GLOBAL SOURCING TRENDS – CHANGES ON SOURCING STRATEGIES THROUGH THE YEARS

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Global Sourcing Trends – Changes on Sourcing Strategies Through the Years

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Global Sourcing has become one of the most important strategies in purchasing and sourcing since its beginning during the 1960s and 1970s allowing companies to create competitive advantage in a global market, many have been the trends developed especially the ones focused on costs benefits nonetheless, huge global events had had a great impact by emerging new trends with a different focus.

The aim of this study is to analyse how global sourcing strategies have changed during the years and the impact of global events in those strategies. The study identifies trends emerged during the years before and after the global events as well as how their focus and main drivers for companies have changed, moreover it identifies various challenges that companies face in global sourcing.

After analysing the literature chosen for this study, it was found that companies are concentrating more and more in reducing the impact of those global events and looking to implement strategies that contribute to increasing the resilience in their supply chains through collaboration as with external as with internal stakeholders, instead of focusing mainly on reducing costs.
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1. Introduction

In every company’s operation, purchasing tasks are one the most important since according to a study conducted by Mihaly (1999) between 50 to 70 percent of a manufacturing company’s potential value is in purchased items, including service industries where half of their services can be purchased from other organizations hence purchasing play a crucial role in company’s profit while it can be one of the main drivers for a company's survival and growth (Zeng, 2000).

Sourcing is one the key responsibilities within Purchasing department as well as the selection of suppliers, sourcing has become an essential part of a strategic process for organizing and adjusting the value chain. Sourcing can be defined as “the strategic philosophy of selecting vendors in a manner that makes them an integral part of the buying firm for a particular component or part they are to supply” (Zenz, 1994, 120). For organizations, it is crucial for its success since it is focused on establishing long-term business relationships with their suppliers, this is well-known by leader companies which develop relationships and linkages with their stakeholders outside their immediate sphere of influence in order to succeed in their field (Mihaly, 1999) and create competitive advantage.

Moreover, in order to achieve a company’s success, it is necessary to become more global especially for companies producing and selling products worldwide thus globalization has become one of the top priorities and challenges for companies, this has been demonstrated through a survey conducted by the Foundation for the Malcolm Baldrige National Quality Award where it was found that three of the top five challenges faced by chief executive officers (CEOs) are related to globalization while nearly 80 percent mention that reducing the cost and improving the performance of their global supply chains are their main priority and challenge hence through the need of becoming global and getting the benefits of globalization, organizations have opted for global sourcing.

Global Sourcing has been defined by Trent and Monczka (2003, 607) as “the worldwide integration of engineering, operations, logistics, procurement, and even marketing within the upstream approach to purchasing”.

Nonetheless, global sourcing has been a new concept in business since it started with international purchasing. During the late 1980s and early 1990s, research in international
purchasing emerged mainly because of the declining competitiveness of many Western firms following the belief that international purchasing could tackle that decline, most of this research emphasized that its best option to create competitive advantage would be through sourcing offshore due to the highly competitiveness with foreign companies (Rajagopal and Bernard, 1991; Birou and Fawcett, 1993; Kotabe, 1994).

According to various research, international purchasing main outcome is the unit price reduction but not total cost reduction (Petersen, Frayer and Scannel, 2000) and it is seen as a quick strategy to achieve short-term cost advantages without noticing the sustainable competitive advantages that could be acquired from taking longer-term perspective (Murray, 2001), especially in Western companies since they concentrate on searching for the lowest price sources of supply (Alguire, Frer and Metcalf, 1994). On the other hand, some risks are present since there is an extended material pipelines, longer material ordering lead times, relying on new and unfamiliar sources of supply and total costs that could exceed unit costs, different currencies, languages and business practices (Howell and Soucy, 1991; Vickery, Carter and D’Itiri, 1993; Min, 1994; Murphy and Daley, 1994a, b).

Although international purchasing and global sourcing are often terms interchanged, it is crucial to understand the main differences between both since global sourcing is the term used and researched in this thesis. International purchasing is a commercial purchase transaction between a buyer and a supplier located in different countries, by its nature it is a more complex type of purchase than a domestic one due to increased rules and regulations, currency fluctuations and customs requirements while Global sourcing is even more complex since it involves proactively integrating and coordinating common items and materials, processes, designs, technologies, and suppliers across worldwide purchasing, engineering, and operating locations. (Monczka and Trent, 1991)

Global sourcing has become a business strategy especially in the last several decades in companies based in the USA while looking for lower costs of bringing products to the market thus because of this phenomenon many Asian and Eastern European countries have drawn attention because of their cheaper and reasonably skilled labour which result in offering attractive sourcing opportunities (Cho and Kang, 2001).

Its peak was in the 1990s, about $250 billion USD dollars were spent on purchasing products from foreign countries during 1980, excluding services and assets, and this
quantity increased to $937 billion in 1999 (US Bureau of the Census, 1999). In addition, according to research conducted by Cho et al., (2001, 558-559) there has been some countries which offer higher benefits among global sourcing in terms of competitive advantage such as India or China where lower priced goods are accessed, obtaining better value for money and enhancing competitive position whereas Taiwan and Korea in 1970s were known as good sources of cheap labour, they have been substituted by India or China due to their larger populations which provides inexpensive labour. Moreover, there are more countries classified as low-cost producers in different continents such as Brazil, Bulgaria, Philippines, Romania, Thailand and Vietnam (Sollish and Semanik, 2010, 185).

Global sourcing trends have been in constant change starting from international purchasing, outsourcing, offshoring (also called international sourcing) and its varieties such as captive offshoring, nearshoring and reshoring. In the last decade, sourcing strategies have drastically changed especially because of the COVID-19 pandemic followed by the U.S.-China trade war where several supply chain disruptions were present, this has increased the political and competitive pressures for manufacturers worldwide to increase their domestic production, grow employment in their home countries, reduce or eliminate their dependence on sources that represent high risk while rethinking the use of lean manufacturing strategies reducing the inventory held in their global supply chains. (Shih, 2020)

Due to those changes in global sourcing strategies, it can be said that this topic has become of great importance and interest not only of researchers but also leaders in various industries thus it will be studied in this thesis.

1.1 The aim of the study and research questions
This study examines the global sourcing strategies implemented in various industries through the years, from international purchasing to reshoring. The aim is to analyse how global sourcing strategies have changed during the years and the impact of global events in those strategies.

In addition, it is investigated the main drivers and challenges companies face when implementing global sourcing strategies and how they have changed while their motivations to redefine certain strategies in order to increase its competitiveness in the market they operate in.
In line with the aims previously stated, the following research questions are presented:

Main research question (RQ):

> How global sourcing strategies have changed during the years?

Sub-questions:

> What are the main drivers to choose certain sourcing strategies?

> What are the challenges faced when implementing global sourcing strategies?

> What global sourcing trends have emerged through the years?

1.2 Conceptual framework and limitations

The main concepts in this thesis are sourcing, global sourcing, offshoring, nearshoring and reshoring. It is analysed how global sourcing strategies have changed during the years and what trends have emerged after important global events such as COVID-19 pandemic and the U.S.-China trade war while studying what are the main drivers and challenges for companies to implement those global sourcing strategies. The conceptual framework used in this thesis is shown in figure 1.

![Figure 1. Conceptual framework](image)

Because of global sourcing nature and its importance for companies, the main business functions involved are executives (management), purchasing and external stakeholders such as suppliers.
This study focuses on how global sourcing trends have changed through the years and its benefits, challenges and main drivers for companies to choose global sourcing strategies. Moreover, it is emphasized on the new trends emerged after COVID-19 pandemic and the U.S.-China trade war, exploring how global sourcing has changed after these events although those changes are not studied in detail. Furthermore, this thesis is not limited to a specific industry or company as well as it is based on previous research due to the limited time and scope of the thesis. In addition, it is limited to manufacturing and purchasing sourcing thus it does not cover other types of sourcing such as sourcing business services. Although the limitations, it can help to academic future research, and it is informative for corporate decision making to implement global sourcing strategies while providing an overview of the topic.

1.3 Key concepts
To ensure a good understanding of this thesis, it is important to briefly explain the main concepts used and the definitions that will be considered in the study.

Sourcing – Zenz (1994, 120) defines Sourcing as “the strategic philosophy of selecting vendors in a manner that makes them an integral part of the buying firm for a particular component or part they are to supply”.

Global Sourcing – Trent et al. (2003, 607) defines Global Sourcing as “the worldwide integration of engineering, operations, logistics, procurement, and even marketing within the upstream approach to purchasing”.

Offshoring – It is also known as International Sourcing. Nonetheless, in this study, the term offshoring will be the one used. Offshoring is the practise when “private firms or governments decide to import intermediate goods or services from overseas that they had previously obtained domestically. It is therefore about sourcing decisions which can involve imports, displacement of domestic production and associated jobs, and sometimes foreign direct investment (FDI) outflows if sourcing happens from overseas affiliates”. (Sako, 2005, 3)

Reshoring – Also called backshoring, onshoring or back-reshoring, however the term used in this thesis will be reshoring. Reshoring is the opposite of offshoring, Gylling, Heikkilä, Jussila and Saarinen (2015, 92) define it as the “Repatriation of activities or functions from another country to be carried out in-house by a company in its home country”.

Nearshoring – According to Piatanesi and Arauzo-Carod (2019, 813), nearshoring “consists of relocation of previous overseas activities to countries close to the home country to achieve greater control, savings on coordination costs, and time-to-market reduction. Nearshoring focuses on reducing geographical, cultural, and linguistic distances and may be regarded as an intermediate strategy between moving back entire production facilities and keeping them in destination countries”. This activity not only refers to physically moving production facilities but also changing suppliers to the ones geographically closer to the firm.

