FDI***

In explaining off-shoring, Hummels (*et al.*, 2018, p. 983) state that off-shoring: *"is then the process of changing the geographic assignment of the mix of tasks needed to produce a singles final good or service"*, meaning that some activities to get the final service or good decide to move to other countries, some operations that are critical to the production of a good or service, different from the country of origin. Precedently, some steps, for example, design, production, and assembly of various components, were handled directly within the company's own country of origin. Therefore, however, when a company decides to apply the strategy of off-shoring, it decides to assign the production to a foreign site and the assembly, also, could be conducted at a different location, and then arrive at the final good or service.

Following the definition provided by Wiesmann (*et al*., 2016, p.6) off-shoring is *"the performance task in a country, different from where the company's headquarters are located"*. The term "task" includes activities such as manufacturing and assembly or production. These interpretations by Hummels et al. (2018) and Wiesmann *et al.* (2016) enable us to focus the discussion, on the aspect of off-shoring, which involves moving operations from the home country to another location, and thus concerns a more geographic aspect. According to Mihalache & Mihalache (2019), the phenomena of off-shoring is defined as a geographic relocation of some components of the value chain. Off-shoring, in their opinion, entails the relocation of some value chain operations to a nation other than the firm's home country for a variety of reasons. The ultimate choice to relocate some value chain requires a thorough examination of all components of various places, which may include the viability of both the infrastructural level and the social and cultural ramifications. When the choice must be made whether to offshore or not, managerial, and organizational levels play a key role, as decisions must be made that will have a direct bearing on the overall perception of In order to best explain the process of internationalization, British economist John Dunning developed the eclectic paradigm, a concept that falls within the domain of decision making. Its purpose is to

offer an understanding of why firms choose to go global and the strategies they employ to do so. Initially, Dunning formulated this paradigm to provide a perspective on how firms structure themselves around the world, by considering factors such as foreign direct investment (FDI). The aim was to investigate the numerous reasons that motivate a corporation to invest directly in commercial activities in a country, other than its own. This might include establishing industrial facilities, purchasing land and equipment, or even obtaining a majority position in the activities of a foreign corporation. However, Dunning's eclectic paradigm is important for more than only understanding FDI. It has also been beneficial in comprehending a firm's worldwide reconfiguration, i.e., in describing the phenomena of re-shoring (Fratocchi *et al*., 2015).

Thus, while FDI focuses on direct investment and the creation or acquisition of assets in a foreign country, off-shoring concerns the relocation of production processes or services to other nations, regardless of the presence of a physical investment. Both practices are manifestations of globalization, but with distinct mechanisms and impacts on global economies. The eclectic paradigm, proposed by John H. Dunning, is a theoretical framework that describes the elements influencing multinational corporations' global development, size, and overseas production capacities. This paradigm explains how the interaction of three interrelated characteristics determines these enterprises' worldwide reach: ownership advantage, location advantage, and internalization advantage. The acronym derived from the initial letters of the three variables, forms the name of Dunning's theory, commonly known as the “OLI paradigm”.

Dunning starts from the assumption that a company that decides to operate in a foreign market, will have additional costs to deal with compared to a local company, mainly due to: differences in language, culture, unfamiliar institutional and legal conditions, or even less knowledge of local market conditions, but above all due to the costs of operating remotely.
According with Dunning (2000: 163), ownership advantages is the first sub-paradigm: *“The First is the competitive advantages of the enterprises seeking to engage in FDI, specific to the ownership of the investing enterprises, i.e. their ownership (O) specific advantages.”*
Ownership advantages (O) can be: the use of patents and trademarks or even the ability to be able to control certain production factors. In addition, *ownership advantages* may include brand rights, copyright, trademark, patent, or the use and management of skills that are present internally within the company (Kamiltaylan, 2015).
Dunning argues that if companies operate abroad anyway, they must enjoy some kind of exclusive advantage over local competitors, that allows them to offset these additional costs. These advantages must therefore be specific to the company and easily transferable to its production units abroad. Dunning classifies these types of advantages into two categories:

- *Asset advantages*: those generated by the exclusive enjoyment by the enterprise of specific conditions (tangible or intangible), also resulting from the exclusive property rights the enterprise has over certain information and technologies. More specifically, advantages deriving from: the intensity of the R&D activity carried out by the company, and therefore the possibility of introducing product and process innovations; the company's financial capacity, measured through its size and position on the market; the experience and experience of the company in the field of research and development; the financial capacity of the company, measured by its size and position on the market; the international experience previously accumulated by the company; the know-how in the broad sense acquired by the company's human capital;
- *Transactional advantages:* arising from the international coordination of different activities by the firm. Included in this sub-category are advantages arising from the parent firm's position as an already present and established firm in the market (e.g., monopolistic or oligopolistic advantages, ability to exploit economies of scale, privileged access to factors of production) or the very condition of operating as an international agent, e.g., more market information, arbitrage opportunities to reduce exchange rate risks associated with working with multiple currencies.

The second sub-paradigm is location advantages: *"The second is the locational attractions (L) of alternative countries or regions, for undertaking the value-adding activities of MNEs"* (Dunning, 2000: 164). Location advantages (L) refer to the conditions in the foreign country where the company decides to invest. They can relate to inputs (low input cost, technological capacity, etc.) or outputs (particularly favorable market conditions, etc.). This category of advantages in turn can be divided into three other subcategories which include: economic, socio-cultural, or political advantages. Economic benefits arise from the fact that a business that invests in different geographic areas can reap considerable cost benefits. In addition, there are other economic advantages that push a company to invest abroad are: concessions, which can be, tax or otherwise, which are offered by the host country to attract FDI. The wage level, in the country where a company plans to invest plays a role in the decision-making process, for companies. Alongside labor expenses important economic considerations include market opportunities, tax incentives provided by the host nation and the infrastructures transportation and communication capabilities. The second subcategory is socio-cultural advantages, which arise when three conditions are present:

- broad cultural similarities, i.e. linguistic proximity and customs and habits;
- the same market propensity between the parent company and the FDI-receiving country;

- the positive attitude of the FDI-receiving country towards foreign businesses.

Finally, the third sub-category concerns the political sphere, thus the control of the political stability of the FDI recipient country, as in case there isn't there would be a reduction of such investment flows, but especially the legislative norms that favor foreign relations. In fact, if there are ownership-specific and internalization-specific but not location-specific advantages, the firm will operate with foreign countries through normal import-export transactions, without deciding to have direct control over foreign production units. The final element Dunning scrutinizes in his eclectic paradigm is the factor of internalization, defined as: *"The internalization factor (I) of the OLI paradigm elucidates the firm's inclination to absorb structural or endemic cross-border anomalies in the intermediate goods market"* (Dunning and Lundan, 2008, p. 587) Dunning states, using the eclectic paradigm element about internalization, that multinational businesses get an advantage in internalizing a particular transaction only if market imperfections exist. These imperfections make it more convenient for the company to internalize transactions than to pass them through the market. According to Dunning multinational companies can gain advantages by handling transactions when there are imperfections, in the market. These imperfections create a situation where it is economically beneficial for the company to handle transactions internally, than relying on external market forces. An example of this is when a company faces a decision between make or buy something they must consider factors. One of the factors to consider is transaction costs. If it is difficult to find a supplier in a country then transaction costs will be higher. It would not be worthwhile to buy from them. In cases it would be more advantageous for the company to handle production internally than investing directly in foreign markets. This helps reduce and internalize transaction costs. Market imperfections can be classified into two types; those that naturally occur within the market and those that arise from leveraging advantages. In the case market inefficiencies naturally emerge during transactions due, to the nature of exchanges themselves. These inefficiencies can stem from factors including exploiting advantages. However in the case where inefficiencies arise from advantages they mainly occur when a firm operates simultaneously in two different markets. Dunning's eclectic paradigm seeks to explain that if one decides to launch a foreign direct investment, all three of these benefits must be present in order for there to be a good return on the decision taken.

The economic factors that lead a business to invest abroad, according to Dunning, are of four types (Dunning, 1994):

1. *Low-cost-seeking* investments: made with the aim of transferring some value chain activities to geographic areas, where the cost of carrying them out is lower than in the home country, and where it is possible to use a larger amount of better quality production factors, but still at a lower cost. Moreover, the business can benefit from low-cost labor, especially in developing countries;
2. *Market-seeking* investments*:* made to enter high-growth markets and in which the internationalized business has the opportunity to exploit significant competitive advantages over local operators. This can be seen from the output side, as a drain factor (consumer propensity), as well as from the input side as a provider of productive factors. Moreover, businesses will prefer to invest in large markets, as the potential sales forecast will have more chances to cover fixed costs;
3. *Natural source-seeking* investments: useful for granting the business privileged access to crucial factors, for the production process that are not easily available in other markets, including the home one;
4. *Strategic asset-seeking* investments: aimed at obtaining strategic resources, such as knowledge in the field of R&D, or high-value-added activities in foreign markets.

1.1.2 ***Typologies and Models of Re-shoring***

Foerst *et al.*, (2016: 495) defined re-shoring, as *"the relocation of value creation tasks from offshore locations to geographically closer locations such as domestic or nearshore countries and based on the following premises*". From a geographical point of view, this concept can be further broken down into backshoring or back- reshoring, i.e., the relocation back to the home country of the firm, and nearshoring or near-re- shoring, i.e., the relocation to a location closer to (but not within) the home country. (Di Mauro *et al.*, 2017). A company, which is thus intent on internationalizing its production, will have to build its strategy by figuring out how to enter a foreign market, where to locate plants and design sourcing. On these decisions will depend on whether the strategy adopted will be near-shoring, if production is moved to a country not very distant from the home country (e.g., from France to Romania), or off-shoring, if the destination country is even more distant (e.g., from France to China).

In a second moment, when the company decides to change strategy again and relocate the activities of the value chain, we will have three different scenarios based on the localization it will have:

- "reshoring" (or "back-reshoring"): the production of a previously delocalized company, regardless of the geographical distance from the parent company, is reported in the country of origin (eg from China / Serbia to France);
- "near-reshoring": the re-location in this case takes place in favor of a country located in the same continental region as the parent company (e.g. from China to Serbia);
- "further offshoring": the management deems it appropriate to transfer production from the initially selected country to another still geographically more distant (e.g. from Poland to China);

To date, the most common form of re-localization is that of re-shoring (or back-shoring), as we will see in the next chapters. Understanding the several shapes that the phenomenon might take, dependent on the activities of the business and the entrepreneur is critical for a more accurate explanation of reshoring.

Gray (Gray *et al.,* 2013, p. 28) divided re-shoring into four different categories*:*

1. *"In-house re-shoring: in which a firm fulfills demand in its local market by relocating manufacturing activities being performed in wholly owned offshore facilities back to wholly owned US-based facilities;*
2. *Re-shoring for outsourcing: in which a firm fulfills demand in its local market by relocating manufacturing activities being performed in wholly owned offshore facilities back to US-based suppliers;*
3. *Re-shoring for insourcing: in which a firm fulfills demand in its local market by relocating manufacturing activities being performed by offshore suppliers back to wholly owned US-based facilities;*
4. *Outsourced re-shoring: in which a firm fulfills demand in its local market by relocating manufacturing activities being performed by offshore suppliers back to US-based suppliers".*

Figure 1:Re-shoring models

		To: Onshore	
		IN-HOUSE	OUTSOURCED
From: Offshore	IN-HOUSE	In-House Reshoring	Reshoring for Outsourcing
	OUTSOURCED	Reshoring for Insourcing	Outsourced Reshoring

Source: Gray et al., 2013.

Each model differs fundamentally based on the subject managing the production "ante" and "post" the re-localization. From the categories stated above, resulting from various sourcing permutations, four distinct reshoring types can be identified. Building on these studies, Gray (*et al.* 2013) propose a matrix, for representing the models (see: Figure 1). They are categorized based on two variables:

- "Offshore situation" (the sourcing setup before reshoring);
- "Onshore solution" (the sourcing arrangement after reshoring)

In either case, the organization might employ two forms of governance that were previously analyzed - insourcing (internal production management) and outsourcing (delegation of production to an external party).

Gray (*et al*., 2013) offers additional research concentrating on the original firm scenario, in addition to this matrix, which reveals how re-shoring involves a number of management options. Therefore, the final in-house/outsourcing decisions will be the outcome of a more comprehensive and deliberate process, which is divided into three stages:

1. the first period, that is "domestic" situation;
2. the second phase "off-shore" situation;
3. the last one "onshore" solution.

Following this perspective, there will thus be a combination of the various re-shoring paths related to the production management choice and geographical location.

The following figure (see: Figure 2), a detailed analysis can be obtained by considering not only the forms of production governance adopted before and after the reshoring choices, but also by examining the original business situation. The final productive internalization/externalization

decisions, at this point, will be the result of a longer and more rational path, whose main moments therefore are:

1. before the relocation ("domestic situation");
2. following the relocation ("offshore situation");
3. after the re-location ("onshore solution").

According to this key, therefore, which also considers the starting point of the enterprise, there will be eight paths of reshoring associated with the production management model adopted - in-house/outsourcing - and the geographical location of production units - onshore/offshore.

Figure 2: Pathways of re-shoring according to the production management model and its location

	BEFORE OFFSHORING *(from: domestic)*	⇨	AFTER OFFSHORING *(from: offshore)*	⇨	AFTER RESHORING *(from: onshore)*
1.	Domestic In-house	⇨	Offshore In-house	⇨	Domestic In-house
2.	Domestic In-house	⇨	Offshore In-house	⇨	Domestic Outsource
3.	Domestic In-house	⇨	Offshore Outsource	⇨	Domestic In-house
4.	Domestic In-house	⇨	Offshore Outsource	⇨	Domestic Outsource
5.	Domestic Outsource	⇨	Offshore In-house	⇨	Domestic In-house
6.	Domestic Outsource	⇨	Offshore In-house	⇨	Domestic Outsource
7.	Domestic Outsource	⇨	Offshore Outsource	⇨	Domestic In-house
8.	Domestic Outsource	⇨	Offshore Outsource	⇨	Domestic Outsource

Source: based on Gray et al., 2013

Taking in consideration the Figure 2, we can see that the management model (*in-house/ outsourcing*), in decision paths 1 and 8 remains the same, in all three phases, despite the various changes of location. Another situation that can be created is when one is in the *onshore* solution, as in paths 3 and 6, one returns to the original situation, in this case the management model (*in-house/ outsourcing*) has only changed in the *offshore* phase.

In this instance, relocation is motivated not only by the pursuit of *off-shoring* benefits but elements innate in the company's internal organization regarding insourcing and outsourcing initiatives. A yet further scenario can be created viz. the one of points 2 and 7 wherein in the *domestic* to *offshore* phase, the situation is static but changes in the *re-shoring* phase. In the case of reverting to an *in-house* management model, it would probably be dictated by the fact, that greater control and

reliability is desired. The last situation that can be created is that which belongs to scenario 4 and 5, in which the management model changes in the *offshore* situation, and even when the company is relocated, *onshore*, it remains unchanged. Evidently, the decision to relocate is motivated by internal organizational reasons that are, however, addressed *offshore* through the change of production *in-house/outsourcing* choices. In contrast, the *re-shoring* strategy is implemented to counter the disadvantages of cross-border productions.
The phenomenon of *re-shoring*, therefore, can manifest itself in different ways, due to the combination of many different variables, and shows how all variables must be considered before making such a choice.

1.2 Re-shoring's motivations

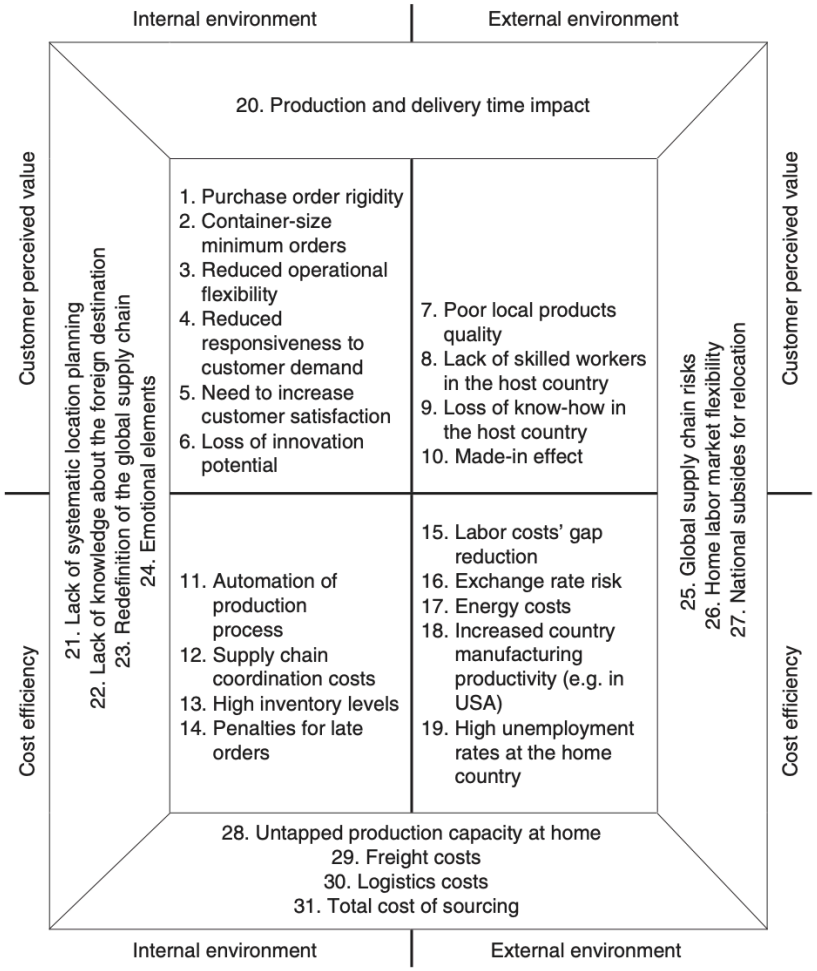
Re-shoring encompasses multiple fields and can be studied in different disciplines from economics to ethics. Since it is a very broad topic, it is important to investigate all its different parts with each of them incorporating distinct variables. Planning to implement such a strategy requires a deep look at all the factors involved, and all the variables require careful analysis of the decision to be made. Wages, the costs associated with labor and the challenges related to unemployment all play roles in determining whether re-shoring is an option. These factors don't impact business decisions. Also have implications, for governments and consumers. The consequences of relocating manufacturing operations are felt immediately on both ends of the spectrum. To fully grasp the extent of this situation it is important to consider perspectives that encompass concerns surrounding unemployment rates, worker exploitation and taxation systems. On a company level, it becomes crucial to assess how these factors influence production costs timeframes for bringing products to market compensation, structures, and organizational considerations. Lastly from a customer's standpoint it is essential to delve into matters such as the significance attached to products labeled as "made in", as concerns regarding product quality. Moving value chain activities (in this example, production) is a difficult choice, as it involves major changes in the economy of the company, altering its structure and disrupting the management of operations and business activities.
As analyzed above, the original purpose of off-shoring is to mitigate the complicated and high production costs involved in foreign countries, which had not been taken into account before off-shoring, but also political tensions, various security and supply problems. The main causes for which this strategy had been implemented lost strength over time. Thus, a situation of awareness is reached in which the very reasons, that had been the driving force behind this choice lose their value and drive the company back to its *home-country*. It is therefore necessary to analyze what motivates and *drivers* companies to *re-shoring.*

Re-shoring processes can be evaluated from two main perspectives (Fratocchi *et al.,* 2015):

- the *objectives;*
- the *level of analysis*.

