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What drives entry mode switch in reshoring decisions? An empirical investigation on European relocations from first to second host country

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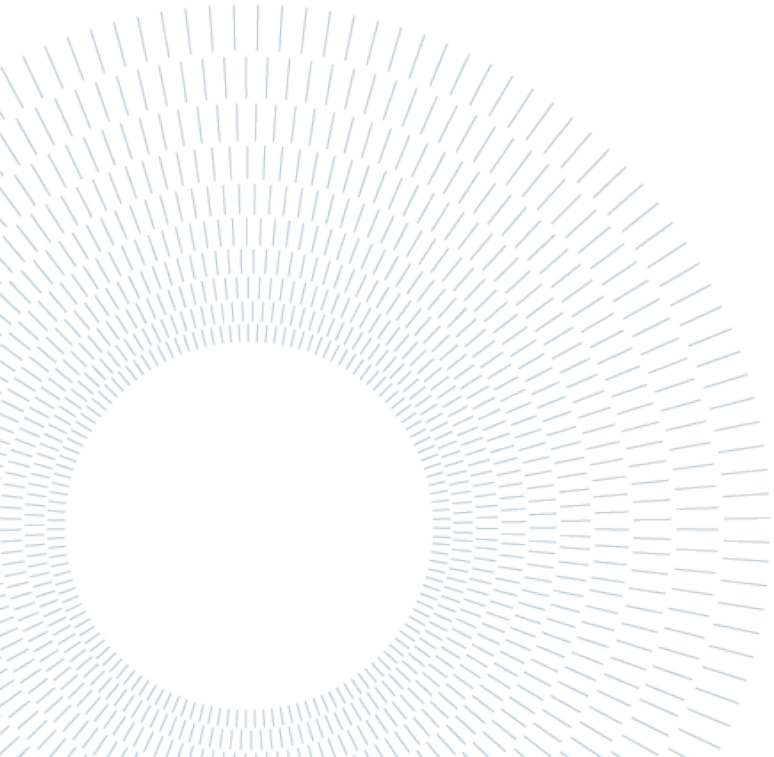


Abstract

The purpose of this dissertation is to explain the entry mode choices of the Relocation to Second Host Country process in relation to the mode selected during the previous offshoring phase. To be more specific, the analysis will investigate the entry mode in terms of switch (from non-equity to equity or equity to non-equity) or keep (from non-equity to non-equity or equity to equity) between the first and second host countries.

Specifically, the entry mode switch (or keep) is investigated adapting the extant theories of the entry mode (i.e., Transaction Cost Theory, Institutional Theory, Uppsala Internationalization model), to the case of Relocations to Second Host Country (RSC), using the European Reshoring Monitor database to test the resulting hypotheses. Precisely, the theoretical background is a further extension of the Extended Transaction Cost theory that covers the dimensions of transaction costs, institutional context, cultural context and international experience of the firm.

RSC entry mode switch (or keep) decisions, according to the results of the econometric analysis, appears to be driven by Transaction Cost factors with respect to asset specificity, Managerial factors with respect to the institutional context and International experience factors, highlighting the need of a multi-theory approach to describe firms' behavior. Managers should take into considerations such finding in evaluating their relocation decisions.

Keywords: reshoring, entry mode, relocations, switch, keep

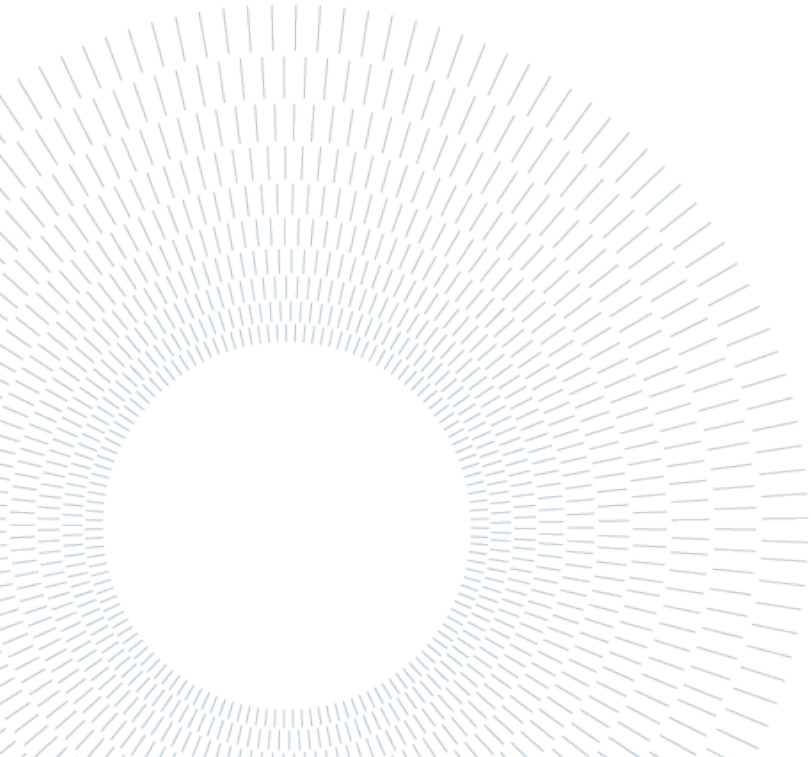
Abstract in italiano

Lo scopo di questa tesi è spiegare le scelte di entry mode nel processo di relocation verso secondo Paese ospitante in relazione alla modalità selezionata durante la precedente fase di offshoring. Più precisamente, l'analisi indagherà l'entry mode in termini di switch (da non-equity a equity o da equity a non-equity) o di keep (da non-equity a non-equity o da equity a equity) tra il primo e il secondo Paese ospitante.

In particolare, lo switch (o il keep) della modalità di ingresso viene studiato adattando le teorie esistenti sull'entry mode (teoria dei costi di transazione, teoria istituzionale, modello di internazionalizzazione di Uppsala) al caso delle relocations verso secondo Paese ospitante (RSC), adottando un'estensione del database dell' European Reshoring Monitor per testare le ipotesi. Precisamente, il background teorico è un'ulteriore estensione dell' Extended Transaction Cost theory che copre le dimensioni dei costi di transazione, del contesto istituzionale, del contesto culturale e dell'esperienza internazionale dell'impresa.