1.4 Research method
This study aims to create a review of previous research work in order to identify how global sourcing strategies have changed during the years. Due to the nature of the source of data collection, systematic literature review has been chosen as the research method. This research method allows to identify and analyse literature about global sourcing and its strategies while examining the main drivers, benefits and challenges for companies when implementing those strategies as well as identifying what trends have emerged after crucial global events such as COVID-19 pandemic and U.S.-China trade war.

According to Rowley and Slack (2004, 31) “a literature review is a summary of a subject field that supports the identification of specific research questions” while a systematic review is defined by Dempster (2011, 15) as “a comprehensive review of literature which differs from a traditional literature review in that it is conducted in a methodical (or systematic) manner, according to a pre-specified protocol to minimise bias, with the aim of synthesising the retrieved information”. Thus, it becomes more rigorous than a literature review and therefore more reliable.

A systematic literature review involves three major stages: planning the review, conducting the review, and reporting the review (Kitchenham and Charters, 2007; Breretona, Pearl, Kitchenhama, Budgenb, Turnera and Khaliic, 2007). In general, during the planning stage, it is identified the need for a review, present research questions and develop a review protocol. When conducting the review, the main steps are identifying and selecting primary studies, extracting, analysing, and synthesising data. In the last stage, reporting the review, is where the findings from the literature review are reported (Xiao and Watson, 2019, 102). There can be a few differences between various processes, nonetheless in this study the process in figure 2 is the one followed.
The literature review in question was conducted by following the process previously mentioned and collecting literature from SCOPUS and LUT University Primo database using various search keywords.

At SCOPUS, the document type was limited to articles and books, both limited to English language and documents with open access. The year range was limited to 2022 since the search was done in the beginning of January 2023. The data collected was using keywords and combination of keywords using a two-level keyword formulation with the string connector “AND”, “AND NOT” and the connector “OR” for some concepts that also are known with other concepts such as reshoring in order to not miss relevant articles (See table 1 for details).

Keyword combination was searched within article title, abstract and keywords list. In order to find the most relevant articles various Boolean operators and parentheses were used in the search. Furthermore, due to the large number of articles found, different combinations and variations of those keywords were used to narrow down the search as well as to identify the most significant ones for this study. After this, it was found 1289 documents thus, certain subject areas were excluded of the sample since they were not relevant for the study which reduced the sample to 683 documents, and from those the abstracts of each
were reviewed then full-text was as well reviewed reducing the amount of the sample to 97 which will be analysed in this thesis (See appendix 1a).

Table 1. Strings used for keyword sample

<table>
<thead>
<tr>
<th>Sample generation</th>
<th>Documents</th>
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<tbody>
<tr>
<td><strong>Keyword combinations</strong></td>
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<tr>
<td>Global AND sourcing OR offshoring OR reshoring OR nearshoring</td>
<td>1226</td>
</tr>
<tr>
<td>OR backshoring OR onshoring OR international AND sourcing OR back-reshoring AND NOT covid-19 AND NOT U.S. China trade war</td>
<td></td>
</tr>
<tr>
<td>Global AND sourcing OR offshoring OR reshoring OR nearshoring</td>
<td>63</td>
</tr>
<tr>
<td>OR backshoring OR onshoring OR international AND sourcing OR back-reshoring OR covid-19 OR U.S. China trade war</td>
<td></td>
</tr>
<tr>
<td><strong>Sample</strong></td>
<td></td>
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<tr>
<td>Initial Sample</td>
<td>1289</td>
</tr>
<tr>
<td>Sample after excluding subject areas</td>
<td>683</td>
</tr>
<tr>
<td>Sample after abstract review</td>
<td>185</td>
</tr>
<tr>
<td>Sample after full-text review</td>
<td>97</td>
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From the final sample, it is shown in figure 3 that the number of research publications have increased year by year with a potential increment starting in 2020 and a spike in 2022, this is especially due to the start of the COVID-19 pandemic and U.S. China Trade War (Panwar, Pinkse and De Marchi, 2022) since research aroused because of those events and documents about that topic were included for this report.
The documents analyzed are mostly articles (95 documents) representing 98% of the total while only 2% (2 documents) are books, this distribution is shown in figure 4.

Documents are also analysed according to the country or territory with most publications, as stated previously, global sourcing has aroused interest especially in western countries which it is also proven in the number of publications with the United States with most documents published followed by the United Kingdom. Even though publications are done by western countries, many of the documents analysed are with data from developing countries such as India or Bangladesh since those are the countries where many of the
sourcing strategies in manufacturing are focused on. Details of the countries is shown in figure 5.

Figure 5. Top 10 countries or territory with most documents published (Data source: Scopus database)

Since many subject areas were excluded from the search, only 8 are the ones selected for the study which also contain articles that contribute to the research however Business, Management and Accounting (38%) is the subject area with the most documents analysed followed by Economics, Econometrics and Finance with 33%. This study is based on those subject areas since the perspective is from research in Economics and not from an environmental aspect although there is a small amount of 4% within the subject area of Environmental Science since this aspect will be considered as one of the drivers for companies to choose global sourcing strategies.
Most of the articles analysed are published in the *Journal Of Purchasing And Supply Management* with 8 articles, followed by *Journal Of World Business* with 4 articles. Figure 7 shows the top 10 with the sources that are analysed in this thesis, however 66 are the sources where articles are published and 48 of them have only 1 article examined in this study.

Despite the fact that several relevant articles were found through the search at SCOPUS database, a few more were added to the list by manual search at LUT University Primo database in order to provide a comprehensive background to the study. Keywords were “global sourcing” and limited to articles and books in English language. This search was conducted in January 2023 as well. List of analysed articles can be found in appendix 1b.
### 1.5 Structure of the study

This thesis contains five chapters (Figure 8). The first one consists of the introduction to the thesis where the research questions are presented as well as the key concepts considered for this study are defined including the conceptual framework and research method used, this chapter provides an overview of the thesis in order to understand it better.

<table>
<thead>
<tr>
<th>Chapter</th>
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<td>5. Conclusions</td>
<td>- Conclusions of the study and key findings</td>
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Figure 8. Structure of the thesis

The second chapter contains the theoretical perspective of Global Sourcing, when the academic research of this topic started and the reason behind the high interest in the research as well as what events aroused not only the interest of researchers but also from executives in leading companies in various industries, especially in manufacturing. In
addition, the challenges that companies might face before, during and after implementing global sourcing strategies are identified and analysed in detail.

Third chapter covers global sourcing trends, exploring the most common ones for instance offshoring, reshoring and nearshoring. Those are presented as a timeline depending on the time when they were implemented, furthermore the main drivers are also studied in order to continue exploring the impact of global events in the global sourcing strategies and what trends emerged after those global events, in this chapter some examples of real companies implementing those trends are presented. Moreover, an analysis of global sourcing trends through the years including their differences and main benefits in latest events are addressed.

Results and discussion are chapter four where, as the name of the chapter states, results of the study are presented answering the main question of how global sourcing trends have changed through the years as well as sub-questions are answered while mentioning the limitations of the study conducted and how the results can contribute to future academic research and in the industry as an informative study in their decision-making process specifying what industries or in what situations the companies or academics could take the most advantage of this research. Finally, the last chapter reviews briefly the main findings of the thesis.
2. Global Sourcing

Various events have aroused in the last decade, starting from the increase of Chinese suppliers of manufacturing goods to American companies (Sollish and Semanik, 2011), COVID-19 pandemic followed by an economic crisis which have affected the global market and how companies do business but especially due to supply chain disruptions; several strategies emerged in order to keep competitive advantage, aiming to being cost effective while meeting customers’ requirements (Slack and Brandon-Jones, 2018).

Since the world has become a single global marketplace, any kind of event in different countries as developed as developing countries affects directly to the business. Global Sourcing, which has transformed as offshoring, has been one of the strategies to tackle various disruptions, companies in different industries have opted to source from abroad due to a large number of reasons, mainly because of a short-term outcome of unit cost saving while also getting long term benefits such as developing a broader supply base, increasing the number of possible suppliers from which the buying firm can select and therefore increasing company’s productivity (Sollish et al. 2011, 183).

Offshoring is most common in apparel, auto parts, electronics, and machinery since it allows to have different production stages in different locations and varies in their factor intensities, several U.S., European and Japanese companies handle product design and production of sophisticated components at home while assembling stage and delivering to costumers is conducted in factories in Asia, Eastern Europe, and Latin America (Bergin, Feenstra, and Hanson, 2011, 163). Nonetheless, global sourcing can also be a strategy for offshoring services for example programming, call centre and engineering (Sollish et al. 2011) although, as stated in the introduction, the focus of this study is on offshoring of manufacturing goods. In this chapter, a general history of global sourcing will be reviewed while examining the drivers to choose global sourcing strategies and challenges that companies face when implementing those strategies.

2.1 History of Global Sourcing
Global Sourcing strategies – also called offshoring - can be dated back to the 1960s and 1970s where many companies opted to move their manufacturing location abroad, especially western companies in order to enhance their competitiveness, moving their manufacturing processes from developed countries to developing countries and since then,
it has been one of the main and most effective strategies in the manufacturing industry (da Silveira, 2014; Kedia and Mukherjee, 2009; Ferdows, 1997). This phenomenon was after a previous period where production was moved within countries, for example in the U.S.A manufacturing processes were moved from the Midwest and Northeast to the South. (Gao, Hewings, Yang, 2022)

Offshoring has raised more attention and implementation in the beginning of the 21st century, principally because of the development of the Global Value Chain (GVC) or Global Production Network (GPN) while looking for lower costs, being India and China as one of the main countries for offshoring especially from 2007 to 2014 where China was the most frequent offshoring destination with 48.5% of global sourcing was relocated to China while 61.4% to G7 economies which refers to the seven of the world’s advanced economies, for instance Canada, France, Germany, Italy, Japan, the United Kingdom, the United States of America and the European Union (Gao, Hewings, Yang, 2022), although during the 1970s Korea and Taiwan used to be sources chosen by companies when implementing global sourcing strategies (Cho et al., 2000, 559).