These two variables are analyzed in Figure 3, in which we find the 'objectives' on the y-axis and the 'level of analysis' on the x-axis.

Figure 3: Motivations for re-shoring strategies



Source: Fratocchi et al., 2015

The first variable, in turn, is subdivided into two other opposing categories:

- "customer-perceived value": this is considered as the degree of customer satisfaction with the finished product or service, based on the quality provided;
- "cost efficiency": this concerns the minimization of the costs of the factors involved, to make the activity as efficient as possible.

An example of “customer-perceived value” is the made-in effect, which is one of the main reasons for the consumer's perception of the brand, the company's image, and the quality of the product; elements of utmost importance in gaining a competitive advantage in the sector. For example, when a company moves production to a country such as China, the quality of the product will be lower, when it applies the re-shoring strategy, bringing production back to Italy. Consumers would certainly enjoy it if the same firm later opted to re-shore, equating the move with improved quality (Barbieri and Fratocchi, 2017).

The characteristics of "cost efficiency" intersect with the concept of off-shoring. Exporting production results in an extension of the "value chain", which obviously leads to complications on various fronts, including excessive distance that compromises the integrity of the "value chain" itself, increasing lead times, for example.

The primary reasons for a chain business's move are:

- The benefits of off-shoring are not sufficient to meet motivational goals: this is mainly due to management inattention, which can be rectified with a reverse strategy.
- The benefits, although adequately anticipated in presence, have diminished over time, undermining management's plan: this is the result of gradual evolution concerning the economic, political and social framework of the host country.

The main purpose of off-shoring development is to lower the company's costs by moving production activities to a less developed country where the cost of raw materials and labor is lower. Then management makes a comparison between the house-country and the host country, weighing pros and cons of various costs. All these costs we have analyzed go to form what is called "Total Cost of Ownership" (TCO).

TCO is the total cost of a manufacturing company located abroad. It is crucial to calculate this figure in a punctilious way in case of company relocation. Otherwise, there is a risk of relocating the company abroad and realizing only after a variety of time that the costs to be incurred exceeded the estimates made.

This highlights how "hidden costs" are crucial and not negligible.

In addition, two other elements that need to be taken into consideration are labor cost and productivity level, this applies to both off-shoring and re-shoring. No kind of advantage would be gained, when deciding to relocate a company to a foreign country, where the labor cost is low but the production level is lower.

The result of objectives is thus to strike a proper balance between "customer perceived value" and "cost efficiency". We can, therefore, say that these two factors are inversely proportional.

Turning, on the other hand, to the analysis of the second variable, Figure 3 places on the y-axis the "level of analysis", which in turn distinguishes into:

- Internal environment: concerns all those factors that have a direct influence on the enterprise. Reasons for re-shoring related to this first environment may include: the impact on the distinctiveness of the enterprise, considerations of finding the resources needed by the enterprise, or organizational problems that arise when an interconnection between the head-quarter and the host country is necessary;
- External environment: concerns all factors that have an influence on the entire industry in which the firm operates and that are generally outside its control. Reasons for re-shoring related to this second environment relate to the attractiveness of the home or host country and may include: changes in the cost of production or availability of inputs in the country; changes in institutional factors, such as laws and regulations, that may affect the firm's operations; or even changes in the country's strategic assets, such as infrastructure or availability of skilled labor.

Figure 3 clarifies the factors that cause a company to re-shore, clarifying what factors a company considers when approaching a re-shoring project.
Placing the variables on their respective Cartesian axes results in four different quadrants.
The first quadrant refers to the companies "internal environment", analyzing the backlash of a supply chain spread across multiple countries far apart. The separation of design and production, due to the geographical distance between countries, can lead to a decline in the company's ability to innovate. If a company decides to relocate its production activities without first doing thorough market research on the destination country, it may face problems such as longer transportation time and reduced operational flexibility. In addition, continuing the analysis of the first quadrant, the latter highlights the potential problems that can arise from the geographical distance between where the marketing function is carried out and where the production function is carried out instead. This distance can have several repercussions, such as delays in responding to customer needs.
Ultimately, the first quadrant illustrates the effects of an intricate and geographically extensive supply chain on a company's service size and innovation potential. It highlights the importance of strategic off-shoring. It also highlights the potential challenges in preserving innovation potential and immediate responses to customers when the design, manufacturing, marketing and production functions are geographically separated, especially if we refer you to a long and elaborate supply chain.

The second quadrant is the relationship between "internal environment" and "cost efficiency." This relationship, tends to outline the difficulties that can be created between supply chain, which is increasingly complex, and the costs efficiency that should be minimized. In such a situation, there are several difficulties that may arise, such as coordination between one location and another, as they are located far apart from each other. Coordination issues can relate to several areas, such as communication between one team and another, whether due to a language or cultural factor or even due to increased costs, for two teams working remotely on the same project. But costs can also increase due to inventory, since if a company decides to expand, it will place its warehouses in multiple geographic locations, and as a result the costs of maintaining that inventory will increase. The increase in warehouses can also create inconvenience on delivery logistics, if there is no efficient organization, lead time may increase, thus causing delay in delivery and also dissatisfaction from customers. The key component then in the second quadrant, is coordination, seen as a necessary element that one must have if a company decides to expand its supply chain.
The third quadrant of Figure 3 examines the external environment of organizations concerned with increasing customer value. In this section, we refer to firms who choose re-shoring because they are unable to achieve quality requirements in nations where manufacturing was previously transferred. There are also frequent issues in recruiting and selecting workers in these other nations due to considerable disparities in the country of origin.
As a result, the third quadrant comprises external environment that might have a detrimental impact on meeting required quality standards and creating value at a company's overseas sites. We are talking about things like low-quality local production, a scarcity of trained workers, and a lack of technology capabilities. Institutional facts, such as the weakness and shortcomings of the legal system in regulating intellectual property rights, are also highlighted. All this can imply the loss of know-how, further complicating the company's operations in these places. Ultimately, the third quadrant highlights everything that companies must necessarily go against when relocating their activities, specifying how important it is to consider both environments, internal and external, when choosing these strategies. Institutional facts, such as the legal system's weaknesses and deficiencies in governing intellectual property rights, are also underlined. All of this might result in the loss of know-how, affecting the company's operations in these locations even further. Finally, the third quadrant illustrates all that businesses must inevitably contend with when shifting their operations, emphasizing the need of considering both internal and external contexts when developing these plans.

Finally, the fourth quadrant relates the external environment to cost efficiency. The factors that lead to the application of the re-shoring strategy are examined, due to the changes that have occurred between the home country and the host country.

The narrowing of the labour cost gap between the two countries, the risk associated with exchange rate fluctuations, changes in energy costs, the unemployment rate in the company's home country or the increase in employee productivity in the country of origin can all trigger relocation. Of course, every situation has advantages and disadvantages. For example, if a company relocates to a country where labor costs are lower and the level of productivity is higher, then the strategy pursued will be beneficial. Another example is that of import and export, which is influenced by the exchange rates between the country of origin and the host country. If a US company decided to import from Italy, it would run the risk that the dollar would be depreciated, and consequently would not benefit at all. If, on the other hand, the import took place from the US company to an Italian one, it would be an advantageous choice. Other causes of re-shoring could stem from high energy costs in the countries that host the company's production activities. Alternatively, the holding may have to return production to the country of origin if the level of unemployment of skilled workers is high, in the home country compared to the host country. Ultimately, the fourth quadrant highlights how important it is, before off-shoring or re-shoring a part of the value chain, to observe how exchange rates or labor costs can vary from one country to another.

Moreover, to get an even broader view of what motivations lead to re-shoring, Wiesmann *et al.* (2016) provide a different perspective. According to their analysis depicted in Figure 4 there are five macro-areas that encompass driving forces.

Figure 4: Drivers and obstacles of re-shoring

Factors	Sources
Global competitive dynamics *Drivers*	
Changes in the global economy	Arlbjorn and Mikkelsen (2014), Canham and Hamilton (2013), Fratocchi *et al.* (2014), Kinkel (2012),Martinez-Mora and Merino (2014), Moutray and Swift (2013), Tate (2014), Tate *et al.* (2014)
Political risks	Ellram *et al.* (2013), Kinkel (2012), Tate *et al.* (2014)
Eroding comparative advantages (e.g. labor, taxes)	Arlbjorn and Mikkelsen (2014), Bailey and De Propris (2014), Canham and Hamilton (2013), Ellram *et al.* (2013), Fine (2013), Fratocchi *et al.* (2014),Gray *et al.* (2013), Kazmer (2014), Kinkel and Maloca (2009), Kinkel (2012, 2014), Martinez-Mora and Merino (2014),

	Moutray and Swift (2013), Pearce (2014), Tate (2014), Tate *et al.* (2014), Wu and Zhang (2014)
Insatbility in exchanges rates	Bailey and De Propris (2014), Ellram et al. (2013), Fine (2013), Tate et al. (2014)
Increase competition on resource	Ellram *et al.* (2013), Kinkel and Maloca (2009), Tate (2014), Tate *et al.* (2014)
Barriers	
Large economic differences	Bailey and De Propris (2014)
Insatibility in exchange rates	Ellram *et al*. (2013), Tate *et al.* (2014)
Large differences in resource availability	Bailey and De Propris (2014)
Host country *Drivers*	
Diminishing growth opportunities	Kinkel (2012)
Inadequate quality	Arlbjorn and Mikkelsen (2014), Bailey and De Propris (2014), Canham and Hamilton (2013), Fratocchi *et al.* (2014), Martinez-Mora and Merino (2014), Kinkel and Maloca (2009), Kinkel (2012, 2014), Kotlarsky and Bognar (2012), Tate *et al.* (2014)
Theft of intellectual property and weak patent enforcement	Ellram *et al.* (2013), Kazmer (2014), Pearce (2014), Tate (2014), Tate *et al.* (2014)
High employee turnover	Canham and Hamilton (2013), Kinkel (2012)
Lack of trust and commitment among staff suppliers	Fine (2013), Kinkel and Maloca (2009)
Risk of public relation disaster due to supplier malfeasance	Fine (2013), Tate *et al.* (2014)
Barriers	
Risk of losing access to market and foreign distribution channels	Ellram *et al*. (2013), Kinkel and Maloca (2009)
Risk of losing access to raw-materials and components that are only available in the host country	Ellram *et al*. (2013), Kinkel and Maloca (2009)
Risk of losing supplier knowledge	Ellram *et al.* (2013)
Home country *Drivers*	
Political incentives	Bailey and De Propris (2014), Ellram *et al.* (2013), Fratocchi et al. (2014), Kazmer (2014), Moutray and Swift (2013), Pearce (2014), Tate *et al.* (2014)
Promote community (domestic goodwill)	Canham and Hamilton (2013), Kazmer (2014)
Access to qualified personnel)	Canham and Hamilton (2013), Ellram *et al*. (2013), Kinkel and Maloca (2009), Kinkel (2012, 2014), Tate *et al.* (2014)
Increased degree of automation	Arlbjorn and Mikkelsen (2014), Bailey and De Propris (2014), Tate (2014)
Higher productivity and work morale among staff	Bailey and De Propris (2014), Moutray and Swift (2013), Pearce (2014), Tate et al. (2014)
Increased awarness of environmental impact	Ellram et al. (2013), Gray *et al.* (2013), Tate *et al.* (2014)
Increased focus on sustainability	Fine (2013), Tate (2014), Tate *et. al* (2014)

Strengthen brand through made in "XX"	Canham and Hamilton (2013), Pearce (2014)
Barriers	
Stricter environmental legislation	Ellram *et al.* (2013), Gray *et al.* (2013)
Lack or shortage of raw-material components	Canham and Hamilton (2013)
Lack or shortage of qualified staff	Bailey and De Propris (2014), Moutray and Swift (2013)
Lack of flexibility in the labor market	Canham and Hamilton (2013)
Supply chain *Drivers*	
Innovation, research and development suffers due to the distance to manufacturing	Arlbjorn and Mikkelsen (2014), Bailey and De Propris (2014), Kinkel and Maloca (2009), Pearce (2014), Tate(2014)
High coordination costs	Canham and Hamilton (2013), Kinkel and Maloca (2009), Kinkel (2012, 2014)
Risk of disruption	Bailey and De Propris (2014), Ellram et al. (2013), Fine (2013), Tate et al. (2014)
Importance of and issues with delivery performance (speed and dependability)	Arlbjorn and Mikkelsen (2014), Bailey and De Propris (2014), Canham and Hamilton (2013), Ellram *et al.* (2013), Fine (2013), Fratocchi *et al.* (2014), Kinkel and Maloca (2009), Kinkel (2012), Martinez-Mora and Merino (2014), Pearce (2014), Tate *et al*. (2014)
Difficulties to match production (supply) and consumption (demand) volumes	Martinez-Mora and Merino (2014)
Growing demand for and shortages of accesible transportation	Ellram et al. (2013), Tate *et al.* (2014)
Inability to provide services related to the product	Bailey and De Propris (2014)
Increased demands on customization	Pearce (2014)
Difficulties due to the physical and mental distance	Gray *et al.* (2013), Kinkel and Maloca (2009), Kinkel (2014), Tate (2014), Tate *et al*. (2014)
Firm-specific *Drivers*	
Wrong estimation of benefits and risks in the offshoring decision	Kinkel and Maloca (2009)
Lack of knowledge about the host country during the offshoring decision	Kinkel and Maloca (2009)
Overhasty osshoring decisions (bandwagon effect)	Gray *et al.* (2013), Kinkel and Maloca (2009)
Over-estimation of cost savings during the offshoring decision	Canham and Hamilton (2013)
Barriers	

Too late to go back	Canham and Hamilton (2013), Bailey and De Propris (2014)
Immature reshoring process	Arlbjorn and Mikkelsen (2014)
Lack of capacity, resources and internal competencies	Arlbjorn and Mikkelsen (2014), Bailey and De Propris (2014), Canham and Hamilton (2013)
Lack of proper decision support/ data	Arlbjorn and Mikkelsen (2014)
Lack of information and communication about reshoring within the business	Arlbjorn and Mikkelsen (2014)

Source: based on Wiesmann et al., 2016

The first area is related to "Global competitive dynamics". For instance, after the crisis of 2008 many businesses reevaluated their operations due to the economic instability it caused. This event served as a wakeup call for companies leading them to reconsider their reliance on markets and contemplate bringing back their operations (Ellram *et al.,* 2013). The second aspect within this category are “political risks”. These risks refer to events that can disrupt trade flows and negatively impact a company’s investments. The third aspect, in this category pertains to the “erosion of a company’s advantages”, which occurs when production is moved to countries for cost savings in terms of tax rates and labor expenses. Over time these advantages may. Need to be assessed alongside other cost saving strategies. For example the emergence of automation and artificial intelligence has diminished the significance of labor costs in industries thereby altering the analysis of offshoring benefits (Jonsson *et al.,* 2011).

“Exchange rate instability” is another factor influencing business re-shoring. Unfavorable shifts in exchange rates can swiftly nullify perceived advantages. For instance, following the Brexit referendum in 2016 there were fluctuations in exchange rates between the pound and other major currencies impacting companies with operations based in the UK (workinvoice, 2021).
Increased competition over production assets forms the element within this category. When a company relocates its production to a low-cost country and its competitors do likewise it can lead to a decline in that firms edge. Consequently, there may be an upsurge in labor costs within that country due, to heightened demand rendering it less economically viable for firms to continue their production activities there.
Consequently, companies might be compelled to relocate their production to low-cost countries that are closer, to their home base. This allows them to strike a balance between the advantages of labor and proximity to their customers and target market. The second major aspect, as shown in Figure 4

pertains to the country where companies decide to offshore so to the “Host country”. This area encompasses five factors that influence a company’s decision to bring back its operations domestically.