Le decisioni di fare switch (o keep) di entry mode nelle RSC, secondo i risultati dell'analisi econometrica, sembrano essere guidate da fattori di costo di transazione rispetto alla specificità degli asset, da fattori manageriali rispetto al contesto istituzionale e da fattori di esperienza internazionale, evidenziando la necessità di un approccio multi-teorico per descrivere il comportamento delle imprese. I manager dovrebbero tenere conto di questi risultati nel valutare le loro decisioni di delocalizzazione.

Parole chiave: reshoring, entry mode, relocation, switch, keep



Executive summary

Introduction

The reshoring phenomenon is the term used to identify the process of relocation of previously offshored value chain activities (not only production but also supply), in the home country or in a further host country. Reshoring is a very recent trend, and the number of relocations is increasing more and more after years. Some mentionable motivations and drivers that push towards this phenomenon are: made-in effect that guarantees the quality of the products, then automation (industry 4.0) that allows firms to decrease labor costs with increased productivity, also labor cost inflation that leads to an increases in labor costs diminishing cost advantage that drove companies to offshore, and finally, sustainability, for the significant geographic distance that imply high pollution and transportation costs.

Reshoring can be classified in two different clusters: back-reshoring, when firms choice to relocate in the home country, and relocation to third country, when the firms' choice is not the home country.

This master thesis wants to study the reshoring phenomenon, particularly in the case of relocation to second host country, related with the firms' entry mode choice.

In all the dissertation, the term first host country identifies the offshoring country, while second host country defines the country in which the company relocates after the offshoring. In this dissertation, entry modes are classified in two clusters: equity entry modes, to which belongs those modalities that require greater investment and degree of ownership (wholly owned subsidiaries); and non-equity entry modes that are market transactions where the resource commitment of the investments is lower with respect to the previous category (agency, licensing, franchising).

Hypothesis development

The review of the extant literature concerning Relocations of Second Degree, highlights a gap in research regarding Relocation to Second Host country. In this dissertation we will focus on this topic. In particular, we will investigate the entry mode in terms of switch (from non-equity to equity or from equity to non-equity), or keep (from non-equity to non-equity or from equity to equity), between first host country and second host country, when "first host country indicates the offshoring destination and "second host country" represents the destination of relocation.

The Extended Transaction Cost theory developed by Brouthers (2002) and the Uppsala Internationalization model (Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977) serve as the research's primary conceptual underpinnings.

Brouthers' work from 2002 was chosen because it combines traditional theories of the entry mode i.e., TCT, Eclectic OLI framework, Institutional Theory) in the Extended Transaction Cost theory, in order to take into consideration the most relevant aspects identified and tested in prior research on international entry mode choices. The framework is, however, originally developed to describe offshoring entry mode choices. Therefore, it will be adapted in the dissertation to fit the phenomenon of Relocations to Second Host Country.

Indeed, The Uppsala Internationalization model will also be added to the Extended Transaction Cost approach to take in count that Relocations to Second Host Country are a part of a multi-stage internationalization process; thus, they follow result prior offshoring decisions.

As a result, the hypothesis of this dissertation will be progressively defined following Brouthers division of his theory (TCT elements, Institutional theory extension and Cultural context integration) and the final addition of the Uppsala

internationalization model. Since the entry mode chosen for the offshoring event is given, each hypothesis will be distinguished between initial equity or non-equity mode of entry.

For what concerns the application of Brouthers (2002) transaction cost approach, the hypotheses suggested are:

Hypothesis 1.1: Firms that adopted a non-equity entry mode in the first host country, are more likely to switch to equity modes of entry in the second host country in case of high asset specificity, while they are more likely to keep non-equity modes of entry in the second host country if their asset specificity is high.

Hypothesis 1.2: Firms that adopted an equity entry mode in the first host country are more likely to keep an equity mode of entry in the second host country in case of high asset specificity, while they are more likely to switch to non-equity modes of entry in the second host country in case of low asset specificity.

The two hypotheses resulting from the relevance of institutional context on the entry mode choice are:

Hypothesis 2.1: Firms that adopted a non-equity entry mode in the first host country are more likely to switch to equity modes of entry in the second host country in case of governance performance decreases, while they are more likely to keep non-equity modes of entry in the second host country if governance performance increases.

Hypothesis 2.2: Firms that adopted an equity entry mode in the first host country are more likely to keep an equity mode of entry in the second host country in case of decreasing governance performance, while they are more likely to switch to non-equity modes of entry in the second host country in case of governance performance increases.

Regarding the application of cultural distance theory, the hypotheses developed are:

Hypothesis 3.1 Firms that adopted a non-equity entry mode in the first host country, are more likely to switch to equity modes of entry in the second host country in case of cultural distance decreases, while they are more likely to keep non-equity modes of entry in the second host country if cultural distance increases.

Hypothesis 3.2: Firms that adopted an equity entry mode in the first host country are more likely to keep an equity mode of entry in the second host country in case of cultural distance decreases, while they are more likely to switch to non-equity modes of entry in the second host country in case of cultural distance increases.

In conclusion, the last two hypotheses from the extension of the Uppsala internationalization model to the case of RSC are:

Hypothesis 4.1: Firms that adopted a non-equity entry mode in the first host country, are more likely to switch to equity modes of entry in the second host country in case of high international experience, while they are more likely to keep non-equity modes of entry in the second host country if their international experience is low.

Hypothesis 4.2: Firms that adopted an equity entry mode in the first host country are more likely to keep an equity mode of entry in the second host country regardless of the value of international.

Data and methodology

The next step is to define which are the data analyzed in the dissertation in order to proceed with the experimental phase and test of the hypotheses.

The database structure is the integration between the already existing European Restructuring Monitor (ERM) dataset and other variables useful for the purpose of the research. The other sources used for the composition of the complete database are World Bank dataset (2019), Orbis (2022), Hofstede's website, firms' financial statements and a study from ULB university of Bruxelles.

The data coming from ERM are: company name and holding name, announcement (of reshoring) date, type of operation (if it is back reshoring or relocation intra EU), size of the firm (in function of the number of employees), country A (origin country), country B (first host country), country C (second host country), type of entry mode B and type of entry mode C (the equity modes available in the dataset are: acquisition, greenfield, greenfield and acquisition; non equity entry modes are: licensing, outsourcing and agency), and NACE code (2-digit).