The country source decision and relation with value creation can be clearly explained by the smile curve (Dedrick, Kraemer and Tsai, 1999, 159) which shows that offshoring to developing countries generates low-to-medium-value-added labour intensive activities while high-value-added labour is mainly kept in developed countries (Belussi and Sedita, 2010; Mudambi, 2008). See figure 9.
The smile curve shows how value-added activities such as R&D and Marketing are conducted in developed countries due to their superior capabilities and it both ends of the curve activities are intensive in their utilization of knowledge and creativity whereas low-value-added activities as manufacturing lie in the bottom of the curve, where offshoring in developing countries comes to play (Mohiuddin, et al. 2013, 1114) this proves that companies combine advantages from geographic locations with their own resources and competencies in order to increase their competitive advantage (McCann and Mudambi, 2004).

2.2 Drivers

Many are the drivers for companies to choose global sourcing strategies, however those have changed through the years. In the 1980s, according to a survey conducted by Purchasing (1987), the main reason for global sourcing was cost reduction with 74%, followed by quality with 46% and availability with 41% while in the 1990s the predominant reason was quality, followed by price, availability and technology.

Moreover, the benefits acquired have also changed especially in terms of the country chosen to source from since a study conducted by Cho et al. (2000, 559) showed that during the 1970s, Taiwan and Korea used to be good sources because of cheap labour and thus provided higher competitive advantage, however preferences over those countries
have switched to India or China with larger populations and offering cheaper labour which translates to obtaining better value for money.

![diagram](image.png)

Figure 10. Global sourcing drivers (adapted from Di Mauro, et al. 2018, 112)

In this research, it has been found several drivers for offshoring, Di Mauro, Fratocchi, Orzes and Sartor (2018) has developed a framework to categorize offshoring drivers in four quadrants, two of them which create customer value in the internal and external environment while the other two related to cost efficiency as in the internal as in the external environment (see Figure 10).

2.2.1 Costs reduction

One of the top drivers for companies to implement global sourcing strategies is having high quality products at a lower cost which leads to a competitive advantage in the market, especially for companies selling their products in mature markets with little or no product
differentiation (Barbee, 1998; Carter and Narasimhan, 1990; Gaines and Writer, 1999; Gilibert, 1998; Shippen, 1999) as well as for consumer products it is crucial offering same quality products at lower prices (Cho et al. 2000, 544).

An industry which is particularly benefited by cost reduction, creating major competitive advantage, is the apparel industry since it is one of the most highly labour-intensive industries in which wages comprise most percentage of production costs (Barbee, 1998; Purchasing, 1996), a good example is the imports in the industry which have shown an increase in the U.S. from 2.1% in 1961 to 40% in 1996 of the apparel products sold in the country (US Bureau of Census, 1997).

2.2.2 Quality

High quality products are nowadays a priority for companies since it increases their reputation as a quality leader and promote product loyalty, moreover consumers awareness on quality has also increased as well as their willingness to pay a higher price for high quality products (Cho et al. 2000, 544) and those products that can be considered as ethical (Castañeda-Navarrete, Hauge and López-Gómez, 2021, 962).

Having said that, quality has become one of the most crucial drivers for global sourcing leaving aside the importance of reducing costs, this has benefited suppliers in non-developing countries, which are on many occasions the target for global sourcing, such as Japan and West Germany that have a reputation of offering high quality products in consumer electronics and automobiles (Carter et al. 1990). Furthermore, the quality of service in the delivery or return of imported products is as well crucial and it could be one of the challenges faced when sourcing abroad, nonetheless in order to make more efficient the supply chain management, communication and information exchange through the internet has been well implemented to face issues in the quality of the service (Hickey, 1999; Koloszyc, 1999; Reda, 1999; Stundza, 1998).

2.2.3 Availability of resources

Some companies opt for foreign resources because they are unavailable in the domestic market, in the chemical industry this has been the main reason for implementing global sourcing strategies (Monczka and Giunipero, 1984). Nonetheless, there are also cases where previous industry behaviour has caused a scarcity of resources which results on
dependency on foreign sources thus companies are somehow forced to choose global sourcing (Cho et al. 2000, 545).

2.2.4 Taxes
Countries set their own tax rates which creates certain difference among the percentage of taxes paid, this is something companies are aware of and often seek methods to reduce taxes (Holtzblatt, Geelie and Tschakert, 2016; Lisowsky, 2010) which ends up as one of the drivers to develop global sourcing strategies to countries with more favourable tax rates (Dyreng and Markle, 2016; Graham, Hanlon and Shevlin, 2011).

In Europe, the Council Directive (EU) 2016/1164 of 12 July 2016 has been created aiming to mitigate the issue of tax avoidance, ensuring that companies adhere to their tax obligations in the country where they operate in. Thanks to this law, tax harmonization can be achieved instead of implementing aggressive tax policies that generates major tax avoidance by companies. A good example of the Council Directive achievements is with the tech company Apple which was fined for tax avoidance by operating in Ireland due to their low tax rates as well as it was sent a warning to other multinationals about their continuity of their efforts towards tax payment. (Bustos-Contell, Climent-Serrano, and Labatut-Serer, 2017, 236)

2.2.5 Trade preferences
Trade preferences is a key driver especially in certain industries such as apparel since in some countries there are huge benefits especially in terms of tax deductions such as the EU Everything But Arms (EBA) scheme which offers, to least developed countries, duty-free and quota-free access to high-income markets (Castañeda-Navarrete et al. 2021, 962). In addition, there are various trade agreements especially in least developed countries which a more dependent on bilateral agreements following different rules of origin, for example the European Union (EU)-Vietnam Free Trade Agreement (EVFTA) which establishes rules of origin where it is stated that fabrics used in clothes exported to the EU must be from Vietnam, from the EU or from countries which have signed an agreement with the EU on zero tariffs (Lu, 2020).

More examples of different trade agreements among the EU and developing countries are the following: the Generalised System of Preferences (GSP) which offers preferential
access to developing countries for their products to the EU market, the preferential margins varies according to the level of protection in the internal market from sensitive products with a 3.5% margin to non-sensitive products with a 100% preference margin, the Cotonou Agreement has been signed between the members of the African, Caribbean and Pacific Group of States (ACP) and the EU which provides preferential access to the EU market for certain products, this agreement does not only offers financial benefits but also transfer knowledge in order to ensure a stable socio-economic and democratic environment (Achterbosch, de Bruin and van Tongeren, 2003).

2.3 Challenges
Challenges faced by companies varies depending on the industry and more specifically depending on the country sourced from, challenges such as border-crossing procedures and delivery delays are more common in companies importing from India or China which due to lower experience in global logistics and lack of advanced technologies compared to more advanced countries which used to be the main choices for companies to settle their production in such as Taiwan and Korea (Cho et al. 2000, 559).

2.3.1 Culture
A main challenge that organizations face when sourcing abroad is the culture differences between the host country and the source country, it could be from the suppliers operating abroad or when the manufacturing operations is based abroad and thus most of the employees belong to a different culture.

The culture difference might be more challenging for companies with a low level of experience in global sourcing than those with high or medium levels, especially differences in language barrier, customs and business practices thus the more a company acquires experience in the sourcing environment, the less is perceived the level of socio-cultural distance (Cho et al. 2000) as well as it is learned how to deal with issues linked with differences in culture (Min and Galle, 1991; Bilkey, 1978).

To understand better the topic, it is crucial to comprehend the concept, Czinkota and Ronkainen (1993) define culture as “an integrated system of learned behavioural patterns that distinguish the characteristics of members of any given society”.
Organizational culture and social culture

Sollish et al. (2011) has identified several aspects in culture that influence and are required to be taken into account when sourcing abroad, those can be related to organizational or social culture since the culture in a company is directly influenced by the social culture where the organisation is from or the country where the operations are conducted.

Some of the aspects that can vary in those terms are:

Individual roles while in certain cultures work/life balance and individual thinking is encouraged other organizations could have a more bureaucratic approach.

Conflict resolution also varies according to the social culture since in some cultures conflict should not emerge, in others it can and resolving them are part of the culture as well as there are legal procedures which help when dealing with conflict such as in the United States where dispute resolution is part of most of the contracts between companies.

Dress Requirements can be strict in some countries mainly due to religion thus there are dress codes developed by companies which are part of the organizational culture.

Delegation of authority, while in certain countries it is common to delegate authority to individuals and executing contracts, in others contractual agreement should be approved by the most senior management.

Differences in aspects discussed above, as well as values, attitudes and language; can be “the cause of miscommunication and create further problems in supplier evaluation, contracting, product inspection and maintaining relationships in global sourcing” (Cho et al. 2000, 547). Therefore, it is crucial for companies to study and research beforehand the cultural aspects from the country where it is planned to carry out global sourcing.

2.3.2 Negotiation process

Negotiation processes varies according to the place, it can be formal by reviewing contract line by line or informal by a handshake at the end of the negotiation meeting, this applies especially in some Middle Eastern countries, although it is considered as the beginning of an actual agreement. Moreover, many colleagues in different roles can be part of the negotiation while in others it is conducted only by managers (Sollish et al. 2011, 69).
2.3.3 Intellectual Property

Intellectual Property is highly controlled in the West supported by laws while in other cultures it can work differently hence it is one of the biggest challenges that companies face in global commerce and it requires special attention and research when implementing global sourcing strategies (Sollish et al. 2011, 69).

2.3.4 Employment Impact

Global sourcing has had certain impact on employment, wages and working conditions; while companies are benefited with lower wages abroad, some additional costs are involved since there might be a loss in productivity according to the number of low-skilled workers needed to execute the same task (Bramucci, Cirillo, Evangelista, and Guarascio, 2021). However, in a study conducted by Foster-McGregor, Pöschl, and Stehrer (2016), it was found that the employment impact due to offshoring varies according to the country whereas in developed countries the negative impact is higher for high-educated labour due to the fact that companies based in developed countries are offshoring high-technology parts of the manufacturing processes which are carried out by high-skilled workers, alongside low-skill intensive workers.