The first factor is the “diminishing growth opportunities” in countries. This often occurs due to increased competition from companies that have also moved their production to those countries. Such competition can saturate the market leading companies to centralize their operations to reduce transaction costs. By doing they can significantly cut down on costs associated with transporting products or raw materials and coordinating between headquarters and overseas branches.
The second factor involves concerns about product quality so “Inadequate quality”. If a company discovers that the goods produced in a low-cost labor country are of quality compared to those produced in its home country it may choose to relocate production either home or to a neighboring country where higher quality standards can be ensured.
The third factor is related to the risk of “Theft of intellectual property and weak patent enforcement”, in developing countries.
In countries where public regulation systems aren’t very efficient there may be a lack of respect, for confidentiality agreements that protect a company’s property. This can create a risk that discourages companies from outsourcing and instead encourages them to bring their operations. Another factor that contributes to this decision is the “turnover rate of employees” in locations especially in developing countries. The turnover can be attributed to reasons like wages, ineffective use of resources and stressful work environments. It becomes challenging for companies to maintain an educated workforce under these conditions, which leads them to consider bringing their operations home. Additionally, there is also “the risk of public relations disaster due to supplier malfeasance” engaging in behavior. This risk is particularly high for business to consumer companies that face scrutiny regarding misconduct in their supply chains. The geographical distance between the firms home country and the suppliers adds to this risk, since it limits control over them. In conclusion the decision to bring operations home is influenced by factors such as limited growth opportunities concerns about quality, risks related to intellectual property employee turnover rates and potential public relations issues. It is essential, for companies considering reshoring to understand these factors. How they impact each other. Figure 4 illustrates these drivers within a firm “home country” that influence re-shoring activities.
There are factors that drive companies to bring their operations back, to their home country and boost production. Firstly “political incentives” play a role in encouraging firms to return. In the United States for example public entities offer incentives to companies that create jobs conduct

research and foster innovation within the country. Secondly many companies feel a desire to support their community, so the driver is “promote community”. This can be especially observed in fashion brands that engage in shoring activities, to align with their brand heritage and reflect the lifestyle or traditions of their country of origin. Thirdly “access to qualified personnel” is often better in the firms home country, compared to locations where production was previously outsourced. Fourthly “increased degree in automation” have made labor costs less significant for companies. As a result, they can choose production locations where labor costs are high because they require fewer personnel. Fifthly when staff work within their home country for a company it often leads to productivity and employee morale, so the driver is “Higher productivity and work morale among staff”. This has an impact on direct production costs such, as raw materials expenses, equipment costs, training expenses and quality control expenditures. Finally, the sixth and seventh drivers are linked with considerations.

There are factors that drive the decision to reshore. Two important drivers are the “increased awareness of environmental impact” and “increased focus on sustainability”. These drivers fall under the concept of Corporate Social Responsibility (CSR). Highlight the significance of addressing pollution and ensuring business sustainability in todays world. Another driver is what we call the “made in” effect, which has become a distinguishing factor for companies in markets. In summary when considering re-shoring firms need to consider factors such as incentives, brand heritage, access to personnel, automation improved productivity and morale environmental consciousness, sustainability efforts and the “made in” effect. Understanding these drivers is essential for companies contemplating reshoring.

Figure 4 depicts the fourth macro area which focuses on “supply chain” considerations. Within this area lie nine drivers. One major driver is how relocating innovation, “research and development activities suffers due to the distance to manufacturing”. The challenge arises because it is difficult to promote innovation when a companys research and development center is located away, from where the goods are produced. Another factor to consider is the expenses involved in coordinating supply chains, which can negate any cost savings from utilizing labor, so the driver is “high coordination costs”. Additionally relying on supply chains increases the “risk of disruptions”. For instance, natural disasters like tsunamis in Japan or political unrest such as the war in Ukraine can lead to manufacturing plants being shut down or production being interrupted. It is also crucial to have control over the supply chain to ensure deliveries. “Matching supply with demand” poses its set of challenges including managing inventory and facing the risk of having goods. Moreover there is a “growing demand for affordable transportation” options due to rising fuel costs, which can increase transportation expenses when importing goods back to a companys home country and thus

incentivize activities. Lastly there has been a blurring distinction, between products and services as services increasingly add value to products.
For companies to create value in a country they often find it necessary to bring back the production aspect related to value creation in their product offerings (Wiesmann, *et al.,*2016).
One of the reasons, for making this choice is the “increasing demand on customization”, which aligns with another factor. Another significant aspect is the challenge that companies face due to distance as it can lead to a lack of control over activities and impede innovation, so it’s talking about “Difficulties due to the physical and mental distance”. The fifth and final macro area in Figure 4 covers drivers that either support or oppose reshoring activities based on firm related factors, so “Firm specific”. These factors include “wrong estimation of benefits and risks in the offshoring decision” made by host countries resulting in cost calculations and overestimating savings compared to costs during the off-shoring decision making process (Wiesmann *et al*., 2016).
In summary there are drivers influencing the decision to reshore, such as innovation, coordination costs, risks of production disruptions and delivery challenges alignment between supply and demand transportation costs value creation through services provided by firms, options for product customization, physical distance concerns and specific factors. Understanding these drivers is crucial, for firms considering initiatives.

1.3 Re-shoring: a summary

There are many reasons why companies choose to reshore to their home country, and each can have a unique impact on the decision-making process. Strategic considerations, such as company factors and its economic, social and political environment, play an important role in the decision to reside in another country. This choice may be due to supply chain complexity or the increased coordination costs, that often come with off-shoring operations to countries other than those in which the company operates.
Another factor that motivates companies to pursue re-shoring is perceived value to customers. Customers often value products manufactured in the areas, which is commonly referred to as the "made-in" effect. In addition, managerial mistakes can also influence this process. Sometimes previous decisions to relocate may be correct due to management's lack of knowledge of the host country or inaccurate cost calculations made during the relocation operation.
These reasons have been identified over time through the experiences of companies operating in these settings. They should be systematically documented. This collaborative effort and agreement has potential for understanding the motivations behind re-shoring. It allows for an appreciation of its nature. Ultimately, re-shoring emerges as an intricate phenomenon connected to a web of factors.

These factors include aspects such as customer perspectives, previous choices, and management complexities. Combined, they influence the course of action taken.

2. *RE-SHORING IN EUROPE AND ITALY: THE IMPACT OF COVID-19 ON THE VALUE CHAINS*

2.1 From globalization to the phenomenon of off-shoring and re-shoring

Globalization signifies a shift, in the economy that goes beyond regional boundaries. It creates a network of resources, exchanges and trade flows that significantly impact the economy. While globalization has roots it is closely associated with the 1990s due to remarkable advancements in communication and information technologies. As a result, an intricate system of infrastructure including ports and airports has emerged, revolutionizing transportation and delivery methods. Nations that have not adapted to this transformation find themselves excluded from these interconnected networks.

Technological innovations have had an influence on production processes and value chains. Companies of all sizes now can divide and integrate stages of their operations, such as research and development production and distribution. This newfound flexibility empowers companies to select locations that offer investment conditions resulting in increased competition between regions. Consequently, new economic regions like China, India and Central Europe have become integrated into the economy.

The transition of countries such as China and India towards market economies has effectively doubled the labor supply. By the year 2000 than 6 billion people were part of the market economy compared to 2.5 billion in 1985. This shift has intensified competition, among businesses compelling them to seek ways to enhance efficiency while reducing costs.

In years we have seen a growing trend, towards internationalization and offshoring as industrialized nations face more intense competition.

The ease of trade and faster transactions have resulted in a flow of capital between countries. However, the unrestricted movement of capital has also brought about short-term investments that risk plants. As a result, many companies globally have undergone changes, such as restructuring, mergers and acquisitions. Relocating their production.

Renowned economist Paul Krugman (Krugman *et al.,* 2012) has highlighted in his theory of trade that when markets offer increasing returns to scale companies aim to establish themselves in markets to benefit from economies of scale. This dynamic has driven firms to move their production but also occasionally bring it back home (re-shoring) although this is less common overall.

To sum up globalization has had an impact on the economy in recent decades. It has influenced how companies produce goods make investment decisions choose locations, for their operations and intensify competition among countries and regions.

2.1.1 Introduction to the Global Value Chain (GVC)

The way manufacturing and business activities are distributed across the world is influenced by forces that constantly change and bring together or separate elements. Companies naturally choose locations, with markets or accessible resources but these factors can also drive economic activities to disperse as businesses seek lower cost inputs or aim to avoid intense competition in certain sectors. Global value chains (GVCs) emerge from the interplay of these forces.

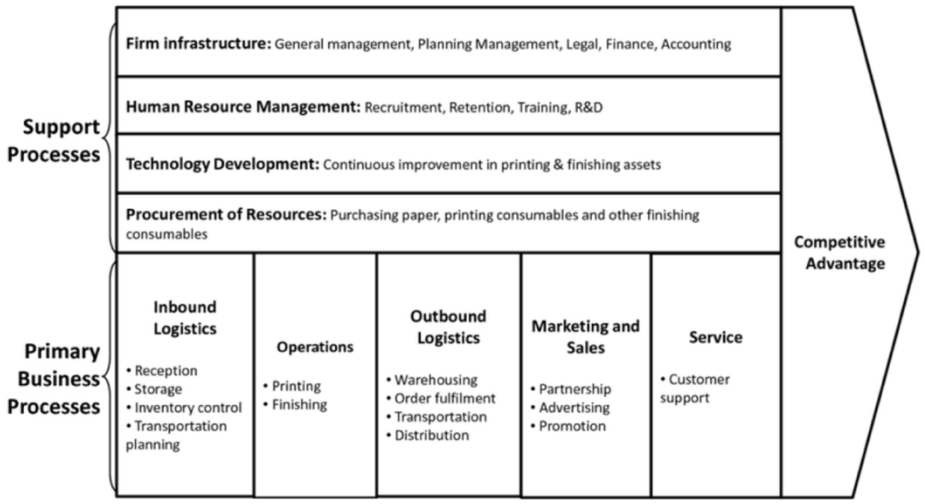
This dispersion of business activities creates a web of connections between firms from different countries. These connections operate based on logics that lie somewhere between regionalization and globalization.

As previously mentioned global value chains have emerged due to trends in economic activity and technology. The evolution of production processes along with the increasing complexity of goods being produced has allowed for the division of business activities, into stages that can be carried out by enterprises specializing in those areas.

Simultaneously advancements, in communication systems and the involvement of marginalized countries have enabled the distribution of production stages across different regions. This characteristic is an aspect of Global Value Chains (GVCs) where production processes resemble interconnected networks than linear chains. The intricate web of linkages within GVCs defines their nature. Emphasizes the need for effective control and coordination, among enterprises involved.

To comprehend these occurrences, it is essential to grasp the concept of a value chain (see: Figure 16). Economist Michael Porter (1985) introduced this model, which illustrates a company's operations. Each action has the potential to offer an edge or influence the cost structure.

Figure 16:Porter Value Chain Template



Source: Porter, 1985.

The value chain examines how a company can differentiate itself from competitors within each activity by breaking down its operations and evaluating them individually and, in relation to one another. It is crucial to recognize that a company's value chain is one part of a value chain that includes suppliers, distributors, and customers.

From this perspective internationalization can be defined as the process of analyzing how different environments impact a company's value chain. Additionally, internationalization serves not as a strategy but as an asset.

In fact, it enables us to enhance our knowledge, capabilities, and potential advantages by studying the contexts of each activity we undertake.

Global Value Chains (GVCs) play a role, in today's business world. They are characterized by their nature, which means they involve learning networks and the ability to collaborate with suppliers, distributors and even competitors from around the world. These characteristics highlight the changes happening in how firms access resources, skills and markets that are spread across locations.

In the past, competition mostly occurred between companies. However now the challenge extends beyond that to encompass supply chains. This shift is happening alongside evolving methods of internationalization. Apart from approaches like direct investment and exports companies are exploring other ways of engaging globally, through licensing agreements, strategic alliances, and joint ventures. This process is known as the internationalization of production chains.

Furthermore, the nature of relationships within GVCs has also transformed. Of market contracts modern value chains are characterized by intricate networks involving actors located in different places but interconnected within a multi localized supply chain. These networks consist of enterprises that maintain connections, with one another.

Regardless of their size these networks have governance structures and coordination mechanisms in place. These arrangements are necessary because the participants depend on each other greatly and have roles. As a result, a shared knowledge base is formed.

While some of these concepts may seem familiar, to those who have studied districts they take on significance in a global context where companies are in various regions worldwide. This fresh perspective places emphasis on the movement of goods and services, and focuses more on the sharing and development of knowledge and skills between countries and companies. Within this framework "supply chain management" emerges as an element that equips management with tools and techniques to coordinate not production flows but also information and knowledge flows throughout the entire supply chain.

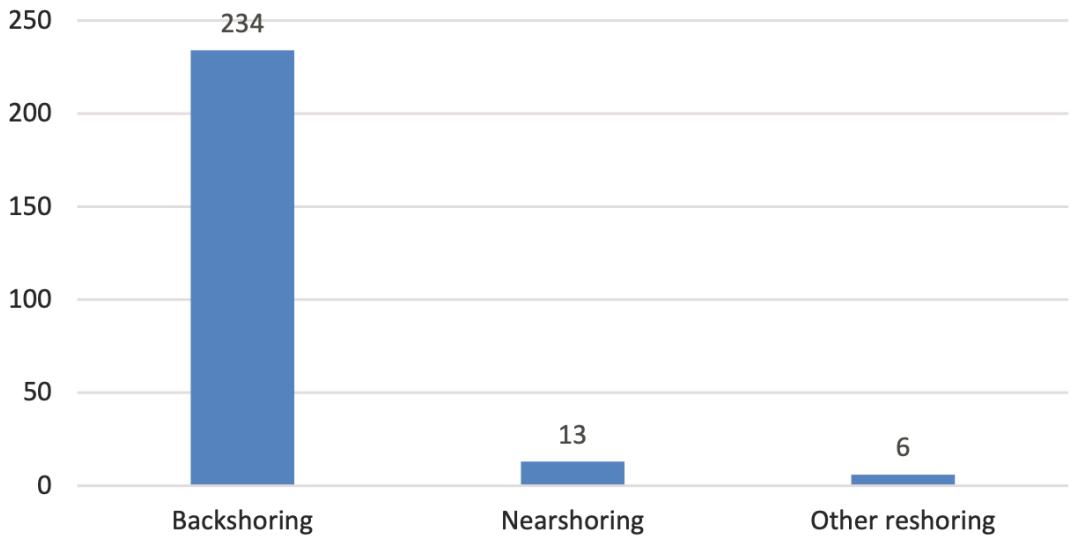
Lastly business location decisions now consider a set of factors. Companies do not consider factors like market access, but also evaluate specific territory characteristics such, as specialized skills availability, export infrastructure, workforce attributes and other elements that can provide a competitive advantage. This expanded approach recognizes the importance of accessing knowledge markets and participating in clusters thus enhancing our understanding of company's strategic choices in an increasingly interconnected world.

2.2 Re-shoring at the European Level

At the European level, the re-shoring phenomenon is less developed than in the United States, where companies have been pioneers in delegating operations abroad. The dynamics, motivations and causes to be analyzed vary depending on the type of companies in that country. Companies, which in Europe previously applied the strategy of relocating some business activities, are fewer in number than in the United States. This is one reason why European re-shoring is smaller, but another is that corporations in the United States are larger, resulting in more internationalization and fragmentation of production processes.

In a study carried out by the European Reshoring Monitor, in which it sampled 253 European companies, which have re-shored, it was found (see: Figure 5) that the dominant strategies among them are: back-reshoring and near-reshoring.

Figure 5: Re-shoring Strategies

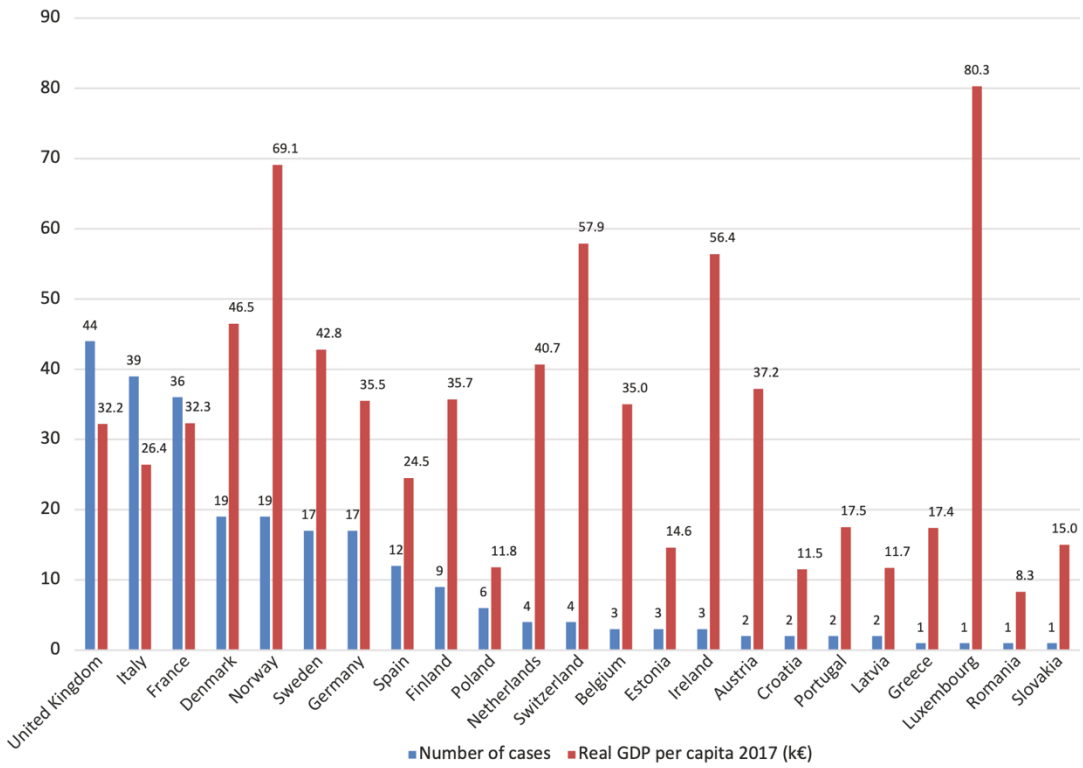


Source: European Reshoring Monitor, 2018.