The further added variable are industry ID (1-digit), Country Stability Index (CSI), Ease of Doing Business (DBI), size level, international experience variable, Hofstede's cultural distance, entry mode change dummy, Intangible assets on Total assets ratio, R&D intensity, European Union enlargement dummy, crisis 08-11 and crisis 12-15.

The model used for the econometric analysis is the Multinominal Logistic Regression, that is a statistical classification technique that extends logistic regression to issues with more than two discrete potential outcomes, or multiclass problems. The Multinominal Logit model is useful to predict the probabilities of different possible outcomes, given a set of independent variables.

The independent variables are classified into three categories: dependent variable, explanatory variable, and control variable.

The dependent variable of this dissertation is "Change of entry mode typology", it describes the different cases in which companies can switch or keep the mode of

entry in the second host country with respect to the entry mode in the first host country. It can assume four different values:

a) "0" when firms switch from non-equity entry mode in the first host country to equity entry mode in the second host country

b) "1" when firms keep equity entry mode for both first and second host country

c) "2" when firms keep non-equity entry mode for both first and second host country

d) "3" when firms switch from equity entry mode in the first host country to non-equity entry mode in the second host country

Explanatory variables are representative of the drivers used to identify the hypothesis to be tested in the econometric analysis. The variables selected for this category are: "Intangible assets/Total assets" and "R&D" intensity to test the hypotheses 1.1 and 1.2 (Transaction Cost Theory); "ΔCountry Stability Index" and "ΔEase of Doing Business Index" to test hypothesis 2.1 and hypothesis 2.2 (Institutional context); "Cultural distance" to test the hypotheses 3.1 and 3.2 (cultural context extension); "International experience" to test hypotheses 4.1 and 4.2 (Uppsala international model).

For what concerns control variable, they are introduced in the model in order to conduct a more comprehensive analysis of the drivers that impact the entry mode choice location. This type of variable represents the external contest in which companies made their decision. "Crisis 09-11", "Crisis 12-15" and "EU enlargement" are the variables chosen to describe the time contextualization. "Industry ID (1-digit)" identifies the industry of belonging of each firm.

Results and discussion

From the results obtained from the model, the first aspect to be analyzed is the robustness of the model, that is, assessing whether it is suitable, or the data used.

Number of observation	**125**
LR chi2 (**26**)	66.99
Prob > chi2	**0.0000**
Pseudo R2	0.4874

Table 1: results about robustness and number of observations

Table 1 above shows the number of observation and the p-value (Prob > chi2). Since the latter value is equal to 0.0000, the model fits well within the database, hence the level of robustness is acceptable (p-value < 0.0001).

The base outcome chosen in the model was the value "1" of the dependent variable, the most frequent. Hence, the following results will refer to the values "0" and "3" of the "Type of entry mode change" with respect to case "1", coherently with the output of the model from STATA. Particularly in this executive summary are shown only the statistically relevant results for both cases (p>|z| < 0.100).

In table 2 below are visible the relevant results when the dependent variable assume value "0", when firms switch type of entry mode from non-equity mode in the first host country to equity entry mode in the second host country.

0	Coefficient	P > | z |
Intangibles/Total assets	**-16.64528**	**0.040**
International experience	**0.0071318**	**0.032**

Table 2: statistically relevant results for case "0"

The measure of intangible assets results negatively correlated, hence when the value of the ratio “Intangible assets/ Total assets” increase, the probabilities to switch from a non-equity to a equity entry mode decrease. Such negative correlation may result conflicting with the Transaction Cost theory that states that relevant specific assets need to be protected through hierarchical modes. Substantially, the apparent contradiction between the results of the analysis and the underlying theory stems not from the representativeness of the variable "Intangible assets/Total assets," which is, in fact, a reasonable measure of a company's asset specificity, but rather from the incomplete description of specific assets in TCT.

With respect to this dissertation, the negative correlation of “Intangible assets/Total assets” cannot be considered a confutation of the hypothesis, since the asset specificity measured by the variable does not coincide with the one considered by TCT.

Regarding the International experience, its correlation coefficient is positive, hence when this variable increases, the probabilities of switch from non-equity entry mode in first host country to equity entry mode in second host country increase. Such result verifies the applicability of the Uppsala model to the case of reshoring, and it validates the hypothesis 4.1

In table 3 below are visible the relevant results when the dependent variable assume value “3”, hence when firms switch the entry mode type from equity entry mode in the first host country to non-equity entry mode in the second host country.

3	Coefficient	P > | z |
ΔCSI	**-2.084535**	**0.051**
R&D intensity	**-1.701795**	**0.077**

Table 3: statistically relevant result for case "3"

Regarding ΔCSI, the correlation coefficient is negative, hence when firms chose a second host country with a higher governance performance, the probabilities of switching from equity entry mode to non-equity entry mode are low. This result conflicts with the Extended Transaction Cost Theory, for which a relocation to a second host country with higher governance performance implies keeping equity entry mode. This conflict is justified by the Managerial Theory perspective regarding institutional context. Indeed, according to such theory, the higher the governance performance, the higher the institutional stability, that implies low uncertainty. Such conditions constitute a safer environment for investments, with higher probability of success. Hence, an increase in governance performance means that it is less risky to engage in higher resource commitment investments (equity entry mode), coherently with the negative correlation observed in the result.

For what concerns R&D intensity. the correlation coefficient results negative, hence when the value of the indicator increases, the probabilities of switching from equity

entry mode to non-equity entry mode is low. Since R&D intensity is representative of the asset specificity dimension, such result is coherent with the traditional Transaction Cost theory and verifies hypothesis 1.2.

Conclusions

The conclusions of this dissertation evaluate the suitability of the theoretical approach to the scope of the dissertation. The hypothesis verified in this dissertation are: Hp 1.2 regarding assets specificity of Transaction Cost theory, and both 4.1 and 4.2 concerning the Uppsala Internationalization model. Then, the only confuted Hypothesis is the number 2.2 regarding the institutional context of the Extended Transaction Cost theory. All the other hypotheses are not addressed by this research.