According to Bramucci et al. (2021), in the manufacturing sector, the employment impact is higher than in other ones for instance services, where management roles are offshored, since the main driver is cost reduction which lead to offshore jobs for less qualified workers or more routinary ones. Although it depends on the type of offshoring strategy, and it is influenced by the technology regimes of the companies; in high-technology industries, the employment impact is negative when delocalizing the most innovative stages of production processes where job losses are in the most qualified professional groups while in low-tech industries, when low innovative stages of production are offshored, job losses lay on manual workers.

Moreover, it was found in a study conducted by Egger, Kreickemeier, Moser, and Wrona (2022, 30) that “offshoring of production tasks lowers domestic employment and domestic wages of unskilled workers but increases domestic employment and domestic wages of skilled workers”. However, those companies with monopsonist power in the labour market take advantage of it by reducing their domestic employment which results in lower wages for domestic workers, increasing companies’ savings on wages.
2.3.5 Regulations

Cho et al. (2000, 548) points out, as one of the main challenges, government regulations which affect directly and indirectly on global sourcing, especially tariffs and quotas that have been created to earn revenue and increase the prices of foreign products as a method to protect national producers. This has a bigger impact on certain industries, and it might depend on the number of imports from certain countries, an example of quotas created by the government is The Generalized System of Preferences Act (GSP) of 1974 which allows the duty-free import of textile and apparel products from developing countries, however several products with high quantity of imports were precluded.

Non-tariff restrictions also become a challenge, for instance complex requirements for border-crossing processes such as customs inspection and different types of international trade bills for example The Textile Labelling Bill of 1984 which requires detailed labelling of imported textile and apparel goods which leads to customers' discrimination against imported products and have certain preference over products made in the USA (Cho et al. 2000, 548).

According to a study conducted by Cho et al. (2000, 558), regulations are more challenging for companies that import from Asia than those importing from South/North America or Europe, hence it is an important factor to consider when implementing global sourcing strategies and especially when choosing the country to source from.

2.3.6 Costs increasement

Costs savings have been one of the top drivers for offshoring decisions, however this comes with certain challenges since there are potential disruptions in aligning cost savings and actual costs due that there are supply chain risks especially in terms of shortages or interruptions which increase costs during the recovery process while decreasing revenue because of lost sales which leads to lowering company’s profit (Bode, Wagner, Petersen, & Ellram, 2011; Ellis, Henry & Shockley, 2011). This is an issue to consider when deciding for offshoring and analysing the impact on total cost, profitability and customer value creation.

According to Holweg, Reichhart and Hong (2011), costs in global sourcing can be classified in three categories: static, dynamic, and hidden costs. In table 1 is shown those categories and the costs included in each category.
Table 2. Global Sourcing costs categories

<table>
<thead>
<tr>
<th>Cost category</th>
<th>Definition</th>
<th>Costs</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Static costs</td>
<td>Related to regular activities in global sourcing and in the agreements</td>
<td>• Purchase price</td>
<td>Handfield, 1994; Zeng, 2003; Holweg et al., 2011</td>
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<td></td>
<td></td>
<td>• Transportation costs</td>
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<td></td>
<td></td>
<td>• Order-processing costs</td>
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<td></td>
<td></td>
<td>• Custom-clearance and brokerage expenses</td>
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<td></td>
<td></td>
<td>• Insurance costs</td>
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<tr>
<td></td>
<td></td>
<td>• Packaging and handling charges</td>
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<tr>
<td></td>
<td></td>
<td>• Costs of loss and damages</td>
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<td></td>
<td></td>
<td>• Disposal expenses</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>• Costs of quality control and compliance with safety and environmental standards</td>
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<tr>
<td>Dynamic costs</td>
<td>Related to the impact of demand fluctuation</td>
<td>• Inventory-holding costs</td>
<td>Das and Handfield, 1997; Holweg et al., 2011</td>
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<td></td>
<td></td>
<td>• Costs of lost sales and stock-outs due to inflexibility and failure to meet customers’ demand</td>
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<td></td>
<td>• Costs of expediting shipments</td>
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<tr>
<td>Hidden costs</td>
<td>Costs not directly linked to supply chain activities. Have an impact on companies’ profitability and they are unpredictable</td>
<td>• Currency fluctuations</td>
<td>Christopher, Peck and Towill, 2006; Kremic, Tukel and Rom, 2006; Quintens, Pauwels and MatthysSENS, 2006; Holweg et al., 2011</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Labour cost inflation</td>
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<td></td>
<td></td>
<td>• Energy costs</td>
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<tr>
<td></td>
<td></td>
<td>• Costs due to political and economic instability</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Potential costs of losing intellectual property rights</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Costs of managing the international supply base (travel and communication expenses, coordination of shipments, indirect costs for contract generation and monitoring, and transaction costs)</td>
<td></td>
</tr>
</tbody>
</table>

Several companies underestimate the costs of global sourcing when implementing the strategies, mainly the dynamic and hidden costs (Lowson, 2001; Weidenbaum, 2005; Lampel and Bhalla, 2008). Nonetheless, it is crucial to consider them since according to a study conducted by Platts and Song (2010) additional sourcing costs can represent, on average, 50% of the total cost of purchasing hence it is suggested to consider other direct costs when making the decision of sourcing abroad and calculate the total cost of ownership to define the viability of sourcing globally (Ellram and Siferd, 1998).
2.3.7 Quality issues

Quality represents a driver in global sourcing although it can also be a challenge depending on the country or product sourced, quality is related to the products itself or to services quality, for example customer service, on-time shipments and suppliers certifications in meeting international quality standards like ISO 9000. On-time shipments is a crucial challenge especially in cases which the host country is far from the consumer hence the main challenges faced by companies are longer lead times, conformities and reliability of deliveries as well as the suppliers’ capability to meet customers’ requirements or respond to complaints (Towers and Song, 2010).

2.4 Location decision

Manufacturing location is a key decision when global sourcing, hence companies should analyse meticulously considering various factors as external as internal within the company in order to choose the most convenient location for sourcing overseas, several theories support the manufacturing location decision such as the Transaction cost economics (TCE) focused on the make-or-buy decision (Williamson, 2008) and states that “firms should have close control over processes or stages through which the firm can generate and withhold the highest value, and for which there is a risk of opportunistic behaviours from third parties” (Williamson, 1985); while companies look for low cost regions as well as countries with greater cultural differences and limited intellectual property protection can reduce their attractiveness (McIvor, 2013), the Internalization theory which also focus on the make-or-buy decision although its view is from a global level considering various costs and risks as in the host country as in a macro level such as foreign direct investment (Casson, 2013) and the eclectic theory of international production by Dunning (1980, 1988, 1998) which it is used to provide insight into foreign direct investment decisions (FDI) as well as it states four main drivers for choosing a location based on the advantages acquired in resources, marketing, efficiency and strategic assets.

On the other hand, recent research on the location decision suggests focusing on value creation instead of low labour costs and financial diversification (Buckley and Hashai, 2009; Cantwell, 2009) as it was in previous years, as well as authors like Mann (2012) states that governments play a key role in location decisions by making their countries more attractive.
In a study conducted by Ellram, Tate and Petersen (2013) they suggest three propositions of the main factors which make a region more attractive to be chosen as a manufacturing location:

**Proposition 1.** Factors considered in the manufacturing location decision change over time especially in emerging economies such as supply interruption risks in certain regions in South and East Asia, Africa, South America and the Middle East, moreover Government Trade policies are considered as a significant differentiator not only in the host economy but also in a foreign direct investment standpoint.

**Proposition 2.** Supply chain-related factors have become more important than the low costs since sourcing in low cost countries which are usually far from the customer can increase the risk in times of shortages (Ellram, Tate, & Feitzinger, 2013) and therefore, increase costs during the recovery process and reduce the company’s revenue because of lost sales (Bode, Wagner, Petersen, and Ellram, 2011; Ellis, Henry, and Shockley, 2011).

**Proposition 3.** Companies approach is moving to value creation instead of cost savings for example impact on total cost, profitability, and customer value creation.
3. Global Sourcing Trends

Global sourcing trends have drastically changed through the years due to various events and companies needs, from its beginning in the 1960s to 1970s where offshoring was a popular strategy among western companies aiming to remain competitive in the market and looking for costs savings moving their manufacturing process to low-cost countries to reshoring which implicates moving back the production to the company’s home economy in order to recover domestic economy and restore industrial competitiveness, in addition there has been a phenomenon called re-offshoring where offshored activity is moved to a third economy (Gao, et al. 2022), if it is far from the home economy it is called far-shoring (Gadde and Jonsson, 2019) aiming to maintain or improve cost advantage while in the case when manufacturing activity is moved closer to the home economy, it is referred as nearshoring (De Backer, Menon, Desnoyers-James and Moussiegt, 2016; Ellram, Tate and Petersen, 2013) in order to reduce the quality risk and delivery disruptions and inflexibility caused from far distances. The relocation pattern of location strategies in global sourcing previously mentioned can be explained in figure 11.

Figure 11. Location strategies in different directions (Gao, et al. 2022, 184)

Trends in global sourcing are affected by various reasons for example global events or events happening in host countries where manufacturing processes are located, for example
reshoring from China, which was a primary host economy for offshoring production, this phenomenon started because of the global financial crisis in 2008 since production prices increased, environmental protection policies were tighter as well as an increase in trade protection issues, in addition the US-China trade war and the most recent COVID-19 pandemic have challenged global sourcing and thus certain trends have emerged (Gao, et al. 2022, 185). Those trends will be analyzed in this chapter as well as the impact of global events.