Focusing on figure 5, there is a preponderant preference to bring activities, previously relocated, back to the home country rather than to a neighboring country. This choice is likely dictated by the

company's desire to implement the "made-in" effect. In fact, Di Mauro *et al*. (2018) show how Italian fashion companies apply the back-reshoring strategy to use the "Made in Italy" label inside their garments. In Europe (see: Figure 6), the countries with the highest number of re-shoring cases are the United Kingdom, Italy and France; In Europe (see: Figure 6) the countries that have witnessed a number of shoring cases are the United Kingdom, Italy and France. Moreover, to assess the extent of the re-shoring phenomenon, across Europe the European Reshoring Monitor examined two economic factors for each country; GDP per capita and manufacturing value added (NACE code group C). While there doesn't appear to be a correlation between the number of re-shoring cases and GDP per capita (see: Figure 6) there seems to be a connection between manufacturing re-shoring and value added in that particular sector.

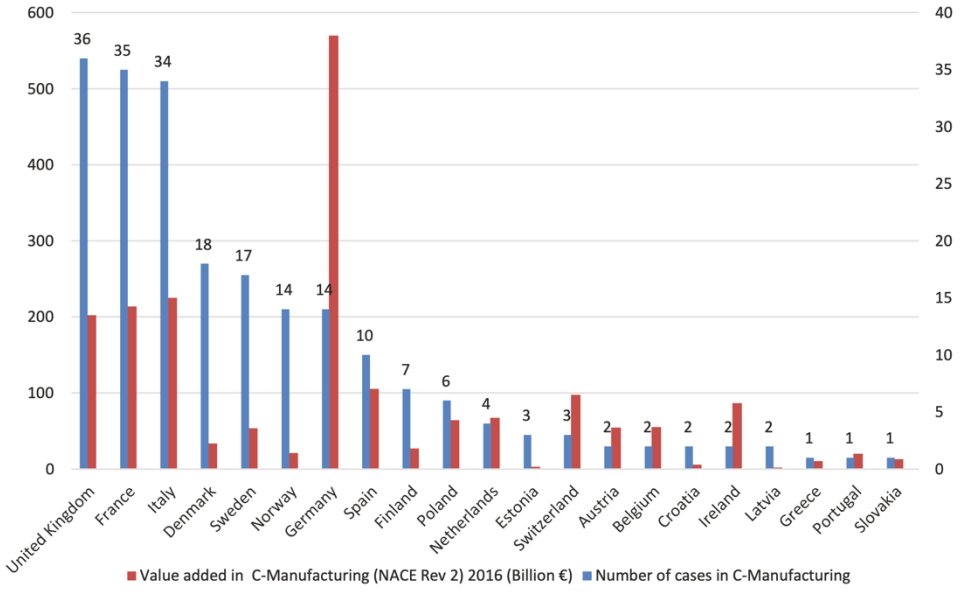
Figure 6: Comparison between number of reshoring cases (2014-2018) and GDP per capita



Source: European Reshoring Monitor, 2018.

However, this trend does not apply to Germany and the Nordic countries (see: Figure 7). Except for Germany European countries, with populations tend to opt for re shoring frequently.

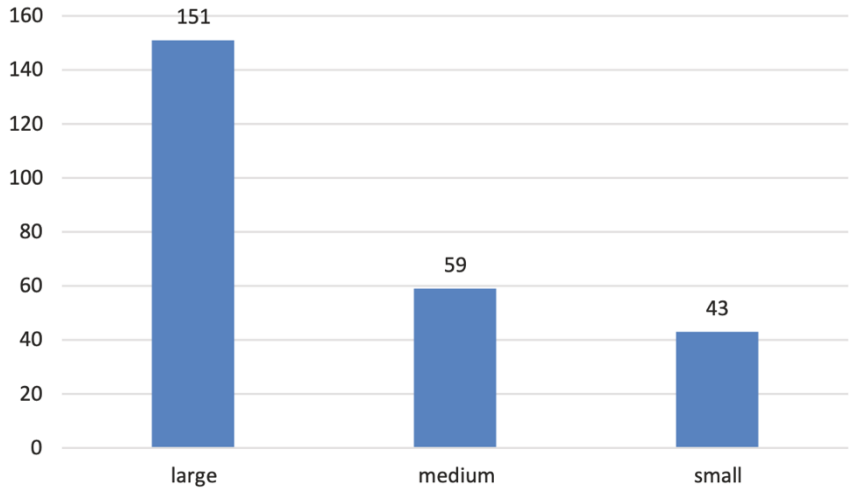
Figure 7: Comparison between number of reshoring cases and value added by manufacturing sector (2016)



Source: European Reshoring Monitor, 2018.

As mentioned earlier, another factor that influences the decision to implement the re-shoring strategy is the size of the company, in fact, looking at Figures 6 and 7, we can see that Germany is placed seventh place, which despite having a manufacturing sector developed is characterized, predominantly by many small- and medium-sized companies (SMEs) (Kinkel *et al*. 2009). SMEs, (see: Figure 8), in general, find it more difficult to adjust their company strategy since they frequently lack the resources to appropriately cover the risk of production process fragmentation.

Figure 8: Breakdown by number of reshoring cases and firm size



Source: European Reshoring Monitor, 2018.

European companies have often chosen to move their operations to countries, like Poland, Turkey, Portugal and Romania of Asia or China. They make this decision because they want to minimize cultural differences reduce the distance to their target market and lower transportation costs. As a result, more reshoring situations can be identified in other European countries than in Asia, accounting for 40 % of total decisions. While there are similarities in the factors influencing re-shoring decisions between Europe and the United States European companies evaluate these drivers differently. The wage gap between Europe and Asia is not as advantageous as that between the United States and Asia. Some European countries, such as Portugal, have become recipients of offshoring strategies because of their labor costs. However, other factors such as Industry 4.0 automation (Fratocchi *et al,* 2018), proximity to customers and government policies significantly influence the location of European companies. For example, however, in Finland companies relocate mainly to the machinery and metal products sector. In Denmark and Sweden, there is a trend in the transportation and electronics sectors (Heikkila et al, 2018). Germany has seen movements in all manufacturing sectors, while France focuses on re-shoring decisions and Italy on apparel decisions (Kinkel *et al,* 2014). In Europe, compared to the United States, the drivers for reshoring are timing, flexibility, and quality. It seems that even though electricity costs, in Europe, are 40% higher than in the United States, this does not seem to have played a role in reshoring decisions. The European approach to re-shoring is more focused on reorganizing supply chains and logistics, with the goal of meeting demand by moving closer to consumers and exploiting the value of "made in" labels as a means of overcoming competitive challenges. In fact, in 2014, a document titles "Bringing industries back to the EU as part of the reindustrialization process" was published in the Official Journal of the European Union (Iozia, Leiriao, 2014). The European Economic and Social Committee proposed several recommendations to the European Commission on actions to be taken to promote re-shoring and reindustrialization in the EU, including (European Economic and Social Committee, 2013):

- *"design policies to accelerate innovation and productivity to create competitive advantage;*
- *identify new banking instruments to facilitate access to finance and accelerate required investments;*
- *promote actions to ensure the participation of European manufacturing industries in all stages of the value chain;*
- *facilitate reindustrialization and repatriation integrated into a sustainable European industrial policy that focuses on investment, technology, entrepreneurship, training, innovation, research, energy prices, infrastructure, trade, etc.;*
- *urging the need for consistent, stable and secure regulation;*

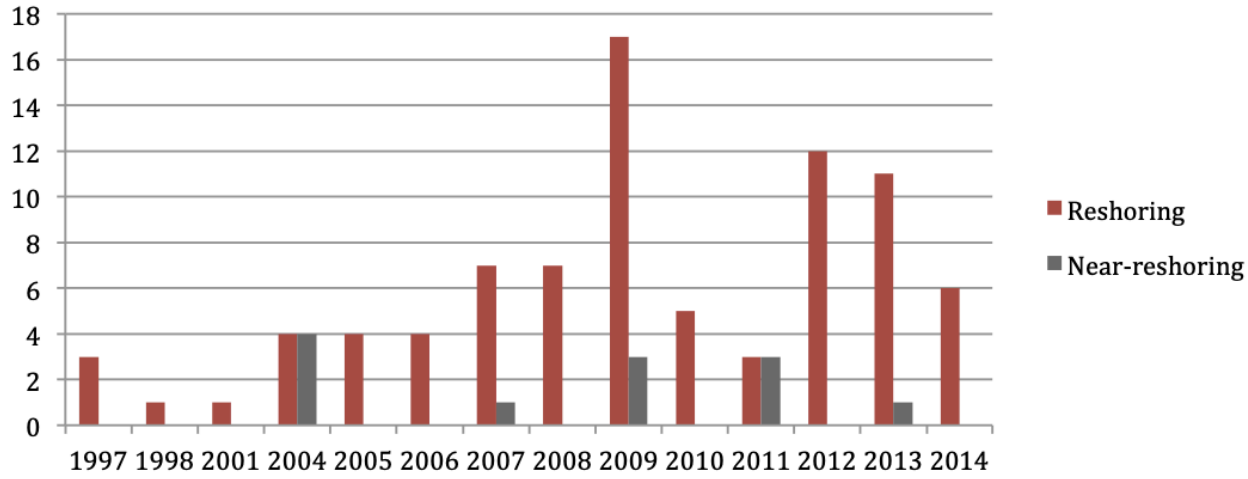
- *ensure the effective functioning of the internal market;*
- *promote environmental legislation consistent with the competitiveness and investment cycles of European industry;*
- *ensure the modernization of infrastructure;*
- *finance the needs of enterprises;*
- *support European energy policy;*
- *securing skilled market jobs in Europe;*
- *addressing the lack of skills and competencies in manufacturing industry;*
- *develop an effective human resource management system that promotes professional activity and skills and innovation, but above all exploits the creative possibilities offered by civil society actors such as national and European associations of engineers and researchers."*

In addition to the recommended proposals, the Committee encourages member countries to create technologically sophisticated industrial clusters, adapt production processes to achieve sustainable development goals and build a more attractive tax system to attract foreign direct investment. The European Union has increased financial resources for enterprises to promote industrial revival. The European Union has put in place business initiatives to support growth and employment, such as: EUROPE 2020, which aims to promote development and job creation; in addition, HORIZON 2020, a research and innovation initiative the program; and finally, COSME, which focuses on improving the competitiveness of businesses, including companies.

2.3 Re-shoring in Italy

After analyzing the phenomenon of re-shoring globally and in Europe, I will go on to analyze this phenomenon within our country, which stands out as a pioneer at the European level. The first Italian case of production re-shoring dates to 2004. The manufacturing company Belfe, operating in the clothing sector, after having relocated part of its production units to China and other neighboring countries in the 1990s, decided to return to Italy and continue its activities there.
At the time, this corporate behavior was considered isolated and not in line with typical internationalization processes. For more attention, both media and academic, to develop in Italy toward the reshoring phenomenon, we have to wait a few more years, coinciding with the increase of repatriation flows, and also of rapprochement (near-reshoring). In fact, (see: Figure 9) it can be seen that in the years prior to 2007, the number of re-shorings always remained stable, almost non-influential, and then increased, following an uneven trend.

Figure 9:Temporal evolution of the phenomenon in Italy



Source: Uni-CLUB MoRe Back-Reshoring Research Group, 2014.

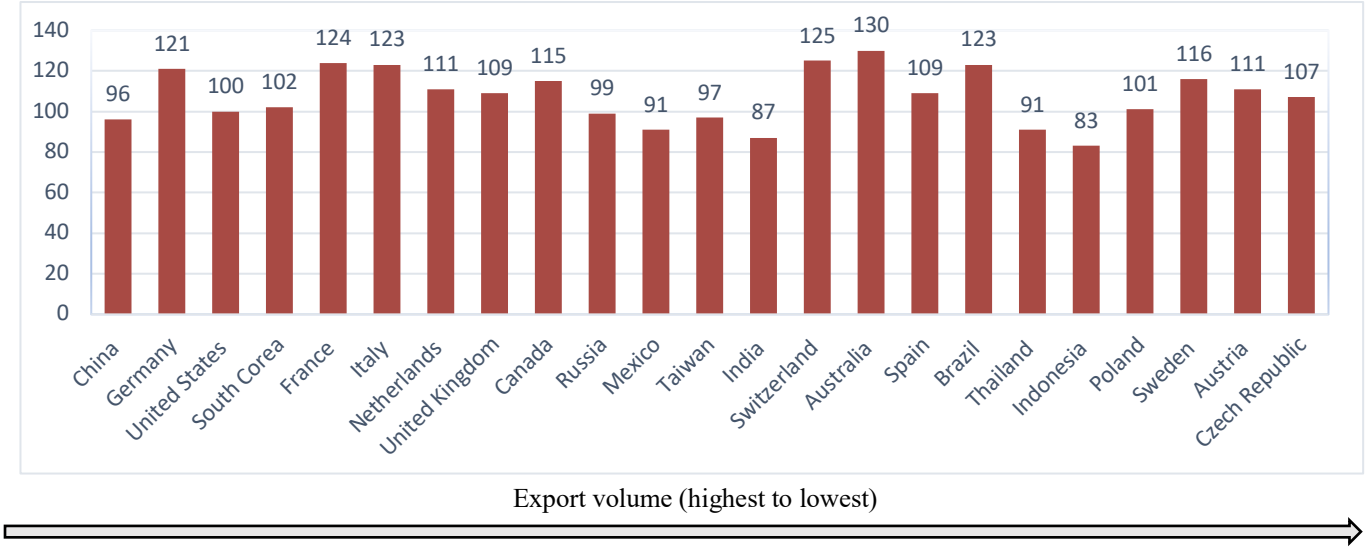
The fairly uneven trend, composed of "ups and downs," is basically motivated by the fact that re-shoring in Italy did not arise, as for example happened in the U.S., as a result of targeted government industrial policies in favor of investment or following appeals of "economic patriotism," but rather by the "spontaneous conviction" of entrepreneurs who, based merely on aspects of managerial and organizational convenience, decided to re-locate production in their home country (Martone, 2016).

The initial motivations that led to offshoring were, over time, replaced by the relevance of emerging issues that jeopardized the survival of the firm itself. For firms that adopted re-shoring strategies, the total cost of ownership of off-shoring operations, in fact, turned out to be higher than expected, given both expectations about the actual expenses to be incurred and the various hidden costs that emerged along the way: remoteness from the most important outlet markets, unskilled labor, inadequate suppliers, low quality, cultural differences, and unfavorable regulatory environments.

In addition, there is evidence that, over time, the cost of labor in developing countries has increased significantly, seriously threatening the real viability of an offshore project. Focusing on Figure 10 shows the cost of production in Italy and compares it to that of the top twenty-five economies in international trade, ordered by the volume of exports made by each. The data, dating back to 2014, comes from research conducted by U.S. consulting firm The Boston Consulting Group (Sirkin *et al.,* 2014), with the ultimate goal of showing that over the years, companies' production costs have increased significantly, but mostly across the board. For example, in countries such as China, Brazil, but also nations located in Eastern Europe, labor costs have increased at a greater rate than in the US or UK. Therefore, it is possible to say that the traditional distinction between the low-cost advantages of developing countries and the high-cost characteristics of advanced economies is

becoming less and less pronounced, and that in the chase for higher competitiveness the key factor becomes proximity to markets, which is crucial for responding more responsively to both changes in demand and unexpected advents (De Backer et al. 2016).