The fit between the model and the empirical evidence is mixed. On one hand Uppsala Internationalization model and the Transaction Cost theory (in the dimension of asset specificity) are suitable to explain the entry mode choice of the firms in terms of keeping or switching between first host country and second host country. The econometric analysis supports that companies learn from their international experience and the switch from non-equity entry mode to equity entry mode is justified by the increasing of experience. For what concerns the asset specificity, firms tend to avoid the costs coming from the protection of highly specific assets through non-equity entry mode.

On the other hand, regarding the Institutional extension of the Transaction Cost theory, the result of the analysis is justified by the managerial theory and the impact of the country stability on managers' choices.

In conclusion, it is reasonable to state that multi theory approach is suitable to explain the entry mode changes in case of relocation to second host country, particularly the model suggested from the results of this dissertation is the combination of the Transaction Cost theory, the Managerial theory, and the Uppsala Internationalization model.

Contents

Introduction

Over the past four decades, the trends of International Business have been in constant evolution. The 1970s and 1980s were characterized by the tendency of firms to engage in vertical integration, followed by the rise of the offshoring phenomenon in the 1990s.

On one hand, globalization and technological innovation have shaped hypercompetitive, fast changing markets that pushed firms into the research of new global strategies to seek a sustainable competitive advantage. Furthermore, technology facilitated the breaking down of geographical, physical and temporal barriers (Kedia & Mukherjee, 2009). On the other hand, the interventions of the WTO in favor of the liberalization of trade on international scale, and the trade agreements and unions of the early 1990s, including the NAFTA and the European Union itself, created the conditions for offshoring to spread out (Jahns et al., 2006). The Foreign Direct Investments (FDIs) of the 1990s and early 2000s were mostly directed towards low-wage countries, where large firms offshored their low value adding activities (Buckley and Casson, 1976).

Figure 1 represents the global FDI outflows from developed economies from 1990 to 2021 as reported by UNCTAD in its World Investment Report (2022).

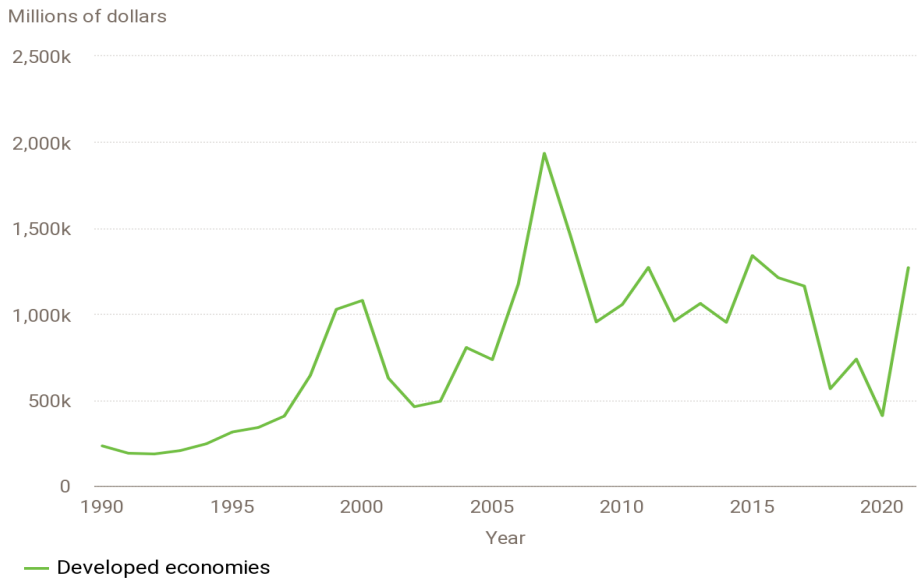


Figure 1: Global outward FDI flows of developed economies from 1990 to 2021, UNCTAD (2022)

Developed economies have reached the peak of outward FDI flows in 2007 (1.934.540$ millions), followed by a slowdown in the subsequent years, initially driven by the effects of the global financial crisis of 2008. The fall in FDIs between 2007 and 2019, amounts to 1.197.700$ millions. The missing recovery after the crisis reflects the most recent trends in International Business, for instance the phenomenon of relocations. Indeed, Delis et al. (2019) observed that the phenomenon of reshoring of European MNEs has increased following the crisis and policymakers believe that reshoring could represent one of the solutions to the unemployment problem resulting from the crisis.

Relocations, also addressed with the term "reshoring", are "location decisions that modify a prior one" (Barbieri et al., 2019). Namely, a relocation happens when a previously offshored business activity is moved from the first host country either back home (Relocation to Home Country) or towards a second host country (Relocation to Second Host Country).

Besides the crisis, a second contextual factor affecting reshoring is the technological development known as "Industry 4.0". The new technologies are reshaping the international value chains by offering cost savings and enhanced quality in front of decreasing wage differentials between developed and developing countries. As a consequence, developed countries become more attractive for the relocation of operations previously offshored for labor cost advantages.

Concerning the internationalization process of European firms, a third political and economic driver for reshoring has been the enlargement of the EU to the east with the admission of the Easter European countries to the Union.

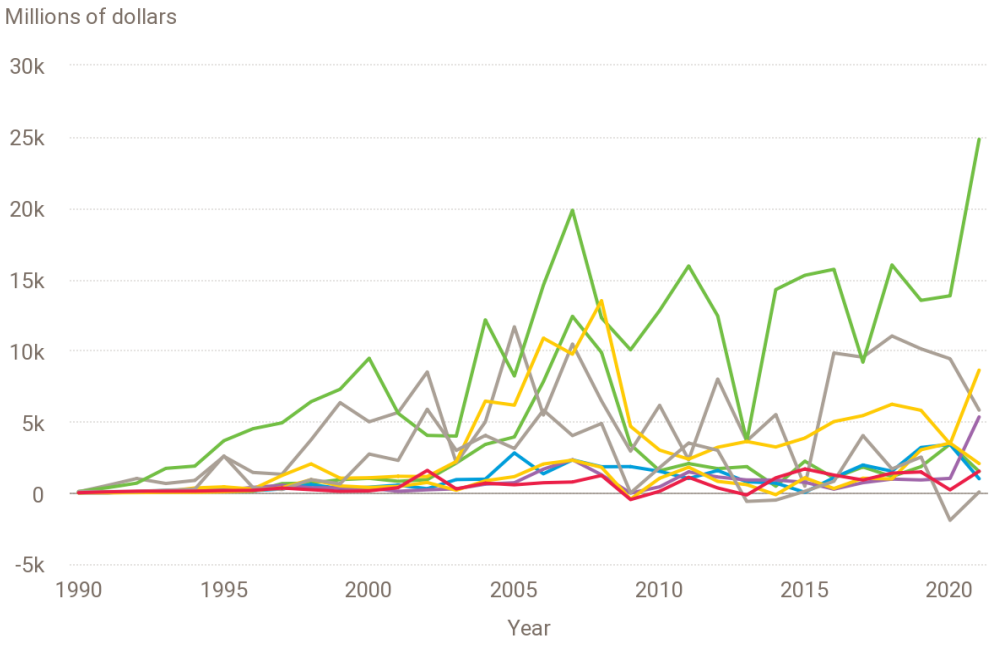


Figure 2: Inward FDI flows of Eastern European countries from 1990 to 2021, UNCTAD (2022)