3.1 Reshoring

Reshoring is also known as backshoring, onshoring or back-reshoring, this trend has attracted growing attention not only in research, where the first scientific article regarding the topic was published in 2007 (Di Stefano and Fratocchi, 2019), but also in executives in large companies, especially in western companies which have also implemented this strategy and during 2018 the amount of American companies implementing reshoring strategies was one of the highest levels recorded (Moser, 2019). It is argued that in the early 21st century, reshoring will become a significant trend due to various challenges in offshoring manufacturing processes, by implementing reshoring strategies companies are aiming to create value added and high-skilled jobs while increasing developed countries attractiveness for investment (Ellram, et al. 2013). Furthermore, due to an increment in wages in Asian countries, where most of production activities have been offshored, a ‘manufacturing renaissance’ in Western Europe and the U.S.A is expected to also develop production activities in the home economy (Dachs, Kinkel, and Jäger, 2019, 2). In other words, Dachs et al. (2019) states that reshoring “takes place when the trade-offs between cost advantages, market and knowledge seeking, transaction costs and maintaining control become too large for the company”.

Reshoring involves various sub-categories, Młody (2016) has categorized the concept in four:

- **In-house backshoring** - relocation of production from firm’s foreign subsidiary to its home country;

- **Backshoring for outsourcing** - transfer of production from the subsidiary owned by the firm to an external provider in its home country;
• **Backshoring for insourcing** – transfer of production from a supplier abroad to within firm’s structures in its home country;

• **Outsourced backshoring** – transfer of production from a firm's supplier abroad to a supplier in its home market.

Hence, reshoring strategies can be present in various ways and it is up to companies to choose their strategies according to their needs and goals. This paper is not focused in any sub-category thus the term reshoring itself is studied as a whole.

This trend has had especial attention in the United States where even reshoring policies have been implemented, especially during President Barack Obama term, such as the “Blueprint for and America built to last” (The White House, 2012) which proposed financial support for companies that decided for reshoring their production including tax deductions, tax credits and incentives, as well as investments in logistics infrastructure. Furthermore, programmes like the “Manufacturing Extension Partnership” promotes reshoring by providing assistance in well-informed location decisions through calculation of the total cost of ownership as well as various initiatives provided by local administrations and state governments (Ellram, et al. 2013).

Those policies have had impact on companies decisions to backshore their manufacturing processes, according to a study conducted by The Boston Consulting Group (2011) 100 out of 200 american companies surveyed with sales over USD 1 billion were reshoring its production from China or were planning to do it in the next two years, key reasons of this were increasing wages and benefits in the host economy; and a raise in costs in transportation, duties and industrial real estate which represent a small costs saving comparing to manufacturing in the U.S.A. Cost differences are confirmed by a Deloitte (2009) report which states that cost differences between China and the U.S.A have reduced from 32% to 17%. Moreover, it is estimated that due to reshoring, 2.5 to 5 million jobs will be created in the U.S.A (The Boston Consulting Group, 2013) which represents a good achievement in the American efforts to increase the home economy.

A good example of large companies implementing reshoring strategies is Wal-Mart with a “Made in the U.S.A” initiative promising purchases of $50 billion more of products produced in the country for the following 10 years (Bailey and De Propis, 2014; Shih,
Another example is the company Ford has also reshored their manufacturing processes to the USA due to the government incentives (Bals, Kirchoff and Foerstl, 2016).

Nonetheless, reshoring is not as prominent in Europe as in the U.S.A due to the fact that offshoring strategies have not been common there although certain companies and sectors have implemented reshoring strategies but for different reasons than the american ones, firstly there are not as many reshoring policies as in the U.S.A although some countries have implemented them for instance in the United Kingdom in order to rebalance its economy, they offer companies expert strategic and technical advice for reshoring including financial support for SMEs and high-value supply chain for large companies; whereas Italy implemented the “100% Made in Italy” branding which promotes moving back offshored production (Ellram, et al. 2013). Germany government has also implemented certain initiatives for instance “Industry 4.0” scheme with an investment of 200 million euros (Stentoft, Olhager, Heikkilä and Thoms, 2016) and its “High-Tech Strategy 2020” aiming to improve Germany’s position in advanced manufacturing solutions (Capik, 2017).

The European Manufacturing survey conducted by Dachs and Zanker (2014) shows that during 2010 and mid-2012, only 4% of the european companies implemented reshoring strategies while in the previous decade 17% of the companies did, those companies where mostly large ones with above 150 employees while the relocation was not to their home economy but other EU countries. Moreover, in Germany 2% of the companies moved back their production (Fratocchi, Mauro, Barbieri, Nassimbeni and Zanoni, 2014) although among Spanish, Danish, Finnish and English companies, the amount of company's reshoring their production represents only 7% (Dachs and Kinkel, 2013; Arlbjørn and Mikkelsen, 2014; Bailey and De Propis, 2014). Nonetheless, during the period from 2014 to 2018, The European Reshoring Monitor (2018) has identified 250 cases of reshoring in the EU with the UK showing the most cases (44), followed by Italy with 38 and France with 36 cases.

Drivers

Main drivers for reshoring were issues with quality of the goods and lower response on demand changes and unexpected events while loss of know-how and labour costs are the least common drivers (Dachs and Zanker, 2014. Examples of reshoring manufacturing
activities because of various reasons are General Electric which moved a plant from China to the US due to quality issues (Bals et al. 2016) while Prada implemented reshoring strategies to transfer production know-how to future generations (European Reshoring Monitor, 2019). Furthermore, it has increased the awareness among consumers regarding the country-of-origin or the “made-in” effect especially in industries like fashion which depending on the country where it was produced, it is a clue to product quality (Fratocchi, Di Mauro, Barbieri, Nassimbeni, Sartor, Vignoli and Zanoni, 2016; Parkvithee and Miranda, 2012) this has also influenced in reshoring the manufacturing of products, a good example of this are the motivations for italian fashion firms which the “made-in” effect ranks as their main driving for reshoring (The European Reshoring Monitor, 2018). In contrast, a study conducted by Cassia (2020) shows that the customer-perceived quality is based mainly on affective reactions and not in the country of origin itself since affective ethnocentrism, such as admiration and emotional attachments to products made in their home country, significantly impacts between pre and post reshoring product quality.

Moreover, it has been said that the increment in wages in Asia will boost the implementation of reshoring strategies as in European as in American companies (Dachs, et al. 2014, 7); nonetheless, the European Manufacturing Survey (2012) shows that only 11% of reshoring organisations had labour costs as their main driver.

On the other hand, drivers can be different depending on the size of the company since Arlbjörn and Mikkelsen (2014) argues that medium and large companies look mainly for automation in their processes especially when experiencing problems with lead times while it is not a driver for small companies due to their limited resources to automate their production processes.

Challenges

Reshoring production activities could mean various challenges that companies face and should be considered in the decision making of implementing reshoring strategies; those have been classified by Wiesmann, Snoei, Hilletofth and Eriksson (2017) in five categories (see Table 2) which have the most impact in the strategy: Global competitive dynamics since manufacturing location attractiveness varies constantly (Ellram et al. 2013), Host country which challenges can differ according to the country where the strategy will be implemented, Home country where some market aspects can be more appealing in the
home country but certain conditions relevant to manufacturing or the business can directly affect, and *Firm-specific* where certain factors can work in favour or against reshoring as well as the impact varies according to the company and its industry (Wiesmann et al. 2017).

Table 3. Challenges in reshoring strategies

<table>
<thead>
<tr>
<th>Category</th>
<th>Challenges</th>
</tr>
</thead>
</table>
| Global competitive dynamics| ● Economic differences among regions  
                                  ● Instability in exchange rates  
                                  ● Large differences in resource availability |
| Host country               | ● Risk of losing access to market and foreign distribution channels  
                                  ● Risk of losing access to raw materials and components only available in the host country  
                                  ● Risk of losing supplier knowledge |
| Home country               | ● Stricter environmental legislation  
                                  ● Lack or shortage of raw materials and components  
                                  ● Lack or shortage of qualified workers  
                                  ● Lack of flexibility in the labour market |
| Firm specific              | ● Immature reshoring process  
                                  ● Lack of capacity, resources and internal competencies  
                                  ● Lack of proper decision support or data  
                                  ● Lack of information and communication about reshoring within the company |

(Wiesmann et al. 2017, 12-15)

Frequency of reshoring

Despite the companies’ home economy location, there is discussion regarding the size of organization which has had more impact in reshoring strategies, some authors such as Kinkel (2012) argues that medium-sized companies (MNEs) are less likely to reshore than SMEs while Arlbjørn, et al. (2014) argues that MNEs are the ones which implement the strategy the most instead of large and small companies, whereas the European Manufacturing Survey (2012) shows that reshoring is more frequent among large companies although its spike lies in companies with 150-249 employees with 9% while the ones with over 500 employees represent 6.5%, this can be explained due to they are stronger diversified owning various plants around the world (Dachs, et al. 2019, 4). On the other hand, some studies show that the size of the firm depends on the geographical
location of reshoring as well as companies’ own drivers and behaviour towards global events (Capik, 2017).

Reshoring presence according to industry sectors

According to the European Manufacturing Survey (2012), most of the reshoring strategies in European countries have been in high technology sectors, mainly electrical equipment and computer industry. In contrast, the least percentage of companies reshoring their manufacturing activities are the ones in low technology sectors for instance production of clothing, food and beverages, wood and wood products, or glass and bricks. One of the reasons behind those strategies might be because those industries are the ones that get more advantages of offshoring their production activities.

Dachs, et al. (2014) have developed a framework (Figure 12) which shows the propensity of reshoring and offshoring according to the industry sector during the European Manufacturing Survey conducted from 2010 to mid-2012. It shows that various sectors have implemented offshoring strategies with the highest likelihood of offshoring while with the lowest propensity of reshoring is the textiles sector which could be defined as a sector that will never come back to their home economy while in the upper quadrant, the industries are more likely to offshore and reshore their manufacturing activities even though offshoring is more propense than reshoring.
On the other hand, chemicals and rubber sectors show low likelihood of offshoring with a high reshoring propensity; the chemical sector has been defined by high capital intensity and continuous production processes.