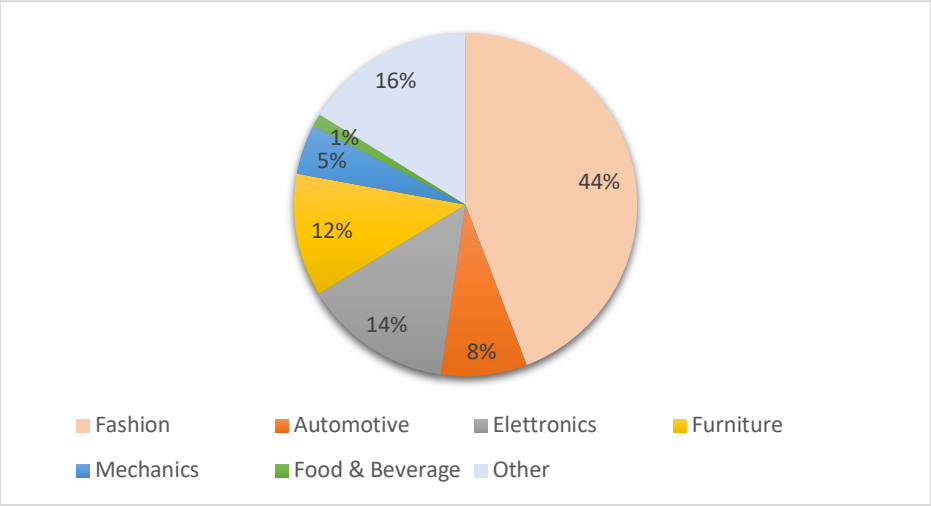
Figure 10: The cost of production in the top twenty-five economies of international trade



Source: Sirkin et al., 2014

Even though the cost of production in Italy is nonetheless and still decidedly higher than that which on average characterizes the economies of developing countries, entrepreneurs who have repatriated their production activities have not only relied on economic motivations but have also considered the possibility of taking advantage of benefits of a different order, mostly intangible. In fact, a Made in Italy production, understood as made by local labor with Italian raw materials, possesses an added and distinctive value that is unique in the world, synonymous with and a guarantee of quality. As reported by the study conducted by KPMG (2015), *"The Italian way: l'industria italiana tra re-shoring e nuovi modelli di sviluppo",* Italian products, which are increasingly in demand in the market, induce consumers to pay a premium price, a fundamental condition for Italian entrepreneurs, who in this way, thus applying a higher selling price, manage to offset increases in production costs. To be precise, the sectors most affected by Italian reshoring are precisely those of high-end and quality production, directly linked to the spread of the Made in Italy brand. These include the "fashion & luxury" aggregate (clothing, textiles, and footwear), automotive (including auto components), the electronics sector (including the production of PCs, electrical, electromechanical and lighting components) and the home appliance sector (home furnishings).

Figure 11:Reshoring in Italy: the sectors involved



Source: Nassimbeni et al., 2014.

Therefore, one of the drivers of Italian manufacturing re-shoring can be identified precisely in the country's trademark, firmly linked to the history and unique intrinsic reputation. Strategies for revitalizing the Italian economy and the competitiveness of companies, therefore, must be based on the recovery and pursuit of certified quality, especially through high-end manufacturing, the nation's flagship. Achieving these goals, however, is firmly linked to the proper functioning of the country's supply chain, and its reorganization in a modern key, in line with the innovative peculiarities of the new production ecosystems. Reshoring, from this point of view, can be the means for the revitalization of the Italian supply chain and supply chains as well, which are necessary to impart quality and specialization to production.

2.3.1 The phenomenon of re-shoring over the years at the Italian level

Based on the analysis conducted by the Italian inter-university research group "Uni-CLUB MoRe Back-Reshoring," we can further deepen our understanding of reshoring in Italy. Italy, as of December 31, 2015, had 121 cases of business repatriation, a figure that takes on particular importance given that only the United States had a higher number of returns, with 326 cases. The considerations that follow will focus on analyzing the characteristics and behavior of this group of firms. The first element to consider concerns their size (see: Figure 12). Firms that decide to re-locate are predominantly large; those of medium, small or micro size, on the other hand, are fewer in number, but in any case, not negligible.

Figure 12: Breakdown of decisions by firm size

COMPANY SIZE	DECISIONS
Big	79
Medium	33
small and micro	9
TOTAL	121

Source: based on Nassimbeni et al., 2014.

Reshored enterprises come mainly from the North (location of registered office) and almost evenly from regions located in the Northeast and Northwest (see: Figure13).

Figure 13: Breakdown of decisions by Italian region of origin

GEOGRAPHICAL AREA	REGION	DECISIONS
North East	Veneto	36
	Friuli Venezia Giulia	6
	Trentino South Tyrol	3
	TOTAL	45
North West	Emilia Romagna	21
	Lombardy	18
	Piedmont	7
	Liguria	4
	TOTAL	50
Center	Marches	9
	Tuscany	9
	Umbria	2
	Latium	1
	Abruzzo	1
	TOTAL	22
South	Campania	2
	Apulia	2
	TOTAL	4
	TOTAL	121

Source: based on Nassimbeni et al., 2014.

As for the geographical areas and foreign countries "abandoned," Figure 14 shows that Asia-particularly China-is the continent most affected by the phenomenon, but still with a lower incidence than could be observed instead for the United States. This can be explained by Italian companies, especially those in the Triveneto region, have over the years relocated production, to a significant extent, to other geographical areas (among all those in Eastern Europe).

Figure 14: Breakdown of decisions by "Abandoned" country

ABANDONED GEOGRAPHICAL AREA	DECISIONS	% OF TOTAL
China	41	33,9%
Asia (excluding China)	15	12,4%
Eastern Europe and former USSR	29	24,0%
Western Europe	27	22,3%
North Africa and the Middle East	4	3,3%
North America	2	1,7%
Central and South America	1	0,8%
n.a	2	1,7%
TOTAL	121	100%

Source: based on Nassimbeni et al., 2014.

The analysis of the industry sectors they belong to, conducted on the 121 business cases considered, confirms what was introduced in an earlier section of the chapter (see: Figure 11). The "aggregate" fashion sector remains at the top of the ranking, reflecting the fact that Italian re-shoring is mainly driven by motivations to improve corporate image and the pursuit of quality. Special mention for the electrical and electronics sectors. The significant weight of the fashion sector in the formation of the phenomenon at the Italian level, had a decisive influence on the type of motivations for companies to return to Italy. In fact, the first cause (see: Figure 15) of relocation is related to the importance of the "Made in" effect, typical of sectors with high-end production. Improved service and customer relations and the search for better quality of supply are other important impact motivations.

Figure 15: Breakdown of decisions by reasoning.

MOTIVATION	DECISIONS	% ON DECISION WITH REASONS
"Made in" effect	42	41,6%
Improved customer services	25	24,8%
Quality of relocated production	18	17,8%
Global reorganization of the company	15	14,9%
Global economic crisis	14	13,9%
Focus on product/process innovation and production/research proximity	13	12,9%
Logistics costs	13	12,9%
Total costs	10	9,9%
Inadequate local OR	8	7,9%
Home country social pressures	8	7,9%
Labor cost differential	6	5,9%
Availability of productive capacity in the country of origin	6	5,9%

Decisions without stated reasons	20
% of total decisions	16,50%

Source: based on Nassimbeni et al., 2014.

It is therefore possible to state that, the real reason for relocation are due to the pursuit of quality excellence and business reorganization goals, related to rethinking the corporate value chain, and which elements really most of all contribute to the creation of value, both for the customer and for

the enterprise itself. Italian manufacturing is renowned worldwide for its uniqueness, quality, and ability to stand out serving as the foundation of the "Made in Italy" brand. Since the 1980s it has set itself apart from production methods. Earned a strong reputation, in various sectors such as fashion, footwear, furniture, mechanics and agriculture. Italy's manufacturing excellence lies in its blend of craftsmanship and high demands resulting in the establishment of manufacturing clusters. However, globalizations rise has posed challenges to the model. Increased competition from low-cost production and evolving labor divisions have compelled companies to relocate their operations. This trend has had effects on both the economy and the perception of Made in Italy. Fortunately, recent indications of re-shoring suggest a reversal of this trend as there is renewed interest in production processes and appreciation for the value delivered under Made in Italy. A survey revealed that many Italian businesses command premium prices within consumer markets by highlighting the added value associated with Made, in Italy products. By choosing to manufacture within Italy under this brand name companies gain competitive advantages both domestically and globally. These advantages stem from a combination of expertise well as the distinctiveness and creativity embedded within their products, a result rooted in centuries old Italian traditions and culture. While it is possible to duplicate the knowledge and skills found elsewhere the intangible essence of products bearing the label "Made in Italy" is deeply connected to the history and culture of the country making it truly unique and impossible to imitate.

2.4 Impacts of COVID-19 on the Global Value Chain: Global Crisis, Local Reflections.

I examined the phenomena of re-shoring in the previous paragraphs, focusing on the European and Italian contexts. I investigated how various internal and external variables influenced companies' views of their position in the production and supply chain. The COVID-19 epidemic, on the other hand, has been one of the most disruptive occurrences in recent memory, having a substantial impact on such decisions as well as the Global Value Chain (GVC) as a whole. In this section, I will focus on the global health crisis' implications for the GVC, attempting to comprehend existing impediments, strategic decisions taken by firms, and potential future possibilities in a world attempting to adjust to a new normal.

2.4.1 The Initial Impact of COVID-19 on the Global Supply Chain

Between February and March 2020 the world experienced one of the pandemics in a century. This crisis had an impact, on sectors leading to healthcare systems in many countries being pushed to their limits and factories halting production. Consequently, uncertainty and fear spread rapidly mirroring the transmission of the virus itself.

Regarding manufacturing, Baldwin and Freeman (2020) introduced the term *"Covid concussion"* to describe how the pandemic simultaneously disrupted manufacturing economies. The initial effects were particularly felt in China, which serves as a hub for manufacturing affecting numerous nations that rely on it for intermediate goods. Not China but Japan, Korea and Singapore, pillars of global supply chains, suffered significant setbacks. The International Finance Corporation shows that sea and air transport decreased by 10.1% and 19% respectively in the first three months of 2020.
According to Strange (2020, p.456) this pandemic can be distinguished by three characteristics:

- *"First, it is a global phenomenon in that the virus has been detected in most countries around the world;*
- *Second, the effects of the pandemic have been multi-dimensional in that it has had adverse impacts both upon public health and upon eco- nomic activity in most national economies;*
- *Third, the pandemic is contagious not just in the health sense but also in an economic sense, as the global economy is so inter-connected through GVCs and international movements of people, capital, goods and services."*

In terms Baldwin and Weber di Mauro (2020) have highlighted two impacts caused by the pandemic:
1. The reduction in supply which occurred due to measures like quarantine and limited production capacity caused by a decrease in the labor force;
2. The decline in demand as consumers and businesses have become more cautious leading to investment delays.
These impacts along with their effects on exports and imports have created a situation compounded by the interconnectedness of value chains (GVCs). Baldwin and Freeman (2020) have emphasized some dynamics within this scenario such as the role of the Chinese economy in global manufacturing Germanys key position for many economies and the emergence of three major manufacturing regions: Asia, Europe and North America.
The GVC network has faced obstacles during this time. Strange (2020) has listed some of these challenges that include travel restrictions impacting transportation systems delays due to health measures being implemented shortages of goods for production purposes and an increasing lack of trust in trade.
It is possible that companies will change their approach and explore ways to generate revenue. Strange (2020), in fact, argues that re-shoring will be a strategy that will be increasingly applied, with the reconfiguration of GVCs potentially influenced by the actions of governments.

2.4.2 Covid-19's influence on GVCs

The Covid 19 pandemic marked a moment in the world after the war leading to disruptions, in global trade. Countries that had relied on supplies of goods for many years suddenly faced shortages. The situation became worse due to both supply and demand shocks. Production capacity was undermined by restrictions and closures while there was a skyrocketing demand for products like supplies and electronic components. Global value chains (GVCs) played a role in this scenario amplifying the shocks through what's known as the bullwhip effect. This effect causes fluctuations in demand along the production chain. Di Stefano (2021) explained how GVCs can act as channels for transmitting these supply and demand shocks.

When the pandemic began there was a surge in demand for devices such as masks and ventilators. China being the producer of these goods faced challenges with compromised production capacity and an unprecedented global demand. Before the outbreak Chinese factories were supplying around 20 million masks per day accounting for half of production. The need, for masks has grown exponentially since then making it extremely challenging to obtain them considering Chinas population.

To make matters more complex numerous workers found themselves confined to their homes due, to government imposed quarantine measures. Interestingly a significant number of factories had shifted their focus to producing items as an emergency response. However, by the time the virus reached levels in Europe the shortage of equipment had already become a palpable reality. This scenario serves as an example of how Covid 19 exposed our planets reliance on certain nations, a consequence of specialized global trade, which resulted in widespread shortages and emphasized our dependence on specific countries for goods (Brenton P. *et al.,* 2022).

Amidst the pandemic the surge in work brought about an increase in demand for electronics causing a severe scarcity in the semiconductor industry. This shortage has particularly impacted the sector since many modern vehicles heavily rely on semiconductors. Given that most semiconductor manufacturers concentrated in Asia there has been a struggle to meet the unexpectedly skyrocketing demand (FedEx Report, 2021). This situation has shed light on the vulnerabilities in the adopted just in time production model, within industries.

Toyota as a pioneer, in this system faced its set of challenges. Managed the shortage more effectively than other companies. One reason for their success was their stockpiles of components, which they had accumulated based on the lessons learned after the Fukushima disaster in 2011. This incident prompted companies to reevaluate their procurement strategies. It is estimated that 70 % of companies are currently reassessing their reliance on low-cost suppliers and some may even

consider moving from the just in time model due to its potential vulnerability during significant global disruptions (FedEx Report, 2021).

Chinas supply chains, which showed resilience in the mid 2020s and, throughout 2021 are now facing increasing worries. There is a decline in investor and business confidence regarding Chinas ability to sustain its supply chains without disruptions as highlighted by Di Stefano (2021). The long-term effects of Covid 19 on companies investment decisions are still uncertain. However, one thing that is becoming clear is the growing recognition of the vulnerabilities within the global supply chain model. Di Stefano (2021) identified two trends emerging in response to these vulnerabilities:

- De-globalization: many companies are contemplating reducing their reliance on supply chains, by either moving some production or sourcing closer to consumer markets or diversifying their sources to minimize risks;
- Shift in consumer attitudes: there is an increasing inclination among consumers to prefer locally sourced products a trend supported by Euromonitor. This shift towards "localism" could be attributed to concerns about sustainability a desire to support economies and worries about dependence on suppliers.

These trends indicate that while the pandemic has exposed existing vulnerabilities it may also be expediting changes, in the structure and functioning of trade and supply chains. According to the 2020 report, by Confindustria (Pensa *et al*., 2020) it was emphasized that the pandemic has prompted companies to reconsider their strategies. Of focusing on low-cost products produced overseas there is a possibility of a shift, towards higher value products. The World Trade Organization (2021) also drew attention to the susceptibility of medium businesses and cautioned against potential risks arising from geopolitical situations, and environmental crises which may further disrupt global supply chains.

2.5 Summary: Globalization, Re-shoring Trends in Europe and Italy, and COVID-19's Impact on Value Chains

Globalization, amplified by technological advances in the 1990s, has redefined the global economic landscape. This transformation, along with the emergence of economic giants such as China and India, has intensified competition and pushed companies toward efficiency. While Europe has shown less tendency to relocate than the United States, many of its companies, especially SMEs, have faced challenges in adapting to these dynamics. Despite this, the European Union recognizes the importance of re-shoring, stressing the importance of innovation and access to finance to promote reindustrialization. These changes and trends underscore the importance of adaptability in

an era of rapid economic change. After analyzing the re-shoring phenomenon globally and in Europe, Italy emerges as a pioneer, with the first case dated 2004 with the company Belfe. Re-shoring in Italy grew not because of government policies, but from the conviction of entrepreneurs. The reasons behind the initial relocation have been overcome by emerging problems and hidden costs. In addition, labor costs in developing countries have risen, making off-shoring less advantageous.

"Made in Italy" production brings unique distinctive value and quality, which is why many companies have chosen to return. Data show that most of the companies that have re-shored are large and come mainly from northern Italy. The main motivation is related to the "Made in" effect, followed by the search for higher quality and corporate reorganization. Italy is renowned for its unique and quality production, the foundation of the "Made in Italy" brand, which despite the challenges of globalization, continues to have strong appeal and value in the global market. The analysis highlighted the importance and complexity of Global Value Chains (GVCs) in the global economic environment. Their evolution has been driven by economic trends, technological advancements, and internationalization processes. However, the pandemic of COVID-19 has revealed the vulnerabilities of these value chains, causing significant disruptions and challenging trust in existing structures. Because of these impacts, many companies are reconsidering their global strategies, with a possible increase in re-localization and a shift toward producing higher value products. These trends suggest a future in which resilience and adaptability will be central to global economic decisions.

3. *RESHORING: 15 ITALIAN FASHION, FOOD AND FURNITURE MANUFACTURING COMPANIES*

3.1 Methodology

The Italian manufacturing industry has suffered over the years from excessive off-shoring to Eastern Europe and Asian countries. In recent years, however, there has been a reversal of this trend; the sector has been at the center of major re-shoring plans, adopted by companies that had seen their competitive advantage eroded over time by growing global competition. In this chapter I will describe an empirical analysis conducted on 15 Italian companies belonging to the manufacturing sector, in particular fashion, food and furniture, that in the last 10 years have initiated and, in some cases, completed re-shoring in the country of origin of the demoralized activities. To conduct this analysis, we used several sources that were reliable and trustworthy. These sources are, first of all, the European Reshoring Monitor, a database built by the European Union that deals with the study of the reshoring of European companies. The latter, collects all the information about individual cases of re-shoring taking place in every single European country from different sources: Media, business-related press, scientific articles and industry studies.
Then, all the information collected, is organized into a securely accessible online database that is regularly updated. In addition, Eurofound publishes an annual summary report of all cases and information collected. Secondarily, monitoring also develops and updates an online database containing reference material on re-shoring (scientific articles, advisory reports, policy reports, media articles related to re-shoring, policy initiatives undertaken at regional, national, and European levels, and data analysis regarding re-shoring).
As part of this initiative developed and implemented by Eurofound, the following re-shoring cases are considered:

- Companies that re-shore (to a European country) production activities previously relocated to another foreign country (e.g., when an Italian company initially decides to relocate its production activities to China or Germany, but then makes the decision to return those activities to Italy);
- Companies that have previously relocated some of their activities to a non-EU country but later decide to relocate it to an EU country close to their country of origin (e.g., the production of an Italian company previously relocated to China returning to Germany).