Figure 2 shows the inward FDI flows of nine Easter European countries admitted in the EU between 2004 and 2007. Each country has been subject to a peak of FDI inflows following its admission to the European Union. Indeed, the cost reduction consequent

to the absence of trade barriers and tariffs joining the union, combined with the low local labor costs, attracted foreign investments both in offshoring and relocation processes.

Additional drivers, such as made-in effect, sustainability, or the recent COVID-19 pandemic, have been identified as drivers for reshoring. Furthermore, after the rise of the phenomenon, scholars and policymakers have driven their attention towards the topic, investigating its drivers both at macro-level and micro-level, hence looking at respectively country-specific and firm- or industry- specific factors, mainly focusing on the specific case of back-reshoring events (relocations to home country). Moreover, the extant literature addresses several aspects of the phenomenon, for instance its borders, its classifications, its diffusion, and its entry mode selection drivers.

However, while Relocations to Home Country are widely discussed, the analysis of Relocations to Second Host Country remains largely unexplored. Existing research has investigated what drives the choice of relocating to home rather than second host country (Barbieri et al. 2019) or generally what drives firms to relocate business services without distinguishing the cases of relocations to home or second host country (Albertoni et al., 2017). Substantially, extant literature acknowledges the distinction between the two phenomena and few research has been directed towards the motivations behind the decision of engaging in a relocation, resulting in McIvor and Bals (2021) classification of the drivers in: revision of a managerial evaluation, change of exogenous factors or strategic assessment, that will be detailed within the dissertation.

However, Barbieri et al. (2019) highlighted that the European Restructuring Monitor database, covering a time span from 2002 to 2015, registers a large majority of Relocations to Second Host Country (444) as compared to Relocations to Home

Country (91). Hence, the relevance of the phenomenon offers the potential for additional research on its unexplored aspects, beyond the partially covered topic of the drivers behind the choice.

In this perspective, the research on international modes of entry is one of the most studied and theorized topics in International Business literature. Extant literature has investigated and theorized entry mode decisions initially with respect to offshoring choices of the firms both in single- (e.g. Transaction Cost theory, Institutional theory), and multi-step internationalization process perspectives (e.g. The Uppsala Internationalization model), resulting in a rich theoretical background that has been later extended to Relocations to Home Country. Relocations to Second Host Country remain, instead, uncharted in the international entry mode selection choice.

Therefore, the approach of this research will consist in the adaptation of the traditional theories of the entry mode to Relocations to Second Host Country, in order to study the choice of keeping or switching entry mode from first to second host country. On one hand, such extension exploits the similarities between offshoring and relocation decisions, that are both internationalization choices, and the extant multi-step internationalization perspective that is inherent of relocations that can only happen after a previous offshoring. On the other hand, the novelty of the scope of this dissertation contributes to filling the research gap on Relocations to Second Host Country and, at the same time, also enriches the research on entry modes with a switch (or keep) perspective, hence a dynamic approach to explain entry modes in Relocations. Indeed, the existing literature on multi-step internationalization processes addresses either linear sequential international expansions or re-entry modes of firms that enter, exit and enter again the same foreign country, while non-linear processes as relocations from first to second host country are not investigated. Hence, the

contribution of this dissertation with respect to entry mode literature is the extension of extant theories to the switch (or keep) entry mode decisions in non-linear relocations from first to second host country.

1 Theoretical background

The following chapter presents a review of the extant literature on the two topics that will be later investigated in this dissertation: relocations of second degree and international market entry modes. The first section is dedicated to the definition of the phenomenon of reshoring, its borders, its main drivers and some brief considerations on its timing. The second segment of this literature review is, instead, focused on the definition and classification of the existing international modes of entry and theories of the entry mode that investigate the motivations of the choice.

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1.1. The reshoring phenomenon

Offshoring has been studied by the literature since the eighties (Backer et al., 2016). Reshoring, instead, has only been the subject of scholars' research from the early two-thousands. Although the phenomenon is recent, it has readily gained momentum in international business journals, replacing offshoring that is progressively losing popularity, according to a white paper from Cranfield University (2015). Figure 3 represents the results of the research on offshoring and reshoring literature. Although the number of articles for reshoring differs in order of magnitude from the offshoring related publications, the phenomenon is young, and the trend is upward sloping.

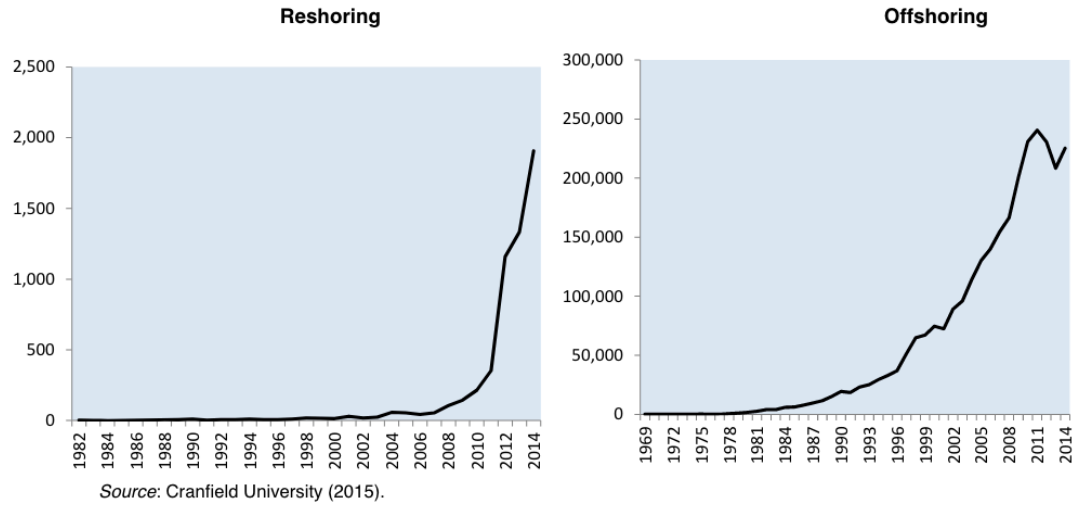


Figure 3: number of publications citing reshoring and offshoring, Cranfield University (2005)