3.2 Re-offshoring

Re-offshoring is a global sourcing trend which consists of relocating production activities from the host economy to a third economy instead to moving it back to the home economy, which it is referred as offshoring, it is a consequence of raising costs in host economies where manufacturing was previously offshored thus companies look for maintaining costs or even enhancing them (Gao, et al. 2022).

This phenomenon started earlier in the past decade although it has had special attention after the global financial crisis in 2008 in China due to a raise in production factor prices, environmental protection policies in force as well as certain trade protection issues implemented against China (Gao, et al. 2022, 185). Furthermore, the Global South attractiveness as a destination for offshoring or re-offshoring strategies has increased because of the “abundant labour resources, flexible investment environment and rapid
development” (Meng, Mi, Guan, Li, Tao, Li, Feng, Liu, Liu, Wang, Zhang and Davis, 2018).

Re-offshoring can be implemented as nearshoring or as farshoring depending on where the production is being moved, if close to the home economy or to a third economy according to the company’s needs and strategy. Both trends will be studied in this paper.

3.2.1 Nearshoring
Nearshoring is one of the global sourcing trends implemented by companies in order to remain competitive in the global market and to leverage supply chain responsiveness and develop an efficient economy (Cagliano, de Marco, Rafele and Arese, 2012). In addition, it has also been a consequence of increased prices of oil exacerbates which at the same increase transportation costs; this has mainly affected furniture, apparel, footwear and steel industries (Shelton and Wachter, 2005; Lynch, 2008; Allon and Van Mieghem, 2010).

Thus, nearshoring has become a trend which several companies adopt since it helps to optimise labour, material, and fully landed costs considering the market, risks and flexibility of global sourcing (Shister, 2008). US companies have implemented nearshoring mainly in countries like Canada and Mexico followed by other Latin American countries whereas European companies nearshore in countries located in eastern Europe (Fielding, 2006; Gonzales, Gasco and Llopis, 2006; Edgell, Meister and Stamp, 2008; Lacity, Willcocks and Rottman, 2008; Thelen, Honeycutt and Murphy, 2010).

Drivers

The main driver and characteristic of nearshoring is reducing geographical distance between buyers and suppliers which at the same time reduces lead times, logistics costs and the management of the supply network is easier since the closer cultural compatibility, as well as it provides flexibility which is needed to address constant changes on demand; thus this trend suits better in companies where the operations risk is high (Aron and Singh, 2005) as well as small companies since it frequently involves limited set-up costs (Cagliano et al. 2012). Furthermore, companies’ supply chain performance enhances if suppliers or production is based on the most logistically efficient countries, closer to the home economy, which at the same time contributes to minimise supply chain interruptions (Jain, Girotra and Netessine, 2022, 854) due to the fact that there are fewer bureaucratic procedures and better infrastructure (Jain et al. 2022, 8).
European countries have chosen nearshoring in central and eastern Europe due to the shared culture including common (frequently) language as well as the availability of high-skilled professionals (Meyer, 2006; Lacity et al., 2008). Moreover, sharing the same culture facilitates mutual understanding and trust between organisations which results in developing and embarking better business relations (Grandinetti and Tabacco, 2015, 144) that also translates in savings in transaction and adaptation costs (Camuffo and Grandinetti, 2011).

Grandinetti et al. (2015) have identified five types of advantages that companies acquire when reducing the spatial proximity between company headquarters and their manufacturing processes or suppliers as well as how these advantages can address certain issues that supply chain relationships face when sourcing abroad. See table 3.

Table 4. Types of advantages of spatial proximity in supply chain relationships

<table>
<thead>
<tr>
<th>Type of advantage</th>
<th>Factor that enhances the impact of spatial proximity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower transportation costs for supplied goods</td>
<td>● High site specificity</td>
</tr>
<tr>
<td></td>
<td>● High supply chain instability</td>
</tr>
<tr>
<td></td>
<td>● Low value-to-weight ratio for supplied goods</td>
</tr>
<tr>
<td>Lower inventory costs for supplied goods</td>
<td>● High site specificity</td>
</tr>
<tr>
<td></td>
<td>● High supply chain instability</td>
</tr>
<tr>
<td>Shorter delivery time for supplied goods</td>
<td>● Short delivery time requirement for end products</td>
</tr>
<tr>
<td>Lower transaction costs</td>
<td>● High need for face-to-face interaction and a strong relational macro cultural in the geographical area where the supply relationship takes place</td>
</tr>
<tr>
<td>Lower adaptation costs</td>
<td>● High need for face-to-face interaction and a strong relational macro cultural in the geographical area where the supply relationship takes place</td>
</tr>
</tbody>
</table>

(Grandinetti et al. 2015)

Challenges

Companies sourcing abroad have faced various challenges mainly due to the geographical distances between suppliers or manufacturing activities and consumers, even though nearshoring reduces the issues related to spatial proximity, it is still a strategy based on sourcing abroad thus challenges are still related to geographical distance since lead times are longer that sourcing locally which impacts directly on inventory availability (Meixell and Gargeya, 2005), low delivery performance, low flexibility and responsiveness on
changes on the demand that damages companies’ reputation and hence reduces sales (Cho et al. 2001; Christopher and Holweg, 2011). Furthermore, there can be issues when managing buyer-supplier relationships due to the difference in languages, time zones, currencies and business practices while some events in the host economy country in terms of economy, political, culture and legal ones can drastically have an impact on the operations as well as the excessive CO2 emissions and carbon footprint on sustainability goals of the company (Rao, 2004; Wilkinson, Eberhardt, McLaren and Millington, 2005; Christopher, Mena, Khan and Yurt, 2011).

3.2.2 Far-shoring
Far-shoring is a global sourcing trend which refers to moving a company’s production site to a third economy, focusing on keeping the same cost advantages or even improving them (Gao et al. 2022). However, far-shoring is mainly implemented in sourcing from an external suppliers and not in those companies moving their manufacturing processes because the change on sourcing strategy is easier than for those which are conducting their own production processes; this is supported by an study conducted by Gadde et al. (2019) which demonstrates that sourcing from China has decreased and companies are changing their location source to another Asian countries with lower costs, this phenomenon has been implemented especially in large-sized companies, non-manufacturers, and those companies which have previously implemented various global sourcing strategies.

In addition, certain companies are replacing their sourcing activities from Asia to Central and Eastern Europe countries; between 2012 and 2015, 24% of the companies had had more production investment in those countries. The main driver is searching for cost reductions which are highly improved than sourcing from Western European Countries (Cohen, Cui, Ernst, Huchzermeier, Kouvelis, Lee, Matsuo, Steuber and Tsay, 2018) as well as they are located closer than Asia (Piskorski, 2013).

Challenges in far-shoring are as well present, they are similar to the ones mainly related to long distances or culture differences such as difficulties on communication, control and supervision, and the creation of social bonds and building trust among the organisation and their employees in the host country or suppliers. (Carmel and Abbott, 2007)
3.3 The role of global events in sourcing strategies

Global events impact directly in supply chains generating various disruptions such as unexpected rise in demand of certain products, unforeseen shifts in demand points, supply shortages and a crisis in global logistics; although various supply chain practices such as just-in-time delivery and lean manufacturing help in efficiently run supply chain, global events still have a huge impact in companies’ operations. Most crucial events which have caused major consequences and challenges, developing new trends in global sourcing, have been the China economic crisis among other economic recessions, Brexit and the most recent COVID-19 pandemic and U.S.-China Trade War. The COVID-19 pandemic alone has had a huge impact in global supply chains, 94% of Fortune 1000 companies have experienced supply chain disruptions where three-fourth of them experience a strongly negative impact on the company (Panwar et al. 2022).

3.3.1 Impact in Global Supply Chains

Global supply chains experienced various unexpected situations where its resilience has been tested, although the impact varies depending on the network complexity of a company’s supply chain. The main impacts as a consequence of global events were consumption shocks since demand in various products was higher than usual for example in home-office equipment such as webcams and office furniture, face masks, household cleaning products while certain products such as food supplies for restaurants or airlines reduced its demand drastically (Bier et al. 2020 and Chowdhury et al. 2021). These consumption shocks have been a consequence of “macroeconomic drops in aggregate demand such as recessions, wait-and-see purchase-delays by consumers and investment-delays by firms” (Castañeda-Navarrete, Hauge and López-Gómez, 2021, 957).

Supply shortages occurred specially because of unexpected spikes on demand, companies did not have the resources needed to meet new demand or even worse, some could not sustain their normal production levels (Panwar, et al. 2022). Moreover, there was also a logistics crisis since several carriers reduced their vessels (Hillebrand, 2021) which resulted in a shortage of containers and thus higher shipping costs and delivery times. According to the International Monetary Fund (2021) delivery times in the U.S. and Europe were the highest since late 2020.

Quick Economic Recovery which was unexpected for example after the COVID-19 pandemic there was the highest level of demand in the last 14 and 15 years, respectively, in
certain sectors such as real estate and cars (Helper and Soltas, 2021) while imports and exports increased as well which showed an economy recovery in various countries such as China, India, and South Africa. This has happened as a consequence in different global events although COVID-19 pandemic showed the highest economic recovery since by the fifth quarter, global trade was higher than pre-pandemic levels whereas in the case of the 2015 recession, it took 13 quarters to recover and 9 quarters from the 2009 recession (Panwar, et al. 2022).

3.3.2 Factor impacting the effects of global events

Various factors in a company impact differently and companies face numerous challenges depending on their characteristics and business model, according to a study conducted by Su, Hodges, Wu and Iqbal (2022) there are four categories of factors that impact the most: firm size, channel diversification, sourcing method and types of products produced.

