

Reshoring manufacturing

The master thesis has analyzed the different factors that companies need to consider for reshoring manufacturing.

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Everybody knows that some decades ago lots of companies brought manufacturing abroad, especially to China, in the search of lower production costs. This change of manufacturing location was called offshoring. However, it seems that this situation is starting to change as less companies offshore nowadays and some are bringing manufacturing back home, so-called reshoring.

Then, reshoring has been receiving increasing attention during the last years. China's cost advantage over the US and Europe seems to be decreasing due to an important wage growth in the Asian giant, increasing transportation costs and lower productivity, among other factors. Hence, the focus of this Thesis is on the key factors that affect the manufacturing location decision of a company and how these factors have evolved during the last years. Therefore, the study analyses the factors that need to be considered for bringing manufacturing back home. But why is this issue so important?

It is really important to study this new reshoring trend because the Western countries weakened after the global world crisis and now there is a need to create jobs and reverse the current economic situation.

Moreover, in addition to a literature survey, the author performed a case study

in order to seek points in common between theory and practice. The company Xylem, located in Emmaboda, made an important investment to strengthen its Swedish plant. Even though this is not exactly a case of reshoring, because the company did not bring manufacturing back home, it is related because they decided to intensify its production rather than move abroad. The plant manager was asked about the challenging investment made and the key factors that tipped the balance in favor of reinforcing its manufacturing plant in Sweden. Deeply analyzing the case, one can observe that there is several common ground between it and the literature survey.

Analyzing both parts of the Thesis, some conclusions were drawn. The manufacturing location decision has to be deeply analyzed to avoid bad decisions, taking into account all the different important factors involved on it. Moreover, even though it may seem that the location of manufacturing is increasingly shifting to the west again, we are probably in front of a globalization of production, as companies are internationalizing its activities. Then, some production may return to the West, specially the one that satisfies the Western market, while some other would probably stay abroad to satisfy new emerging markets.