1.1.1. Reshoring: definitions and perimeter of the phenomenon

The choice of where to locate a manufacturing subsidiary is one of the most contentious issues in the domains of international business and supply chain management (Jain, Kothari, and Kumar 2016). Traditionally, such publications regard the offshoring phenomenon (Liesch et al. 2012), however, firms may want to reevaluate their selections regarding offshored manufacturing facilities as a result of difficulties managing globally expanded value chains and changes in strategies or objectives (Barbieri et al., 2018). Many firms, both small businesses and large multinational corporations, have recently made the decision to reconsider their initial internationalization choice in favor of the so-called "reshoring".

The term "reshoring" can result ambiguous following the multiple meanings it assumes in literature. In this dissertation it will be used to identify "a generic change of location with respect to a previous off-shore country" (Fratocchi et al., 2014). In order to understand reshoring in its entirety, this chapter contains definitions and concepts taken from the extant literature that define the borders and the nuances of the phenomenon.

Figure 4 represents the internationalization process of the firm as a sequence of consecutive steps in accordance with Fratocchi et al. (2014b):

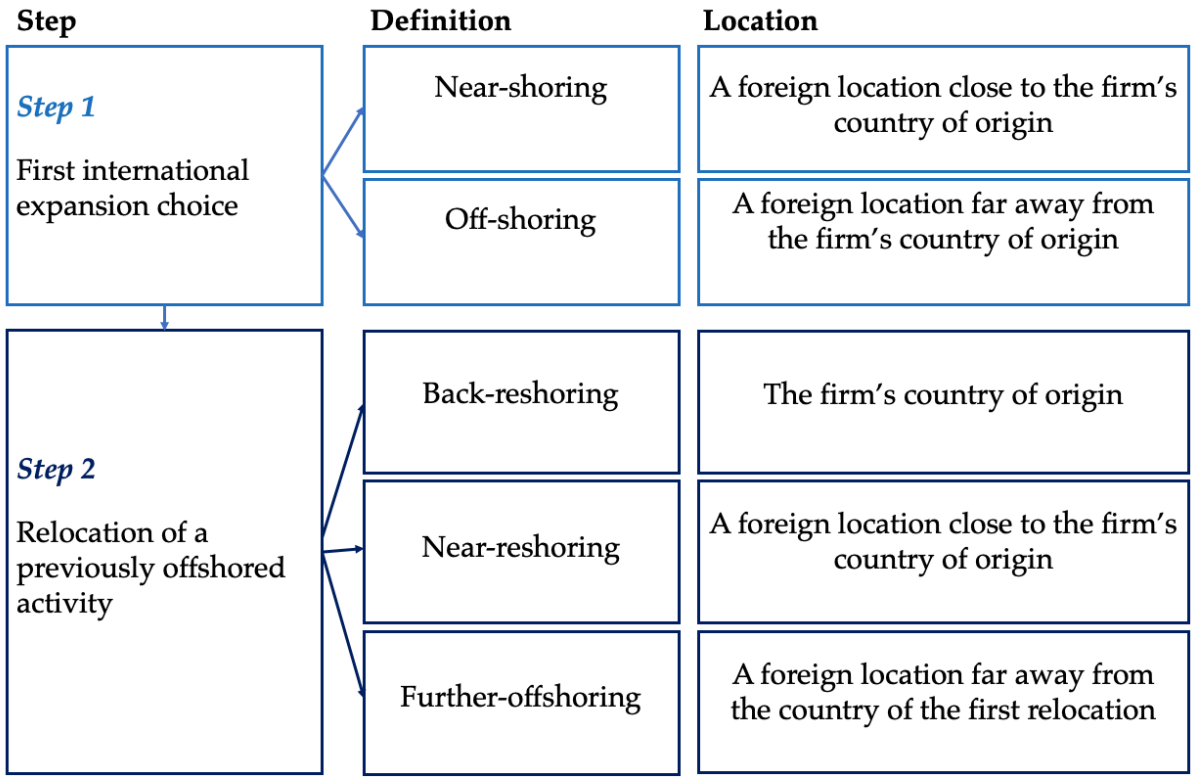


Figure 4: multi-step internationalization process of the firm adapted from Fratocchi et al. (2014b)

In the internationalization process of a company, there are several strategic decisions that belong to the reshoring concept or share something with it. Starting from the initial international expansion choice, a company has two options on where to establish its activities: in a foreign country that is located in the firm's region, performing "near-shoring", or far away by choosing "off-shoring" (Fratocchi et al., 2014). In a subsequent moment, changes in the factors that encouraged the initial decision can result in a reconsideration of the previous movement (Gannon 1993) and the firm can engage in a relocation of second degree (RSD) (Barbieri et al., 2019). RSDs are performed by moving a previously off-shored production activity to either the

home country, “back-reshoring”; a country in the parent region, “near-reshoring”; or a further one, “further off-shoring” (Fratocchi et al., 2014).