Firm size. Several supply chain disruptions are present in global events which result in order cancellations, large companies have the resources such as capital and technological infrastructure to deal with those cancellations while the impact is higher in small businesses due to their lower capitalization and limited geographical reach. (Flynn, Cantor, Pagell, Dooley and Azadegan, 2021, 5), during the COVID-19 pandemic SMEs faced issues in their production lines since they had to run it only a fraction of their full capacity.

Channel diversification. Since several retail stores were closed as well as the proximity of stores and the consumer might be high, events such as a pandemic where physical retail stores are closed and unable to sell their goods thus reducing sales and cancelling orders with their suppliers, those companies with online shops had less impact and even their sales grown. This factor impacts mostly in the apparel industry.

Sourcing method. Certain companies source their raw materials from specific suppliers in only one country thus the impact of any disruption is high, the effects of global events are less and their performance in managing a crisis improves in companies with both local and foreign suppliers of raw materials and with a strategic mix of suppliers.

Types of products produced. Apparel industry was one the most affected industries during the COVID-19 pandemic, however the impact varies on the products produced since in the case of work or business clothing, the orders cancelled and decline on demand was huge
while the demand increased considerably in other products such as casual wear, active
wear and pyjamas which contributed to minimise the impact of the pandemic.

3.3.3 Trends emerged
Global events arise various challenges in supply chain and test its resilience, according to a
survey conducted by McKinsey & Company (2020) 73% of the respondents faced issues,
during the last pandemic, in their supplier base and 75% of them encountered problems
with their production and distribution of goods, those issues make companies wonder how
to reduce the impact in their supply chains while meeting customers' expectations at the
minimum cost as well as start looking for various strategies to increase its supply chain
resilience; in the survey, 93% of the executives plan to increase resilience across the
supply chain after a huge global event such as the COVID-19 pandemic this is planned
through four strategies 53% have plans to implement dual sourcing of raw materials, 47%
by increasing inventory of critical products, 40% are looking for nearshoring its production
activities and increasing their supplier base while 38% plan to regionalize their supply
chains. On the other hand, governments also play an important role in order to mitigate the
impact of global events by combinations of macroeconomic stimulus packages such as
lower interest rates and fiscal stimuli and different financial support for businesses
(Strange, 2020, 458).

In addition, it is argued by Strange (2020, 461) that reshoring GVC activities would help in
increasing supply chain resilience, this could be through replacing overseas suppliers with
domestic suppliers as well as moving back their manufacturing activities far from the
consumer point; another strategy suggested is internalising value-chain activities that were
conducted by independent suppliers.

Figure 13. Global sourcing trends emerged by global events
All in all, the new trends found in the literature (see figure 13) are focused on creating value through the supply chain, especially by enhancing its resilience in order to meet customers’ expectations while reducing total costs. Those trends will be analysed in this study.

Reshoring

Reshoring has been one of the main trends when looking to reduce the impact of global events since it allows to be closer and more responsive to the customers’ needs although this comes with certain challenges such as the sourcing of raw materials which might have to be overseas thus it could increase resilience for domestic purchases but costs would increase in foreign sales. In addition, several companies look for offshoring in order to balance their revenues through foreign currency exchange; this could not continue if all their manufacturing activities and suppliers are reshored (Strange, 2020).

Nearshoring

Nearshoring is a trend that has been implemented by several companies during the last decade even before various global events that have been a trigger to reinforce this trend, this is confirmed through a survey conducted by Kearney (2021) 70% of the CEOs in U.S. companies whose manufacturing location is in Asia are evaluating nearshoring, had already nearshored or are planning to move their production to Mexico, Canada, or Central America. Nearshoring is a strategy aiming to acquire control in companies’ supply chains and production (Strange, 2020).

Even though several events such as the 2008 financial-economic crisis or SARS epidemic in 2009 hit hardly on supply chains, it was COVID-19 pandemic which due to its global occurrence and long duration had a higher impact for example in increasement of freight rates as well as the awareness of environmental and thus nearshoring is a strategy that increased its popularity. (Strange, 2020)

Internalisation of value-chain activities

Internalisation of activities is a powerful strategy with potential benefits when looking to ensure smooth supply of goods since it improves scheduling and coordination, eliminates opportunistic recontracting and increases bargaining power vis-à-vis buyers and suppliers while allowing companies to focus on their core competences which results in savings their
scarce financial and managerial resources while improving their flexibility in volatile output demand and accessing cheaper or better quality inputs because of competition among outside suppliers (Strange and Magnani, 2018). On the other hand, it is important to consider that internalisation also brings additional costs and companies should reevaluate the location and governance of their GVCs, analysing the robustness and efficiency of internalising their GVCs activities. (Strange, 2020, 462)

Vertical integration

According to a study conducted by Su et al. (2022) companies which operate under a vertically integrated business model through sourcing in-house, are more resilient when a global event, such as a pandemic, arises supply chain disruptions.

Glocalization

Majumdar, Shaw and Sinha (2020) argue that firms should blend “Localization” with “Globalization” to form the new “Glocalization” approach as an innovative sourcing strategy that can ensure efficiency and agility and mitigate disruption risks. Glocalization is a term used especially in marketing and started to gain attention in the early 90’s and became one of the buzzwords in the field (The Oxford Dictionary of New Words, 1991, 134), it can be said that the term from a business perspective involves “the construction of increasingly differentiated consumers, the invention of consumer traditions and, in simple words, to create diversity sells” (Robertson, 1994, 37).

Therefore, developing glocalization as a sourcing strategy refers to enhancing attention to local needs in a global environment focusing in proximity to customers by understanding their preferences and expectations while increasing the suppliers base and integrating all the stakeholders involved, through collaboration, which provides a proper view of the end-to-end supply chain; all this features of glocalization leads to crucial benefits in a company’s supply chain mainly resilience and flexibility. (Linati, 2021)

Localization

Since several disruptions were caused by limited transport capacities which made it challenging to source materials and deliver finished products overseas, some companies started opting for local sourcing of certain materials or searched for local end markets for their finished products in order to respond better to unexpected supply chain disruptions
hence localization has become one of the new sourcing trends especially in the apparel industry. (Su et al. 2022)

Supply chain segmentation

Supply chain segmentation refers to “evaluate the business value of various activities at a more granular level, whether defined by product volumes, revenue, profit margin, strategic importance, or some combination” (Howells and Overby, 2021).

Even though reshoring and nearshoring are one of the main strategies implemented to increase supply chain’s resilience, it is argued by Howells et al. (2021) that segmentation is a key factor when choosing to nearshore or offshore since the strategy should be based on meeting the requirements of different customers, products and distribution channels thus it could be that not the production of all products would be relocated but only the production of certain group of products.

4. Results and discussion

This study was conducted in order to identify global sourcing strategies that have been implemented through the years and how their focus has changed in various industries aiming to analyse those changes and the impact of global events in those strategies while studying the new trends emerged after crucial global events. Furthermore, it was explored the main drivers for companies to carry out global sourcing strategies as well as the challenges involved and that are required to take into account for a successful implementation. Research questions were answered through the research methodology of systematic literature review by analysing 101 documents including journal articles and books found through a search on two databases, SCOPUS and LUT University Primo.

Global sourcing, also known as offshoring, is a concept which started as international purchasing, its implementation started during the 1960s and 1970s although it arose the interest in research during the late 1980s and early 1990s this was due to a declining of competitiveness of various Western companies thus, global sourcing was seen as a strategy to create competitive advantage (Rajagopal et al. 1991; Birou et al. 1993; Kotabe, 1994) and aiming to being cost effective at the same time that meeting customers’ requirements (Slack et al. 2018). The main point of global sourcing strategies is moving the manufacturing processes from developed countries to developing countries (da Silveira, 2014; Kedia et al. 2009; Ferdows, 1997), the decision of moving the manufacturing
processes to developing countries can be explained through the smile curve developed by Mohiuddin et al. (2013) which shows how value-added activities for instance Research & Development, Design, Marketing and Sales are conducted in developed countries due to the high value added to the companies as well as these activities require superior capabilities while low-value-added activities such as manufacturing are conducted in developing countries, this explains how companies take advantage of geographic locations including their resources and competencies in order to enhance their competitiveness (McCann et al. 2004).

Moreover, the location decision to implement global sourcing strategies is key in the process, even though there are several theories regarding the topic which support the decision, for instance Transaction cost economics (TCE), the Internalization theory and the eclectic theory of international production; it was found three propositions developed by Ellram et al. (2013) which are the main factors that make a country more attractive to be chosen as the place to move production activities to, the first proposition states that factors change over the time especially in emerging markets as well as government trade policies are significant in the decision, second proposition states that supply chain-related factors are the most important leaving aside low costs due to the risks involved which at the end increases costs especially because of lost sales and the expenses related to the recovery process, the last proposition explains that the main approach for location decisions are based on value creation instead of cost savings.

The main research question was answered in this study, however firstly it was examined the main drivers and challenges that companies face when implementing global sourcing strategies which are two of the sub-questions of this study. Drivers have changed through the years and, they vary depending on the industry and the location chosen. For instance, it has been found that during the 1980s the main driver was costs reductions whereas in the 1990s this has changed becoming quality as the main driver for companies to implement global sourcing strategies (Purchasing, 1987).

Challenges and drivers can be classified according to a framework developed by Ancarani, Di Mauro, Fratocchi, Orzes and Sartor (2015) as well as it was found in the study that every driver can bring out a challenge when implementing global sourcing strategies, the categories are Cost reductions; Cultural, political, legal, geographical, economic, and
infrastructural features; availability of resources; and proximity to customers and other network nodes. See table 5.