The European Reshoring Monitor is a Eurofound initiative that aims to identify, analyze, and summarize evidence on the re-shoring of production and other value chain activities of a given firm in Europe (Eurofound, 2015).

The monitoring activities of this initiative are based on three main elements: media on re-shoring cases, scholarly articles relevant to re-shoring and policy initiatives undertaken by different European countries.

Media monitoring aims to find evidence of re-shoring decisions implemented by companies located in Europe. Evidence is sourced from multiple sources such as: press releases, major national newspapers, local newspapers, business press, websites (e.g., BBC online), and news agencies (e.g., Bloomberg, Italpress). Each individual case of re- shoring analyzed is described in terms of the company involved, the date of announcement of the re- shoring decision, the sector in which the company operates, the country in which the company had previously off- shored its activities, and the country to which a particular activity has returned. Monitoring related to scientific articles is performed with respect to academic articles and other documents produced by national or international organizations (such as OECD, Eurostat, UNCTAD, U.S. Federal Reserve, etc.), consulting firms (e.g., BCG, McKinsey, etc.), and other organizations of industry professionals. Finally, the third monitoring activity concerns policy initiatives undertaken by different European countries regarding re-shoring. By policy initiatives, we mean the legislation implemented at the national or European level and the policy documents required for re-shoring a particular company. The monitoring of a country's policy initiatives is based on the activities of the media and research documents previously described by other scholars. All material that is used to analyze a case of re-shoring an enterprise is made available in the site's reference material database (Eurofound, 2015). The data found on the platform of the European Reshoring Monitor, were later collected within an Excel file and, thanks to the creation of some pivot tables, some graphs were obtained regarding the size and type of the re-shoring phenomenon that is taking place in Italy. The extracted data concern Italy to understand, the phenomenon of re-shoring within our country or to be able to better understand its trend and size. Therefore, the re-shoring phenomenon is studied by following its trend over the years (from 2014 to the present), according to the number of manufacturing companies, which have implemented this strategy. Once selected, I began to do various research on the companies by consulting, first their official websites and then later the databases of major national and international newspapers, including Il Sole 24 Ore, Financial Times, La Repubblica, Il Corriere della Sera, Orbis, Wall Street Journal and New York Times.

After completing the process of collecting data through the various sources, we proceeded with the analysis to achieve our research objective. To guide our research, we developed a series of questions:

1. How many of the 15 Italian companies analyzed successfully completed the re-shoring process?

2. What are the key factors that helped guide some of the companies toward completing the re-shoring process, while others gave up or encountered difficulties?
3. How do they differ in terms of outcomes and impacts on companies that went ahead with re-shoring versus those that did not?
4. What strategies did these companies employ to implement re shoring both for those who persisted with the process and those who abandoned it?

The main goal of our survey is to gather information, about all 15 companies of whether they were successful or not in implementing the re-shoring strategy. Through the survey we aim to explore the factors that influenced the outcomes of re-shoring for these companies. Our aim is to understand why some companies successfully completed the shoring process while others faced challenges or abandoned it altogether. By studying these factors, we can gain insights into the opportunities and obstacles associated with re shoring. Additionally, we will compare the results and impacts, between companies that have embraced re-shoring and those that have not. This analysis will greatly contribute to answering our research question. Lastly our survey will focus on investigating the strategies and strategic decisions made by these companies when they decided to bring parts of their value chain to their home country. The responses gathered through this analysis will form the foundation of our study enabling us to develop an understanding of re-shoring within Italy's manufacturing industry. The selection of these industries was influenced by the demand, in the market for products from these sectors. Italian fashion for example is globally renowned for its designs and the meticulous attention to detail put into creating garments. Similarly Italys food industry is famous for its cuisine and high quality products while the furniture sector is well known for its finishes and the use of top notch raw materials. Therefore what connects these three sectors is their focus on craftsmanship and exceptional quality.

3.2 Analysis of 15 case studies of Italian companies.

Our sample consists of 15 Italian companies operating in the manufacturing sector (food, fashion and furniture), all of which started the re-shoring process in the last decade (European Reshoring Monitor). In the table (see: Figure 16) below, the 15 companies in the sample are reported, for each of them we report the following information: name, year they started re-shoring, partial or total re-shoring, the place where they had previously off-shored, the country where they re-shored, the registered office, the rehsored business function and the sector in which they operate.

Figure 16: Companies in the sample

Company	Year of reshoring	Partial or Total reshoring	Offshore location	Reshored country	Headquarter	Reshored Business Function	Manufacturing sector
Bomboogie	2015	Partial	Bangladesh and China	Italy	Turin, Italy	Production	Fashion
Diadora	2017	Partial	China	Italy	Treviso, Italy	Production	Fashion
Benetton	2016	Partial	Romania	Italy	Ponzano, Italy	Production	Fashion
Natuzzi	2017	Partial	China - Romania	Italy	Bari, Italy	Production	Furniture
Martini & Rossi	2016	Total	Spain	Italy	Turin, Italy	Production	Food
Iccab	2014	Partial	China	Italy	Florence, Italy	Production	Fashion
OVS	2016	Partial	n.a.	Italy	Mestre, Italy	Production	Fashion
Falconeri	2015	Total	Romania	Italy	Avio, Italy	Production	Fashion
Safilo	2016	Partial	China	Italy	Padova, Italy	Production	Fashion
Piquadro	2014	Partial	China	Italy	Bologna, Italy	Production	Fashion
GTA Moda	2014	Partial	Romania	Italy	Padova, Italy	Production	Fashion
Ciakroncato	2015	Partial	China	Italy	Milan, Italy	Production	Fashion
Prada	2014	Partial	China	Italy	Milan, Italy	Production	Fashion
Nicos International	2016	Partial	Bulgaria	Italy	Portobuffole, Italy	Production	Furniture
Giorgio Armani S.p.A.	2016	Partial	Switzerland	Italy	Milan, Italy	Financial	Fashion

Source: based on European Reshoring Monitor, 2018.

Bomboogie is a well-known clothing brand belonging to the Space 2000 S.p.A. Group. It was founded by Giancarlo Musso in 1985. Initially, the brand produced its garments in countries such as China and Bangladesh. However, after three decades of production in Asia, the management decided to transfer part of the production to Italy, in Turin. This decision was dictated by the desire to take advantage of the home country's know-how and to highlight the "made in Italy" label. In addition, another motivation was dictated by the fact that, higher wages in China made the sale of products more profitable than the production itself within the market, leading to higher labor costs. A particular feature of this reshoring strategy, which
has brought around 20% of the total garment production back to Italy, is the adoption of near-shoring policies, the company has in fact moved part of the production carried out in Bangladesh to closer countries such as Tunisia and Turkey, allowing greater control over the product quality and at the same time greater proximity to the end consumer. (Aoi S., 2015).

Diadora, a well-known footwear and sportswear brand, is based in Caerano di San Marco, Italy. It is under the control of the Geox Group. Over the years, total sales have increased significantly, from €152.6 million in 2016 to €162 million in 2017. Enrico Moretti Polegato, chairman and CEO, expressed in June 2017 his desire to bring 10% of production back to the Caerano site (Cassola P., 2015). This decision was dictated by the desire to emphasise the Made in Italy aspect and to ensure the maintenance of Italian style and quality. Diadora has reintroduced production in Italy, where the “collabo” lines, i.e. collaborations with various trainer stores worldwide and the footwear, using machinery to create meticulously crafted products of superior quality. Although this is a partial re-

shoring, a significant part of the production still takes place in Asia, value is placed on producing high-quality goods in Italy for foreign markets, such as the United States. This re-shoring strategy aims to distinguish their product from others and establish their uniqueness at scale (Zanzi C., 2017).

The Natuzzi Group, founded in 1959 by Pasquale Natuzzi, is known for manufacturing and marketing sofas, armchairs and furniture through 390 single-brand shops. It is a particular presence in the Italian economy, listed on Wall Street since 1993. The company has manufacturing plants in Italy, Romania, China and Brazil. Initially, it was the subject of discussion because of the alleged loss of jobs in Italy due to moving part of the production to Romania. However, starting in 2014, the management's decision to bring production back to Italy led to the reintegration of employees. The re-shoring project started in 2017 (Rutigliano V., 2016). The part of production that was brought back to Italy are those that were carried out in China and Romania, while the production part in Brazil remained. The Made in Italy effect played a key role and the project focused on process innovation, with an expected 50% reduction in production costs, thanks to the reduction of downtime and production waste. This back-reshoring plan achieved the goal of reintegrating former workers through the transfer of a significant part of production from Romania in early 2018.

Piquadro S.p.a. is a company founded in 1987 by Marco Palmieri in Bologna, specialising in the production of bags and leather goods. Today it is active in Italy and abroad. The path taken in 2015 to bring back part of the production previously carried out in China is explained by the increase in Chinese labour costs (estimated at 20% at the time) according to president and CEO Marco Palmieri. Palmieri himself also pointed out the increasing difficulties in logistics management due to these costs. Being luxury goods, the decision to delocalise bag production to Italy also stemmed from the more renowned Italian workforce (skills, know-how), known worldwide thanks to the acronym 'Made in Italy', now a symbol of superior quality and elegance (Serlenga L., 2015). With a view to re-shoring the remaining production activities, in 2016 Piquadro also acquired 80% of The Bridge, one of the best-known leather goods manufacturers in Tuscany, with the intention of creating a production pole in which to delocalise over time the production processes still carried out in Asian countries. The agreement contained provisions for the acquisition of the remaining 20% of the company by 2021-2023. In fact, this agreement was then finalised at the end of February 2022, with Piquadro acquiring 100% of The Bridge (Daloiso L., 2022.).

Ciak Roncato is a well-known and historic Paduan luggage maker, the business was started in 1956 in Campodarsego; it owes its fame to its aluminum suitcases with rubber edging, what are commonly called trolleys. Since the 1990s, production has been relocated to China to take advantage of the low labor costs and economies of scale created by the boom in demand for rigid travel cases.
As the years passed and the tastes of global customers evolved, especially in the Middle East, the urgency for the company was to be able to communicate the quality of the product, which was in danger of getting lost among the many alternatives at lower prices. To avoid these problems, starting in 2015 the company gave up part of its offshore production in order to relocate the manufacture of the most innovative suitcases to Padua; thus, a new product line (Anima Libera) was born, completely made in Italy to take advantage of the quality of made in Italy in order to configure these suitcases as luxury goods and at the same time avoid the risk of loss of specific know-how through patents aimed at protecting product innovations (Mandurino K., 2015). Nevertheless, a part of the production remained in China, as partial re-shoring was done.

Benetton was founded in 1965 in Maglierie di Ponzano, Veneto. The Benetton brothers realised the potential of jumpers and started producing them for local independent retailers. As demand grew worldwide, exports accounted for 60% of the company's production in the 1970s. However, a significant change came in 2014, when Benetton took an initiative to bring part of its production, previously relocated to eastern countries, back to Italy. To pursue this goal, the factory in Croatia was closed in 2015. Outsourcing of knitwear activities to third-party suppliers. Re-shoring efforts materialized with the opening of a factory in Castrette, Treviso, in October 2016. Within this factory took place the production of TV 31100, a handmade pullover created with state-of-the-art technology and fine yarns (90% merino wool and 10% cashmere) (Granz B., 2016). The main objective of this initiative was to honor the heritage of the brand while strengthening ties with its region of origin; this production line is no longer in production today. According to Lorenzo Dovesi, the Chief Operating Officer of Benetton it is unlikely that all textile production will return to Italy for simple products, like T shirts as Italy may not be competitive in this sector. However there is a possibility that high quality clothing, those produced by fast fashion brands could be reshored or near shored back, to Italy. This could cater to the demands of customers who are increasingly seeking garments that not look elegant but also represent certain values (Hansen J., 2016).

Martini & Rossi is a Turin-based multinational company active primarily in the production and distribution of beverages, best known for its Martini brand and sports and cultural sponsorships. In 1993 it became part of the Bacardi Group, making the latter jump to third place in the world in the production of alcoholic beverages. In 2016 it decided to close its plant in Mollet, Spain. This decision was motivated by changes in the alcoholic beverage market, but also by untapped production capacity, which led to a decrease in consumption. The closure of the production plant impacted the 80 employees who worked there.
Despite union criticism, Martini & Rossi offered options to its employees, including the possibility of relocating to Italy (Garcia J., 2016). Despite the decision, this still did not affect the sales, marketing, service, and distribution center teams at the Mollet location. These teams remained operational.
The Bacardi Martini Group, which includes Martini & Rossi among its subsidiaries, therefore decided to return to Italy, moving its production to Pessione di Chieri, in Turin, Italy, where Martini & Rossi is based. This choice of re-shoring allowed the creation of new job opportunities.
The decision to close the production plant in Spain and then make a total reshore in Italy was dictated by the desire to optimize resources with in-house production, as the Italian beverage market was declining. Despite the challenges and criticisms faced along the way, this move was considered essential to the long-term success of the company.

Iccab s.r.l., a company based in Signa, Florence, Italy, has been operating in the casual and sportswear sector since 1972. Renowned for its high-quality brands, starting in 2014 the company decided to bring about 40% of its production from China to Italy, and then announced this choice in 2015 (Pieraccini S., 2015). This move was mainly influenced by dollar-euro exchange rate fluctuations, logistics costs, poor product quality and the desire to sustain in house production.
In 2016, Iccab planned to open 10 shops across Italy as part of its efforts to strengthen its national presence. The decision to transfer production from China to Italy has played an important role in the company's strategy, guaranteeing high quality and production, and taking advantage of the strength of the dollar. Although it is a partial re-shoring, the process ended in 2017, with goals that had been set.

The company OVS, whose name used to be 'Ovviesse', was founded in Padua in 1972 and operates in the fashion industry. OVS is one of the largest manufacturers of clothing for a medium segment of the market. From the European Reshoring Monitor and other sources used, there is no information on the country to which it had previously relocated its production. However, in 2015, as

reported by La Repubblica, thanks to subsidies granted by the government, it was one of the first companies belonging to the mid-market segment and not to the high-end segment, to show its interest in bringing back part of its production to Italy, in particular to Apulia (Capone L., 2015). This desire was dictated both by the desire to produce its garments in Italy, thus always for the made-in effect, but also to have a higher quality of its products. Although it is not known whether the reshoring has been completed or not, today OVS is the most transparent company in the world. Furthermore, as of July 2022, the company has set itself the goal of growing the highest quality cotton in Italy, as its garments consist of 70% cotton, which it previously imported from countries such as China, India and the United States (Saccardo G., 2022).

Falconeri is a brand that is part of the Calzedonia group, acquired by the latter in 2009 due to the crisis. Famous for its knitwear and fine yarns, the strategy of this brand is to be on the market with a high quality product at the best price. Veronesi, the group's CEO, had previously opted for an off-shoring process for most of the group's companies. In Romania, Falconeri's production was demoralised. This is because most of the products designed by the Calzedonia group are in the lower-medium segments of the market and therefore require low production costs In the case of the Falconeri brand, Veronesi opted for total back-shoring. Started in 2015, the decisive drivers were the low quality of offshore production and the made-in effect. Veronesi himself states that: "Foreigners, paradoxically, appreciate more the quality of creation and made-in-Italy than that of our country" (Veronesi S., 2016). On the other hand, brands in the lower segment, such as Calzedonia, leverage on price and therefore require production in low-cost countries.

The historic company Safilo, founded in 1934 in Padua, is a leading manufacturer of ski goggles, ski helmets and cycling helmets with five own brands and 22 licensed brands. Safilo had previously delocalised part of its production abroad, seeking to capitalise on low production costs in Eastern European and Far Eeastern countries, specifically China. However, the growing importance of the Made in Italy image, the complexity of controlling offshored activities, and the guarantee of high quality led Safilo to rethink this strategy. Starting in 2016, the company decided to bring production back to Italy, and specifically to Friuli Venezia Giulia. Safilo's factory in Martignacco, with around 250 workers, played a key role in this re-shoring strategy. Safilo has invested in new machinery to enable in-house production, which means that the entire production cycle, from conception to creation to quality control, will take place in Italy.
The company has also initiated training courses for workers, aiming to equip them with the necessary skills to manage all stages of production. This increase in flexibility is considered

essential to remain competitive in the market. Safilo, had the goal of reversing production percentages from 30% domestic to 70% foreign production by the end of 2020 (Bennewitz S., 2016).
In summary, Safilo's re-shoring process involves returning part of production from abroad to Italy, exploiting the positive image of Made in Italy and investing in new technologies and worker training to ensure product quality and competitiveness.