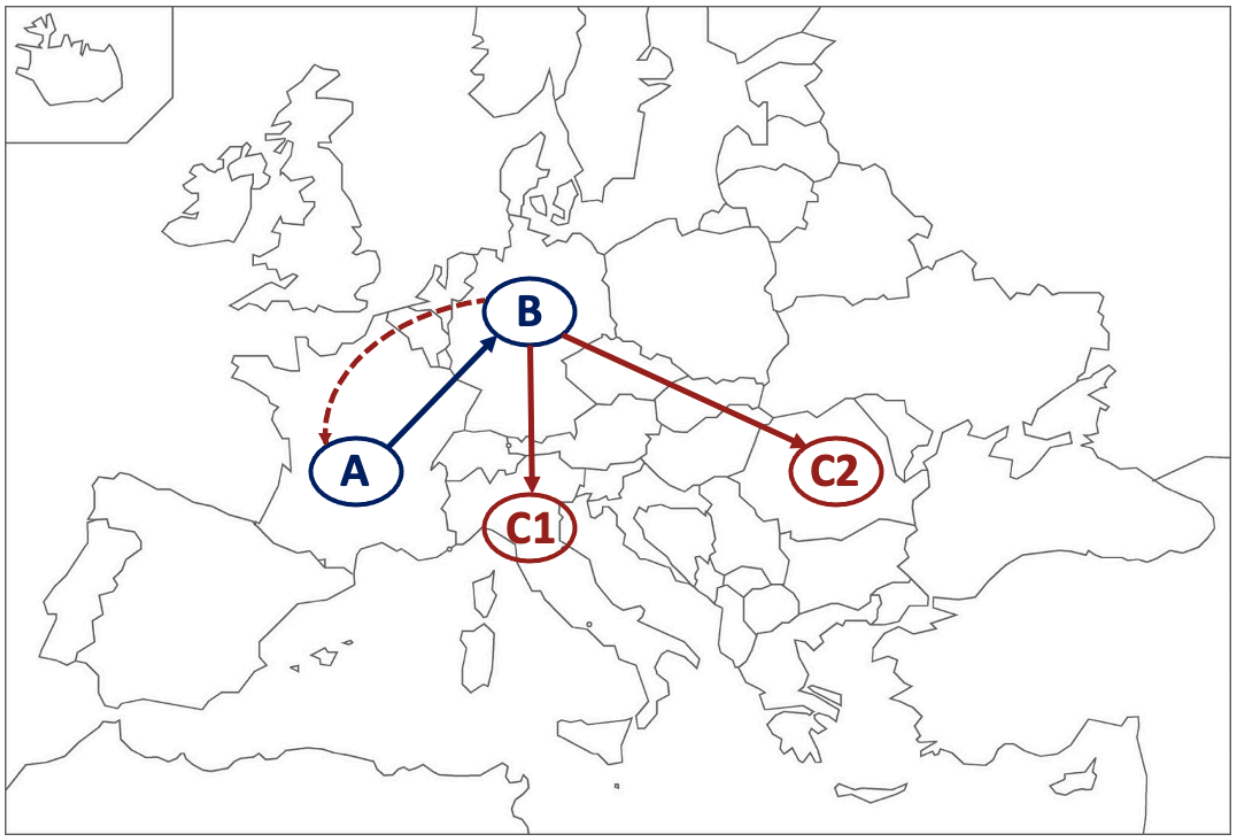


Figure 5: Graphical representation of the alternatives for reshoring

Figure 5 represents graphically the above cited internationalization process of the firm and the alternatives for reshoring. Country A is the home country, the movement from A to the first host country (B) is the offshoring event. From B the dotted arrow that points back at A represents the option of “back-reshoring”, otherwise, the second host country being C1 is an example of “near-reshoring” and C2 “further-offshoring”.

(Bellego 2014) identifies three reshoring strategies:

1. Tactical reshoring: firms adopting reshoring strategies to pursue high value-added foreign operations
2. Development reshoring: firms that initially offshored to low labor cost countries that subsequently move back home to upgrade to more developed markets
3. Home reshoring (or back reshoring): companies that relocate their operations in the home country after the initial offshoring didn't met expectations

Back-shoring, defined as "the geographic relocation of a functional, value creating operation from a location abroad back to the domestic country of the company" (Fratocchi et al. 2014b), is the most studied branch of reshoring in literature, and further subclassifications of the phenomenon exits, i.e., direct vs indirect back-shoring (Fratocchi et al. 2014b), internal vs external back-shoring (Kinkel and Maloca 2009; Fratocchi et al. 2014a), captive Back-shoring vs back-sourcing (Kinkel and Zanker, n.d.; Fratocchi et al. 2014a). Nevertheless, the in-depth understanding of these variations is not functional to the scope of our research.

On the contrary, it is necessary to draw the line between reshoring and similar international business choices in order to set the perimeter of analysis. Extant publications examine "de-internationalization" and "international divestment" (Boddewyn, 1979), assessing them as close but not corresponding to reshoring .

De-internationalization refers to "any voluntary or forced actions that reduce a company's engagement in or exposure to current cross-border activities" (Benito and Welch, 2022) and shares with reshoring the unit of analysis, meaning either a complete subsidiary or a specific value chain activity (Fratocchi et al., 2014). However, as descripted above, a relevant feature of the reshoring process is the relocation of the

production facility back home or in a third country, which is not encompassed in de-internationalization (Benito and Welch, 2022), as well as the voluntariness of the decision and the difference between in- or out-sourcing (Fratocchi et al., 2014).

International divestment is "the deliberate and voluntary liquidation or sale of all or of a major part of an active operation" (Boddewyn, 1979). This case is only referred to entire subsidiaries, not single value chain tasks and, as for the previous case, it differs from reshoring because arguments on relocation, voluntariness and in- or out-sourcing are not included (Fratocchi et al., 2014). Furthermore, the phenomenon of reshoring should be considered as a step of "non-linear" (Vissak 2010; Vissak and Francioni 2013; Vissak, Francioni, and Musso 2012) internationalization process of the firm that does not necessarily encompass the reduction of international presence of the company and the total exit from foreign markets (Barbieri et al., 2018).

Extant literature also presents definitions of the concepts of re-shoring and back-reshoring that do not capture the two events in their entirety. (Kinkel and Maloca 2009) describe back-reshoring as the "re-concentration of part of production from own foreign locations as well as from foreign suppliers to the domestic production site of the company", missing the voluntariness of the decision, while Ellram, Tate, and Petersen (2013) in treating re-shoring do not specify the in- or out-sourcing nature of the relocation.

1.1.2. Terminology

Extant publications may result confusing in the use of terms related to the reshoring phenomenon. The word "reshoring" itself is used to indicate both "the relocation of manufacturing facilities from traditional offshore locations to more attractive offshore locations, or even home" (Tate et al. 2014) and the transfer of the previously offshored

activities back home (Gylling et al. 2015; Arik 2013; Ellram 2013). This second phenomenon is, however, also called "back-shoring" (Kinkel and Maloca 2009) or "back-reshoring" (Fratocchi et al. 2014b). The term "near-shoring", according to (Backer et al. 2016) represents the movement of offshored activities to a country that is neither the initial foreign one, nor home; while Fratocchi et al. (2014b) uses it to define an offshoring decision towards a near country, preferring the term "near-reshoring" for the subsequent relocation.