<table>
<thead>
<tr>
<th>Category</th>
<th>Drivers</th>
<th>Challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost reductions</strong></td>
<td>Costs savings</td>
<td>Costs increasement in the supply chain</td>
</tr>
<tr>
<td><strong>Cultural, political, legal, geographical, economic, and infrastructural features</strong></td>
<td>Taxes</td>
<td>Wages and working conditions</td>
</tr>
<tr>
<td><strong>Trade preferences</strong></td>
<td>-Trade agreements among developed and developing countries</td>
<td>Government regulations</td>
</tr>
<tr>
<td><strong>Geographical features</strong></td>
<td>-Location of the host country</td>
<td>Culture</td>
</tr>
<tr>
<td><strong>Availability of resources</strong></td>
<td>Natural resources</td>
<td>Natural resources</td>
</tr>
<tr>
<td><strong>Human-capital</strong></td>
<td>-Access to skilled workers -Low wages and low</td>
<td>Human-capital</td>
</tr>
</tbody>
</table>

Table 5. Drivers and Challenges in Global Sourcing
The third research sub-question *What global sourcing trends have emerged through the years?* Was answered following Gao et al. (2022) framework of location strategies with three main strategies offshoring, reshoring and re-offshoring which consists of two sub-strategies nearshoring and far-shoring as well as the trends emerged after global events were studied. In figure 14 it is shown the trends emerged through the years from offshoring which it is the core of global sourcing to the ones developed after crucial global events.

**Figure 14. Global sourcing strategies emerged through the years**

*Offshoring* has been the main strategy which became popular in the 1960s and 1970s among western companies to remain competitive by moving their manufacturing processes to developing countries (Gao et al. 2022).

*Reshoring* is a strategy that consists of moving back the manufacturing process to the company’s home country (Gao et al. 2022) and it was during 2018 where the highest number of western companies implemented this strategy (Moser, 2019), this strategy is most prominent in the U.S.A compared to Europe especially because there have not been as many reshoring policies in Europe as in the U.S.A although it varies according to the country (Ellram et al. 2013), to the size of the company and geographical location to implement the strategy (Capik, 2017), and the industry sector being the chemical sector...
and most propense industry to reshore their manufacturing activities (Dachs et al. 2014). Furthermore, drivers such as quality issues, lower response on demand changes are the most crucial leaving aside costs savings such as increment in wages in Asia (Dachs et al., 2014, 7) although the drivers are strong reasons for implementing reshoring there are as well challenges which are mainly related to global competitive dynamics, host country, home country and the ones related specifically to a company (Wiesmann et al., 2017, 12-15).

Re-offshoring has had special attention after the global financial crisis in 2008 in China (Gao et al. 2022) and it can be implemented as nearshoring or far-shoring. Nearshoring has been adopted in order to optimise labour, material, and fully landed costs considering the market, risks and flexibility of global sourcing (Shister, 2008), the main feature of this trend is reducing geographical distance between buyers and suppliers which benefits the company’s supply chain through reducing lead times, logistics costs and the management of the supply network as well as there is a closer cultural compatibility with the home country’s culture (Aron et al. 2005).

Furthermore, Grandinetti et al. (2015) identified five types of advantages of spatial proximity in supply chain relationships which are the following: lower transportation costs for supplied goods, lower inventory costs for supplied goods, shorter delivery time for supplied goods, lower transaction costs and lower adaptation costs. Although there are several benefits from implementing nearshoring strategies, it is a trend most suitable for companies with a high risk in their operations (Aron et al. 2005). The challenges of this strategy lie still on geographical distances since there are long lead times (Meixell et al. 2005), low delivery performance, low flexibility and responsiveness on changes on the demand (Cho et al. 2001), differences in languages, time zones, currencies and business practices (Rao, 2004).

Far-shoring is mainly implemented in sourcing from external suppliers, an example of this is the sourcing from China which has decreased in the last years and sourcing is being switched to another Asian countries with lower costs (Gadde et al. 2019) as well as European companies have moved their sourcing activities from Asia to Eastern Europe countries looking for more cost reductions (Cohen et al. 2018). Moreover, it is a strategy mainly implemented in large-sized companies, non-manufacturers, and in companies which have implemented global sourcing strategies previously (Gadde et al. 2019).
Challenges in this type of sourcing are also related to long distances and culture differences (Carmel et al. 2007).

Previous strategies mentioned have been the most common ones in global sourcing, nonetheless global events such as the China economic crisis, Brexit and the most recent COVID-19 pandemic and U.S.-China Trade War have had a great impact on those, and it has influenced significantly in the emerge of new global sourcing trends. The main impact can be categorized in three: consumption shocks due that the demand of different products changed drastically (Bier et al. 2020), supply shortages as a consequence of unexpected spikes on demand (Panwar et al. 2022) and a logistic crisis due to a lack of vessels from various carriers (Hillebrand, 2021), and lastly quick economic recovery that was unexpected especially after the COVID-19 pandemic since in sectors such as real estate and cars demand increased (Helper et al. 2021) as well as imports and exports increased from various countries for example China, India, and South Africa (Panwar et al. 2022).

In order to mitigate the impact mentioned above, new trends emerged are focused on increasing the supply chains resilience other than cost reductions while meeting customers’ expectations at a minimum cost (McKinsey & Company, 2020). There are seven new trends which were studied in this thesis, some of them focused on the companies’ GVCs: Internalisation of value-chain activities which allows companies to focus on their core competences while saving and improving their flexibility in uncertain times (Strange et al. 2018), Vertical integration suggests conducting sourcing activities in-house (Su et al. 2022), Supply chain segmentation stating to break down the customers’ requirements, products and distribution channels and develop strategies according to each one of them (Howells et al. 2021).

On the other hand, there are new trends that focused on the location of manufacturing activities such as Localization, a strategy consisting of local sourcing of some materials or offering finished products in markets where those are produced (Su et al. 2022) while Glocalization strategy proposes improving attention to local needs and understanding customers’ preferences and expectations from a global environment perspective as well as collaborating with suppliers and stakeholders involved (Linati, 2021). Furthermore, some strategies already popular during years were triggered by global events such as Nearshoring and Reshoring.
Finally, the main research question *How global sourcing strategies have changed during the years?* Was answered, the oldest strategy has been *Offshoring* being mainly driven by costs reduction, this strategy was an outcome of *International Purchasing* where products were sourced abroad but not the production activities were moved, followed by its variations such as *Re-offshoring* which consists of *Nearshoring* and *Far-shoring* depending on the location where manufacturing processes are being relocated. These strategies were focused especially on costs reduction nonetheless, various global events mainly the COVID-19 pandemic impacted drastically on the focus of new trends emerged which are focused on creating value in the supply chain in order to enhance the companies’ supply chain resilience leaving aside the aim of reducing all types of costs.

Figure 15 explains graphically the changes in global sourcing strategies and their focus through the years.

5. Conclusions

Global Sourcing has been without a doubt one of the most important strategies in all kinds of companies no matter the industry they operate in although it has had especial attention in Western companies mainly because they experienced a decline in their competitiveness during the 1960s and 1970s and as a result companies started to look for strategies aiming costs savings in their operations while meeting customers’ needs thus it was found in the study that the main driver to implement those strategies was cost reductions, interestingly this has changed during the years since later, it changed to quality as the main driver nonetheless this varies depending on the industry, the source country, products and size of the company hence it can be deducted that companies need to study in depth their
requirements, customers’ needs and expectations, capabilities and the location where it is planned to move their manufacturing to in order to successfully implement global sourcing strategies contributing to increase their competitiveness.

Moreover, the challenges were explored which also vary depending on various factors and it was found that each driver comes with a challenge. Those were classified in four categories, the category with most sub-categories was *Cultural, political, legal, geographical, economic, and infrastructural features* since it implicates several drivers and challenges in global sourcing for example trade agreements and government regulations which play a crucial role in global sourcing since it implicates ease or increase costs such as tariffs and quotas as well as it can facilitate imports and exports although depending on the manufacturing location it also represents a challenge since in some countries border crossing processes are complex, another crucial challenge could be Intellectual Property while in some countries there are laws supporting in other countries there are not or it work differently.

The trends emerged in global sourcing vary drastically and the main finding of this paper was the focus of those trends, while in the beginning trends such as *Offshoring* itself and *Re-offshoring* and *Reshoring* were focused on costs savings, taking advantage of low wages, implementation costs as well as trade agreements with developing countries, the strategies emerged due to the impact of a huge global event such as the COVID-19 pandemic are now focused on value creation through the supply chain by collaborating with their internal and external stakeholders aiming to increase the supply chain resilience while meeting customers’ needs which results in increasing the competitiveness of the company, the core reason of global sourcing. Nonetheless, there are still some strategies that continue and even increased their popularity after global events such as *Reshoring* and *Nearshoring* although for example in the first one mentioned the source countries have changed to for example sourcing from other countries in Asia instead of China and not moving back the manufacturing activities to their home countries.

Due to the nature of the research method used in this study, a systematic literature review, the results are from an overall point of view since they are based mainly on published articles and books on the data bases used and the publication year vary as well as they are not focused on a certain industry, country or company. Moreover, even though global sourcing itself is a topic which has been researched from many years ago, the research on
trends emerged after the COVID-19 pandemic and U.S.-China Trade War is new dating back from 2020-2021, thus there was not enough information to research in depth every strategy as well as they are mainly based on suggestions on the literature found or as results of surveys conducted by important global consulting firms. However, this thesis can help in academic future research and as an informative study for corporate decision making to implement global sourcing strategies.

Having said that, it can be suggested for further research to explore in depth the new trends studied in this thesis and how they have been successfully implemented in various industries, which ones are more benefited from them and what industries continue implementing strategies based on costs reduction.
References


Scopus. www.scopus.com


https://reshoring.eurofound.europa.eu/reshoring-cases


The White House (2012) Blueprint for an America Built to Last, Washington DC.


Appendix 1: List of analysed articles and books

Appendix 1a. List of articles and books by search at SCOPUS database


50. Koerber, T. & Schiele, H. 2022, "Is COVID-19 a turning point in stopping global sourcing? Differentiating between declining continental and increasing

51. Koerner, K. 2022, "The wage effects of offshoring to the East and West: evidence from the German labor market", Review of World Economics.


Appendix 1b. List of articles and books by search at LUT University Primo database


