

# Chapter 11

## Relationship Between the Relocation and Operation of Global Firms

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### ABSTRACT

*The authors address the importance of the operation of manufacturing networks in order to explain why a company brings its previously offshored facilities back. Fundamentally, this chapter stresses the relevance of network operations in the context of relocation, and hence, the linkage of network-manufacturing capabilities to the reshoring phenomenon. First, it focuses on investigating the relevance of strategic objective of international manufacturing to the management/network operations of international manufacturing network (IMN). Second, it explores the role of strategic capabilities of network-manufacturing on the phenomenon of reshoring. The empirical foundation of this research builds on data from multiple in-depth interviews at companies' headquarters in Spain and Sweden. The results showed the relevance of strategic capabilities of network-manufacturing to reshoring. The authors also provide the guidance for decision making in the operation of international manufacturing.*

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## INTRODUCTION

Since the mid of twentieth century, manufacturing offshoring has renowned as a strategy for achieving competitive advantage. In recent decades, manufacturing in offshore facilities faced increasing pressures from changes in the cost structure, customer patterns, supplier's policy, host regulations, etc. (Tate, 2014). Thus forcing companies to handle complex issues when considering their presence in international manufacturing (Strom & Levy, 2013). Research on the importance of operation of global firms can help to gain insights into how to manage activities in dispersed facilities and how the network-related advantages are achieved through the operation of international manufacturing network. A manufacturing network is defined as a group of globally dispersed facilities of one multinational corporation that delineates a certain style of organisational structure for the whole network and holds responsibility and control over those facilities (Cheng et al., 2015; Colotla et al., 2003). Management of activities in international manufacturing network plays an important role in the performance and profitability of global companies (Ferdows, 1997). Research has validated the contribution of network coordination to attain competitive advantages of international manufacturing. It has also suggested that strategic objectives, such as competitive priorities of manufacturing in globally disperse facilities, are highly important for setting and implementing global manufacturing strategy. Meanwhile, the impact of such strategic objective/s on management of global operation is still unexplored, especially for determining the mechanisms of coordination.

Aside from the management of global firms, over the last ten years, the phenomenon of relocation of dispersed facilities has attracted attention from both the researchers and practitioners. Popular press have highlighted that several firms are facing challenges in operating their dispersed facilities (e.g. Wilkinson et al., 2015). Research on relocation or reshoring generally focuses on perspectives external to the firms in order to explain why a company brings its previously offshored facilities back. Specifically, research has mainly focused on its reasons which are mostly linked to economic factors; for instance, increased cost structure, lack of skilled human resources, product quality etc. (Foerstl et al., 2016; Fratocchi et al., 2016). However, in this context elements relating to the operation of dispersed facilities (for instance, capabilities of network manufacturing) have been less investigated and this work addresses that gap. Accordingly, this chapter stresses the relevance of global operation to the phenomenon of manufacturing relocation.

The remaining part of the chapter proceeds as follows. Next section illustrates relevant literature on manufacturing strategy and theoretical perspectives of reshoring is reviewed in order to show what research has been done. The third section is concerned with the methodology used for this study. In addition, this section introduces the conceptual framework. At the end of this section, a brief overview of studies cases are illustrated. Next section present the cross-case analysis in tabulated form, and discussion on network-manufacturing capabilities is carried out. Then we analyze the impact of strategic objectives (first research question) and relevance of operational issues to reshoring (second research question). Finally, we conclude this chapter by discussing our results and implications.

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