Gta Moda, founded in 1955 by the Tognolo family near Padua, has always been considered one of the most famous men's trousers manufacturers in Italy and in the world. In 2014, Alberto Badan, the head of Venetwork took over the majority shares of the company, for a total investment of about 70% of the capital, with 30% remaining with the founders, the Tognolo brothers. From this moment on, Sartoria began a process of innovation and continuous change, maintaining the quality of production and Italian tradition. The goal was to return to production in Veneto, moving part of the production, previously relocated due to high labor costs, from Romania to Tencarola (Padua). The relocation to Tencarola has therefore relocated about 40 jobs, and since it was a partial restructuring, part of the production will still be active in Romania (Vallin E., 2016). Gta Moda in this choice wanted to emphasize the importance of Italian quality, which brings greater competitive advantages to address not only domestic but also foreign demand. Analyzing the current marketing policy, you can perceive how Gta Moda wants to increase the number of multi-brand retailers both in Italy and outside our borders; the current reference markets are Italy, Japan, Korea and Benelux, but there are also attempts to introduce this brand in Germany, France, Spain, Denmark and Sweden. The company has a turnover of about 6.5 million euros per year, of which 50% in Italy and the rest abroad.

Prada, the luxury fashion brand made an ambitious announcement, in 2014 regarding its plans to invest in four new factories in Italy. These investments were focused on the regions of Tuscany and Marche with the aim of bringing back a portion of production to Italy. The objective was to improve responsiveness and maintain control over product quality by adopting the concept of re-shoring. Patrizio Bertelli, Pradas CEO emphasized the importance of passing down production expertise to generations and highlighted that Made in Italy is more than a label, it represents generations of craftsmanship (Ferraino G., 2014).
Since 2014 Prada has continued to expand its presence within Italy through initiatives and the establishment of factories. The company has made investments in expanding production facilities in Tuscany and Marche which have led to an increase in employment opportunities and improved

technical training through the Prada Technical Academy. This strategic decision of bringing part of production to Italy has allowed Prada to preserve and enhance its heritage as a symbol of craftsmanship while ensuring high quality production within the country. Simultaneously the brand has continued its expansion by opening stores worldwide solidifying its position as a leader, in the luxury fashion industry.

In 2016, Nicos International S.p.A., a company specialising in solid surface, part of EUROPAK S.p.A., and owner of the Mineralmarmo, Cristalplant and Ceramilux brands, was experiencing steady growth in revenues, which had exceeded €20 million in 2015. The company had received orders for 60,000 units of shower trays to be delivered by 2020, reflecting a solid growth outlook. In the current environment, Nicos International continues to record stable demand for its solid surface products, with a particular focus on shower trays. The company successfully completed the back-shoring process of the automated business unit that produces shower trays, moving production from the former site in Bulgaria to Italy. This move has enabled Nicos International to guarantee fully made in Italy production of shower trays, meeting customers' quality and delivery time requirements (E.N., 2016).

International continued to increase its exports and expand into new geographic areas, including the United States, maintaining its position as a leader in the solid surface industry (Mandurino K., 2016).

This back-shoring strategy, along with automation and international expansion, has helped sustain Nicos International's continued success in the global markets for advanced composite materials for bathroom furnishings.

Switzerland was the country that hosted the financial department of the fashion house Giorgio Armani because it enjoyed a tax system particularly convenient for the Milanese company. In fact, the latter had muffled the off-shoring strategy in 1996, because in Italy there was a high taxation. The Swiss branch of the company concerned only administrative activities and not production activities. In 2016, the company decided to reduce costs, and, in addition, there were also legislative changes in Switzerland. The legislative changes concerned taxation that increased, and this decreased the attractiveness of the area, hence the decision to re-shore. Faced with this decision, of the 110 employees of the Armani Swiss Branch, fewer than 10 remained in Mendrisio, while about 60 accepted the transfer to Milan. For those who have moved to Italy, wage conditions have been aligned with those in Italy, resulting in a significant reduction in wages, from about 4000 euros per month to no more than 1500 euros (Zantonelli F., 2016).

3.3 Discussion of re-shoring motivations for the 15 Italian companies

As could be seen from the previous paragraph, each of these companies decided to apply the re-shoring strategy for various reasons. In the table below (Figure 17), there are listed all the factors that prompted the companies to return to Italy versus staying in the country where they had been off-shoring. Next to it are the percentages representing the ratio of the number of companies, which moved part or all their operations to a particular foreign country out of the total number of companies in the sample.

Figure 17: Motivations for re-shoring

MOTIVATIONS FOR COME BACK TO ITALY	%
Made-in effect	55%
Know-how in the home country	18%
Labour costs	9%
Corporate social responsability and image	5%
Implementation of strategies based on product/ process innovation	27%
Loyalty to the home country	9%
Untapped production capacity	14%
Automation of production process	18%
Economic crisis	5%
Change in total costs of sourcing	9%
Delivery time	18%
Exchange rate risk	5%
Logistics costs	9%
Poor quality of offshored production	14%
Firm's global reorganization	5%
Increased home country manufacturing productivity	5%
Need for greater organizational flexibility	14%
Offshored activities' control complexity	9%
Labour costs' gap reduction	5%
Proximity to customers	5%
Retailer/customer pressure	5%
Changes in taxation	5%

Source: based on European Reshoring Monitor, 2018.

Upon examining Figure 17 it becomes apparent that the largest percentage corresponds, to the made-in effect with a weight of 55 %. This factor serves as a motivation behind the adoption of re-shoring strategies, particularly in sectors like fashion and furniture. However, it's important to note that since the sample is limited to companies this outcome could largely be attributed to the Made in Italy concept.

For brands such as Benetton, Falconeri, Diadora, Iccab, catering to a discerning mid to high end clientele this label holds significance than indicating origin. For customers it acts as a factor in their purchasing decisions. The Italian provenance symbolizes quality craftsmanship, attention to detail and distinctive design aspects, highly sought after by mid to high end customers. Craftsmanship has an influence not, in the fashion industry but also in the furniture sector. Companies such as Natuzzi, renowned for their furniture production, recognize and embrace the importance of this influence and consider materials as an element, in their approach. This notion aligns with research, by Di Mauro

et al. (2018) highlighted in Chapter 2 that emphasizes the importance of the "Made in Italy" label. Such an attribute can greatly influence customers perception of product value and their willingness to invest in them.

In fact, this concept was explained in chapter 1, through the study of Fratocchi *et al.* 2015, which highlights how important is the perceived value from the customer and how it plays a key role in the decisive process. One important factor is know-how, in the company's home country, which makes up 18% of the motivations. This motivation is closely linked to what Dunning's eclectic paradigm refers to as property advantages, as discussed in Chapter 1 (Kamiltaylan, 2015). Property advantages include the unique resources, skills, and abilities that a company possesses giving it an edge. In the manufacturing sector, for example in companies like Prada, know-how includes technical knowledge, design, craftsmanship and innovation. These aspects are part of their property advantage. When an Italian fashion, furniture or food firm decides to bring production to its home country, it often does so to exploit the expertise available there. These deeply rooted skills, in their home country contribute significantly to their ability to create high quality products, stay up to date with fashion trends and develop production processes, and consequently satisfying its customers. Indeed, it is interesting to note that 14 % of the companies included in the investigation decided to bring back production because the products do not meet the demanding quality standards expected by the final consumers (poor quality of offshored production). As in Figure 18, companies such as Falconeri, Bomboogie, Natuzzi, Icaab, Safilo, etc. report this motivation, and it can also be linked in part to the concept of made-in effect and the know-how of the home country. In the Industry 4.0 era, the implementation of strategies based on product and process innovation (27%) is closely linked to automation (18%) playing a role in this evolution. Companies such as Natuzzi, GTA Moda, and Diadora have embraced the synergy between innovation and automation in their strategies to bring business back to their home countries.

With the emergence of technologies such as artificial intelligence, manufacturing has undergone a significant transformation. Automated machinery has become increasingly self-sufficient, performing tasks that were previously handled by operators. The importance of these two drivers, was already underlined by Fratocchi *et. al* 2015, in the study on the motivations that push companies to apply re-shoring strategies, when there is interaction between internal environmental and cost efficiency. An example is Diadora that has invested in both completely new and latest generation machinery, for the new line to be produced in Italy and to have a product completely Made in Italy. This change has led humans to become more involved in the control and programming of machines rather than in the assembly of products.

From a cost point of view, companies have realized that investing in cutting-edge machinery, while requiring an initial financial investment, is cheaper than relying on labor from low-cost countries. This transition not only improves production efficiency, but also reduces dependence on external work. At the same time, automation in turn can also affect delivery times (18%). GTA Moda has implemented automated equipment for cutting and sewing fabrics, ensuring accuracy, and reducing not only production time, but also delivery time, so that it can distribute to all its markets.
For example, Nicos International, in the furniture manufacturing sector, has also adopted a strategy that uses automation to accelerate furniture production and ensure deliveries; in fact, delivery times have fallen from 4 weeks to 2 weeks. In essence, companies like Natuzzi, GTA Moda and Nicos International perfectly blend product/process innovation with automation. This collaborative approach improves product excellence. It also enables faster order fulfillment. By combining these elements, these companies remain competitive in the market by providing first-rate products that satisfy customers. Indeed, in Figure 18, it shows that some of these companies have the same reasons for reselling.

Figure 18: Motivations aggregated by company.

Company	Motivations
Bomboogie	Made-in effect, know-how in the home country, Labour costs
Diadora	Made-in effect, Corporate social responsability image, implementatio of strategies based on product-process innovation
Benetton	Made-in effect, implementation of strategies based on product- process innovation, loyality to the home country
Natuzzi	Made-in effect, Automation of production process, implementation of strategies based on product-process innovation, untapped production capacity
Martini & Rossi	Economic crisis, untapped production capacity
Iccab	Made-in effect, Automation of production process, change in total costs of sourcing, delivery time, Exchange rate risk, logistics costs, loyality to the home country, Poor quality of offshored production
OVS	Governament support to relocation
Falconeri	made-in effect, poor quality offshored production
Safilo	Made-in effect, firm's global reorganization, Increased home country manufacturing productivity (e.g., in US), need for greater organizational flexibility, Offshored activities' control complexity, untapped production capacity
Piquadro	Made-in effect, change in total costs of sourcing, delivery time, labour costs' gap reduction, logistics costs, need for greater organizational flexibility, poor quality of offshored production, untapped production capacity
GTA Moda	Made-in effect, automation of production process, implementation of strategies based on product-process innovation
Ciakroncato	Made-in effect, implementation of strategies based on product-process innovation, know-how in the home country
Prada	Made-in effect, delivery time, know-how in the home country, need for greater organizational flexibility, offshored activities' control complexity
Nicos International	Made-in effect, automation of production process, delivery time, implementation of strategies based on product-process innovation, know-how in the home country, Proximity to customers, retailer customer pressure (e.g., Wall-Mart)
Giorgio Armani S.p.A.	Changes in taxation, labour costs

Source: based on European Reshoring Monitor, 2018.

In our sample, three other noteworthy factors emerge that are closely related to product delivery time. These factors include the: need for greater organizational flexibility (14%), complexity in

controlling offshored activities (9%) and logistics costs (9%). The logistics and distribution components are increasingly required to meet high quality standards, allowing goods to travel more safely and under control. This, on the other hand, implies an increase in costs, and for companies it becomes less and less convenient to transport their products from faraway places to shops. Interestingly, companies such as Safilo, Prada, and Piquadro chose to adopt the strategy of re-shoring from China (see: Figure 16) mainly for these reasons. Figure 19 provides an overview of the relocation destinations chosen by the companies sampled. In this case, however, OVS was not included because we have no information about the country in which it off-shored.

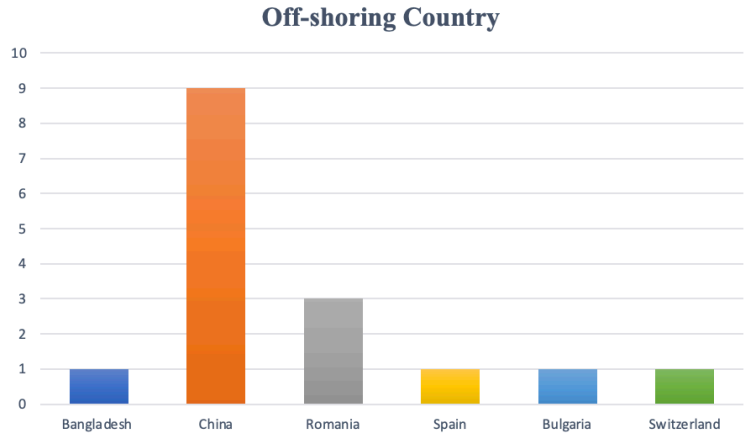


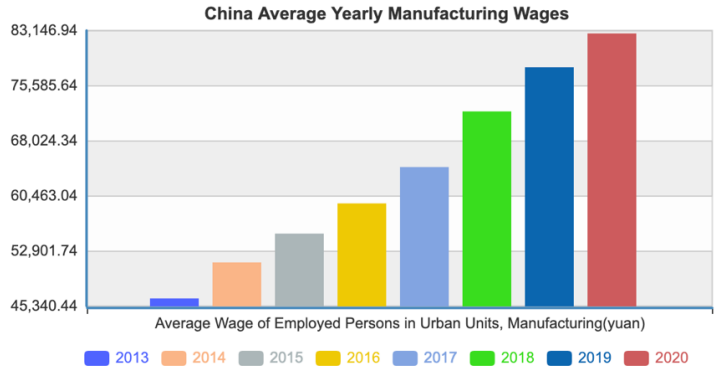
Figure 19: Off-shoring country

Source: based on European Reshoring Monitor, 2018.

In today's supply chain, companies need to be flexible to be successful. Prada is an example of this. The company understands the importance of responding to customer demands and adapting to changes in fashion. To achieve these goals and at the same time improve cost efficiency, Prada has made changes. In 2014, it decided to stop producing its products in China, investing instead in four factories in Italy. This strategic change not only simplified production management, but also helped to optimize inventory and reduce logistics costs. By becoming more agile, Prada is now better able to respond to fashion trends. It can introduce styles and product variations in a timely manner, ensuring that it meets customers' needs without overproducing or facing product shortages. This has improved the company's efficiency, allowing it to allocate resources and costs more effectively. Safilo, for example, had previously moved its manufacturing operations to China. However, managing operations remotely posed challenges in terms of supervision and maintaining product quality. This obstacle prompted the company to reconsider its approach, eventually deciding to change its strategy and move its operations back to its home country in 2016.
The change focused first and foremost on the production aspect, and consequently on optimizing the costs of the entire process. Furthermore, by using all Italian materials in the production of their

articles, the company was able to reduce the delivery time of raw materials. In addition, some of the reasons why companies have chosen to return to their home countries are to reduce the labor cost gap (5%) and to increase labor costs (9%), as in the case of Armani and Bomboogie. By the term "labor cost gap," we mean the differences in hourly labor costs between countries around the world. Among the companies in the sample, those that mentioned the labor cost gap had production facilities mainly in China, but also in Bangladesh and Romania (see: Figure 16). In 2015, labor costs in China's manufacturing sector were about $5/hour. In Italy, in 2016, the labor cost was 27.55 euros/hour (Istat, 2019). Lately, however, there has been an increase in labor costs in developing countries, especially in China, this change has also emerged in Chapter 2 through the study emerged from Sirkin *et al.,* 2014. In fact, it is noteworthy that in 2019-2020, labor costs in China surged as influenced by COVID-19. Figure 20shows the trend of labor costs in China in recent years.

Figure 20: China Average Yearly Manufacturing Wages

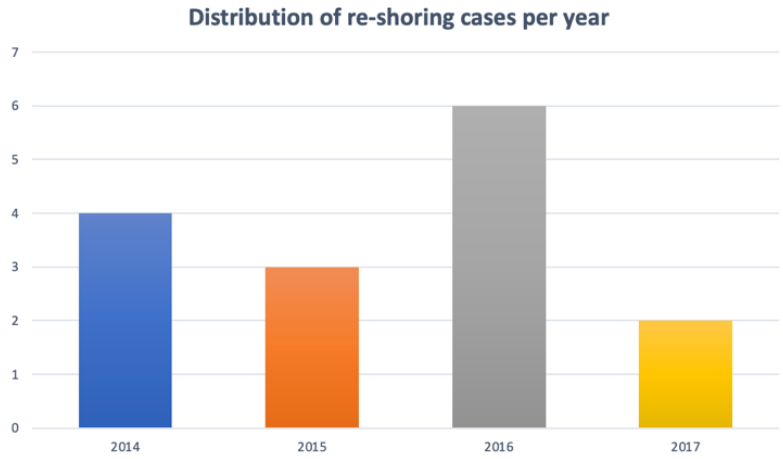


Source: China National Bureau of Statistics, 2020.

As Figure 20 shows, wages and, consequently, labor costs have been rising steadily. The main explanations are as follows: the number of skilled workers in China has declined, which has led to the rise in wages; in January 2008, the Chinese government introduced the national minimum wage, which is an additional obstacle to low wages; employers are obliged to enter long-term labor contracts and pay contributions to employees. Labor costs in other Southeast Asian countries have also risen increasingly over the years. This is because inflation is under control and productivity is rising steadily. Labor costs taken in isolation, as seen in Chapter 1, are not a sufficient variable for determining firms' location choices but must be analyzed together with other factors such as productivity. In addition, The concept of labor costing extends beyond considering personnel or production expenses. Lets take the example of Armani. Initially Armani had outsourced the management of his company to Switzerland. However, he eventually made the decision to bring this aspect back, to Italy for two reasons; labor costs and tax modifications.

The main factor that influenced the choice to return to Italy was the rise in employee wages due to changes in taxation, within the country where they were operating. Consequently, the company found itself burdened with fixed costs and taxes that were no longer sustainable and did not allow for cost optimization as before. Figure 21 shows the time distribution of re-shoring phenomena in the analyzed sample.

Figure 21: Year of reshoring



Source: based on European Reshoring Monitor, 2018.

We can see the changing trend of re-shoring, among the 15 companies we analyzed. All these companies decided to adopt the re-shoring strategy between 2014 and 2017. In the two years 2014-2015 we noticed an even distribution of cases. However, in 2016 there was a surge with six companies opting to bring their production to Italy. Interestingly most of these companies had previously halted production in China (see: Figure 16). Probably this is connected to the increase of the labor cost and from the facilitations of the host country not more convenient. The decision to bring production back, to Italy by the company Martini & Rossi was influenced by factors, including the economic crisis in the European market. Previously they had been producing in Spain. However due to a decrease in the consumption of beverages in Italy and available production capacity in their home country, they decided to relocate production to Italy. This move aimed at supporting the economy and mitigating the crisis in the market, while also benefitting from the positive association with "Made in Italy."

3.4 Conclusion

This study analyzed the phenomenon of re-shoring in Italy in the manufacturing sector, specifically fashion, furniture and food. Fifteen Italian companies that have applied re-shoring strategy in the last 10 years were sampled. The questions that were asked at the beginning of the chapter, were

formulated to clarify what the aim of the thesis was: identify companies that have completed or not re-shored.

1. How many of the 15 Italian companies analyzed successfully completed the re-shoring process?

The research conducted on a sample of 15 companies showed that 14 of them have completed the re-shoring process. Among the group of companies analyzed, 12 opted for partial re-shoring, i.e. they brought back part of their production to their country of origin, while maintaining other production facilities in the countries to which they had previously relocated. Falconeri and Martini & Rossi, on the other hand, opted for a total re-shoring approach, bringing all production back to the country of origin and opting for in-house domestic production. As far as OVS is concerned, there is currently no data confirming or denying the implementation of a re-shoring strategy. However, some information suggests that OVS might soon implement the re-shoring strategy due to its intention to produce high quality cotton in Italy. This could indicate an intention to centralize the production process within its own factories in-house manufacturing).

2. What are the key factors that helped guide some of the companies toward completing the re-shoring process, while others gave up or encountered difficulties?

Based on the data collected, we found that all companies, except OVS, successfully completed the process of relocating their operations to their home country. In the European Reshoring Monitor database, OVS stands out for citing only one reason for re-shoring: "government support for relocation". However, this reason alone may not be sufficient to justify moving production entirely or partial to the home country. It is possible that if there is a right trade-off between cost-efficiency and customer perceived value, labour costs compared to the country of origin and automation of production processes, re-shoring may not be an advantageous decision. This might explain why OVS did not choose this strategy. On the other hand, most of the companies that successfully carried out re-shoring emphasised factors such as: the made in effect, know-how in the home country, implementation of strategies based on product/ process innovation, automation of production process, Delivery time and poor quality of offshored production.

3. What are the differences, in outcomes and impacts, between companies that proceeded with re-shoring and those that did not? What strategies did these companies employ to implement re shoring both for those who persisted with the process and those who abandoned it?

To answer this question, we analysed the annual turnover of each company in the sample. We took a time interval comprising the years in which more or less all the companies applied this strategy. We created an excel chart (see: Table 1), which allowed us to draw our conclusions.

Table 1: Sales turnover of companies between 2015-2020 (in thousand $)

Company	2015	2016	2017	2018	2019	2020
Diadora	144.432,38	160.771,26	194.354,89	192.590,24	189.513,06	170.177,81
Benetton	1.283.881,79	1.180.710,02	1.227.008,32	1.095.395,04	985.817,47	680.271,18
Martini & Rossi	317.860,57	312.975,91	295.666,41	427.270,03	474.426,86	577.464,56
Iccab	26.410,32	26.540,42	33.065,76	32.343,71	33.115,14	21.524,05
OVS	742,72	1.440,87	1.465,50	1.900,55	1.673,98	1.519,40
Falconeri	74.980,93	72.950,06	93.133,06	113.681,84	110.555,12	135.639,33
Safilo	692.510,05	704.073,15	763.104,72	694.825,28	740.587,87	586.715,44
Piquadro	72.310,19	78.910,55	81.157,54	120.286,29	165.684,72	166.779,88
GTA Moda	7.752,32	7.147,40	7.035,85	7.520,71	7.645,66	8.782,99
Ciakroncato	42.137,45	40.988,72	42.896,26	42.442,34	48.039,38	18.891,40
Prada	4.015.193,88	3.874.165,96	3.424.466,63	3.597.761,27	3.623.631,83	2.972.941,33
Nicos International	20.031,24	18.101,14	25.435,68	29.291,31	29.905,42	32.673,98
Giorgio Armani S.p.A.	1.852.586,98	1.766.697,21	1.818.013,43	1.558.730,51	1.592.797,88	1.345.882,51
Natuzzi	531.804	481.953	471.551	490.677	434.713	402.909

Source: based on Orbis, 2023.

Based on the sales analysis presented in Table 1 it is evident how this strategy impacted the revenues of each company both positively and negatively. Let's take Diadora as an example to illustrate this. In 2017 they decided to relocate a portion of their production, to Italy and introduce a line called "Collabo". This line focused on creating limited edition sneakers producing around 300 400 pairs per model (Cassola P., 2015). While this strategy seemed promising due to its factor once the production facility was operational there was a decline in revenue. This was because these shoes were priced higher than the shoe lines, making it impossible to recover the costs invested during production. Essentially this situation highlights how consideration of costs and benefits when bringing part of the production back, to the country of origin does not yield desired outcomes. In this case we are faced with a failed re-shoring.

A similar situation occurred with Benetton. Starting in 2016 they initiated a process of re-shoring. Relocated a portion of their production to Italy focusing on producing a high-quality jumper called "TV 311000" with the "Made in Italy" label (Ganz B., 2016.). The establishment of a factory for producing this jumper and the need, for sourcing quality raw materials may have resulted in higher costs, than initially anticipated. Consequently, the jumper was priced higher compared to the clothing items, for sale, at Benetton. However, it appears that this approach did not yield the anticipated level of success. This could be attributed to the possibility that the target market did not view the price favorably or there might have been a discrepancy, between consumer expectations and their actual perception of the products value. Furthermore, introducing the "TV 311000" jumper as an offering from Benettons products may have impacted demand resulting in lower consumer adoption. This scenario underscores the significance of planning and a comprehensive

understanding of market dynamics and costs when executing a reshoring strategy and launching a product to market.

A different scenario we see in Nicos International embarked on a re-shoring initiative starting in 2016 that demonstrated deliberation and planning. Although only partial re-shoring was undertaken the company conducted an evaluation of the market. Devised an overarching strategy accordingly. As part of this strategy substantial production was relocated to Italy accompanied by investments, in a state-of-the-art production facility and cutting-edge machinery. The company has focused its production on shower tray units, taking full advantage of the "Made in Italy" and benefiting from the exploitation of raw materials on site. This strategic positioning has enabled Nicos International to reduce delivery times, and benefit from the automation of applied machinery, greatly improving production efficiency.

Moreover, the decision to maintain part of the production in Bulgaria was supported by an accurate calculation of the competitive advantages and associated costs. This strategic distribution of production allowed the company to capitalize on the know-how of the home country, while making the most of the resources available in Bulgaria.

The result of this re-shoring strategy was a gradual but steady increase in earnings and sales revenue. The company has demonstrated wisdom in the approach to re-shoring, capitalizing on the added value of high-quality products, improving operational efficiency, exploiting local expertise in their respective production countries, and optimizing the use of raw materials available in-house.

Always focusing on Figure 19, it denotes as Martini & Rossi and Falconeri, are the only companies that from 2015 until 2020 have had a growing turnover, except in the year following the choice to implement the strategy of re-shoring. The latter, despite operating in two different manufacturing sectors, have decided to make a complete re-shoring of the production apparatus, moving production completely in-house.

Both companies have successfully implemented this reshoring strategy thanks to an in-depth management analysis that has guided their decisions. The company managers carried out a careful evaluation of the benefits inherent in in-house production, thus ensuring total control over the production chain. They have also identified and acquired the most appropriate raw materials for the creation of high-quality final products, labelled with the prestigious “Made in Italy”, thus meeting the expectations of customers.

The ability to determine the right price positioning, covering both raw material and labour costs, was fundamental. This approach has led to reduced delivery times, improving overall operational efficiency, and enabling companies to efficiently manage production and raw material quality.

Moreover, both companies have been able to fully capitalize on the positive image associated with the “Made in Italy” brand, exploiting the prestige of Italian quality to obtain a tangible competitive advantage. These examples clearly demonstrate how a total re-shoring, when carefully planned and based on in-depth cost assessment and ownership advantage, it can result in sustainable success and a distinctive competitive advantage in global markets.

Table 2: Summary table of the 15 Italian companies

Company	Partial or Total reshor	Offshore location	Reshored country	shored Business Funct	Year of reshoring	Re-shoring completed	Re-shoring results
Diadora	Partial	China	Italy	Production	2017	Yes	Negative
Benetton	Partial	Romania	Italy	Production	2016	Yes	Negative
Natuzzi	Partial	China - Romania	Italy	Production	2017	Yes	Negative
Martini & Rossi	Total	Spain	Italy	Production	2016	Yes	Positive
Iccab	Partial	China	Italy	Production	2014	Yes	Negative
OVS	Partial	n.a.	Italy	Production	2016	No	-
Falconeri	Total	Romania	Italy	Production	2015	Yes	Positive
Safilo	Partial	China	Italy	Production	2016	Yes	Negative
Piquadro	Partial	China	Italy	Production	2014	Yes	Positive
GTA Moda	Partial	Romania	Italy	Production	2014	Yes	Positive
Ciakroncato	Partial	China	Italy	Production	2015	Yes	Positive
Prada	Partial	China	Italy	Production	2014	Yes	Negative
Nicos International	Partial	Bulgaria	Italy	Production	2016	Yes	Positive
Giorgio Armani S.p.A.	Partial	Switzerland	Italy	Financial	2016	Yes	Negative
Bomboogie	Partial	Bangladesh and China	Italy	Production	2015	Yes	Negative

Source: based on European Reshoring Monitor, 2018.

Thus, comparing the results that emerged from our analysis and the literature in the previous chapters, we can state that:

Dunning’s Oli paradigm is proven because it offers a framework to understand why certain Italian companies, like Martini & Rossi and Falconeri have decided to bring their production to Italy. These companies highly value the presence of skills and resources in their home-country suggesting that they believe direct control over resources and talent in Italy is crucial for the success of their manufacturing operations. This decision aligns with the concept of “ownership advantage" as defined by Dunnings OLI paradigm. In summary Dunnings OLI paradigm provides a way to analyze choices made by firms in re-shoring focusing on the importance of owning essential resources as the primary motivation, behind this approach.

Our study, in line with the results of Fratocchi's (et al. 2015) study in the first chapter, revealed that the reasons for re-shoring are consistent with the theories proposed by Fratocchi. However, it is crucial to note that it is difficult to draw conclusions as to why many companies have not completed the re-shoring process. This can largely be attributed to different business circumstances. A deeper analysis reveals that the failure to complete re-shoring in some companies can be traced to an incorrect assessment of the total cost of ownership. In cases such as Diadora, Benetton and Natuzzi, the reasons for re-shoring turned out to be unfounded once implemented due to inaccurate cost-

benefit calculations. In addition, a wrong strategy adopted, such as introducing exclusively Italian production lines only for a certain product, while keeping other production apparatus abroad, did not allow the re-shoring process to be completed. However, this approach can lead to management complexity and high costs associated with coordinating two plants in different countries. As a result, it becomes difficult to capitalize on the "made in Italy" advantage and ensure coordination within the value chain.

CONCLUSIONS

The present study has set itself the objectives of analyzing in general the re-shoring phenomenon, its peculiarities and dimensions in Europe and possible developments in Italy. This is useful to understand whether this phenomenon is only temporary or whether it is a sign of a historical period in which it is less and less convenient for companies to delocalize their production activities to foreign countries far away from their country of origin. The research carried out achieved its objectives, as it was found that the phenomenon is widespread nowadays and deserves in-depth study to fully understand the motivations and advantages that companies obtain from it.
Furthermore, it was observed that most of the companies involved in the re-shoring phenomenon in Italy belong to the following sectors: clothing, food, and furniture.
The research conducted on a European scale, in chapter two, showed that most re-shoring cases are affecting Western countries, such as the United Kingdom, Italy, France, etc.
To fully understand how this type of phenomenon can be applied to the business context, in-depth research was conducted on fifteen business cases of Italian companies operating in the manufacturing sector, specifically fashion, furniture, and food, that decided to re-shoring.
The business cases analyzed made it possible to apply the theoretical aspects, examined in the first chapter, to the reality of the companies under analysis. The companies, therefore, represent the “sample” of the research and specifically the following companies were examined: Diadora, Bomboogie, Benetton, Martini & Rossi, Iccab, OVS, Falconeri, Safilo, Piquadro, GTA Moda, Ciakroncato, Prada, Giorgio Armani S.p.A, Nicos International, Natuzzi.
The latter were selected to represent a reliable and representative 'sample' for our analysis as they belong to the same sector, i.e. manufacturing, but each one differs in size, customer segment and type of production.
Furthermore, the researchers examined the driving forces behind each company's actions to gain an understanding of the advantages and drawbacks they encountered in relation, to their business operations.

The motivations that prompted the companies to perform re-shoring activities were studied in the first chapter and later reflected in the business cases on a practical level.
Figure 3, taken from the study by Fratocchi et al. 2015, shows all the motivations for a company to perform re-shoring activities, of which only a few were empirically confirmed by the cases analysed in our paper.
With the research carried out on the fifteen company cases, it was shown that the main drivers for a company to engage in re-shoring activities mainly fall into two categories:

- managerial errors (e.g. hidden cost calculation errors, re-shoring done in a hasty manner);
- strategic decisions, which affect both the internal environment (innovation within the company, access to physical resources, etc.) and the external environment (labour cost gap, made-in effect).

According to the sample taken into consideration in the analysis carried out in this paper, the main problems that push companies to re-shoring activities are those related to the complexity and flexibility of the supply chain, the reduction of labour costs in China and the decline of their brand image after the delocalization of their production activities to a different country far away from the country of origin of the company, thus losing the made-in Italy.
The companies analyzed, although they belong to the manufacturing sector, operate for a different product; therefore, they present heterogeneous problems that led them to carry out re-shoring activities. Furthermore, a key finding that arose from our analysis and played a role, in determining the completion of the shoring project is that a majority of the companies opted for partial re shoring. In words than relocating their entire production infrastructure back, to the home country they only transferred a portion of it. For example,
Benetton and Diadora, did a partial re-shoring, transferring only part of the production to Italy to put some completely made-in-Italy products on the market, Benetton had started production of the jumper TV31100, while Diadora a line of shoes called 'collab' also with complete production in Italy. Both two companies completed the re-shoring process, but made a loss on turnover, as there were initial managerial errors in the cost calculation and initial strategic decision-making, such as access to physical resources and innovation in the automation process.
Whereas in the case of Martini & Rossi and Falconeri, which did a total re-shoring, the drivers that led them to apply this strategy were successfully confirmed, since no managerial errors were made in the calculation of costs and in the procurement of resources, and the strategic decision-making process was carried out in the right way, identifying the right drivers, such as made in effect, procurement of resources and home country know-how. The case analysis also showed that OVS was the only one to indicate only one reason for re-shoring: government support. However, this

single reason may not provide justification to support the decision of partially moving production. It could be that, in the presence of an appropriate balance between cost efficiency, perceived customer value, labour costs compared to the home country and process automation, re-shoring might not be a profitable decision. This might explain why OVS did not choose this strategy.

Thus, through our study, it emerged that Dunning's OLI paradigm offers a valid explanation for the re-shoring of some Italian companies, such as Martini & Rossi and Falconeri, which attach great importance to the direct control of resources and skills in Italy. This agrees with the concept of 'ownership advantage' of the OLI paradigm. Our research confirms Fratocchi's theories on the reasons for re-shoring. However, many companies did not complete re-shoring due to incorrect assessments of total costs. Furthermore, strategies such as the introduction of exclusively Italian production only for certain products can lead to management complexity and high costs. In general, re-shoring is a complex decision influenced by several factors, but the direct control of resources in Italy is a key motivator, as suggested by Dunning's OLI paradigm.

In addition, global circumstances, such as the Covid 19 pandemic and the conflict between Russia and Ukraine, highlighted the importance of re-shoring. The pandemic underlined the need for production facilities to respond quickly to emergencies, such as mask shortages. Likewise, the ongoing conflict, between Russia and Ukraine has led to political uncertainties. As a result, there is a possibility that re shoring could become more prevalent in areas, near the affected regions.

Looking forward, there could be cases where companies opt for re-shoring of companies, which own production assets in unstable regions. Based on this analysis, it is evident that, although the Italian manufacturing sector has taken steps to bring production processes back within its borders, it still lacks the automation to facilitate a smooth and seamless transition to re-shoring. This emphasizes the need for companies to consider not the expenses and advantages but to allocate resources, towards automation technologies and strategies to enhance the competitiveness of local manufacturing. This way they can maximize the outcomes of re-shoring efforts and fully enjoy the benefits of products that bear the "made in Italy" label. The adoption of automation could have promising prospects for the Italian manufacturing sector, providing greater flexibility in re-shoring production processes within the country while maintaining high quality standards.

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