Given the ambiguity around the reshoring terminology, this dissertation will address the phenomenon using terms elaborated by the ones defined by (Barbieri et al. 2019) the high-level re-shoring decision will be named *relocation of second degree* (RSD), indicating a "location decision that modifies a prior one" (Barbieri et al., 2019).

RSDs are then classified by Barbieri et al. (2019), as shown in figure 6, on the basis of the location choice of the activity in the re-shoring process in:

a) A *relocation to home country* (RHC) when the activity, after being delocalized from home to a second country, is transferred back home. This scenario is correspondent to the previous definition of back-reshoring

b) A *relocation to third country* (RTC) if the relocation choice, after the initial delocalization from home to a second country, is oriented towards a third country.

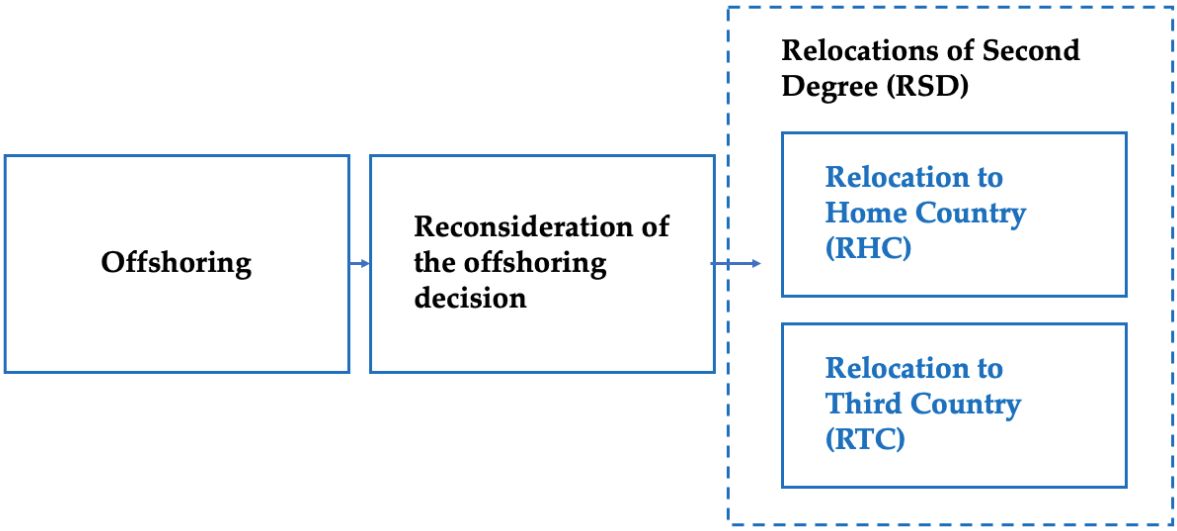


Figure 6: Internationalization process ending with relocation decision described using Barbieri et al. (2019) terminology

This terminology is representative of the analyzed phenomenon because it is simultaneously more comprehensive, since it unequivocally represents all the possible cases; clearer since there's no heterogeneity in the use of the terms in literature; and, through the word "relocation", entails that re-shoring decisions can only exist where there's a previous off-shoring choice (Gray et al., 2013). This last concept will be essential in this dissertation because it depicts the studied phenomenon as part of a dynamic and reversible (Kinkel et al., 2007) decision making process that cannot be studied as an isolated strategic choice. However, to adapt the terminology to the scope of this dissertation, hence the comparison between the offshoring and the relocation phases, it is necessary to introduce some modifications and extensions of Barbieri et al. (2019) terms:

1. The offshoring destination will be labelled "first host country"
2. The Relocations to Third Country will be renamed "Relocations to Second Host Country" (RSC), thus their destination is the "second host country"

1.1.3. Drivers for relocation

Within the topic of the relocations of second degree, RHC and RSC are not equally investigated in extant literature. Academic attention has been mainly driven towards back-reshoring that, over time, especially in the recent years, has been addressed by both scholars and policymakers (Barbieri et al., 2018), possibly driven by the political, economic and social consequences of moving operations back home (Barbieri et al. 2019).

As a matter of fact, many drivers for RHC choices have been identified, and subsequently summarized by Barbieri et al. (2019) in:

a. Efficiency, quality, potential for knowledge and capabilities acquisition and institutional purposes (Stentoft et al., 2016; Zhai, Sun, and Zhang, 2016);
b. Theoretical dimensions (Ancarani et al., 2015; Bals, Kirchoff, and Foerstl, 2016);
c. Based on the level of analysis and the goal (Fratocchi et al. 2016)

However, although RHC and RSC show similarities, these results cannot be fully extended to the case of relocations to third country that may be motivated by not corresponding reasons and evaluations (Di Mauro et al., 2018; Johansson and Olhager, 2018). Notwithstanding the scarcity of publications on RSC (Barbieri et al., 2019), evidence of such differences in motivation is outlined by Manning (2014) that, investigating the response to offshoring hurdles in the software and service industries, found that relocations to third country are usually driven by external contingencies out of the sphere of control of the firm.

Albertoni et al. (2017) approach relocations as a whole, without detailing between RSCs or RHCs, observing that, in order to understand a relocation choice, it is

necessary to link it to the initial offshoring decision. The interconnection between reshoring decisions and the previous offshoring initiative is acknowledged by several authors, that connect the likelihood of relocations to the objective of the previous internationalization choice (Albertoni et al. 2017; Gray et al. 2013; Larsen, Manning, and Pedersen 2013; Bals, Kirchoff, and Foerstl 2016). Hence, relocations can result from asset-seeking offshoring decisions when the firm has fully exploited all the valuable assets available in the first foreign country. Indeed, the repositioning of the operations (RSC) towards a new area would be justified by the research of additional complementary assets (Bals, Kirchoff, and Foerstl, 2016). Barbieri et al. (2019) propose that efficiency-seeking relocations can be triggered by 'Industry 4.0' policies engaged by European countries, that allow firms to benefit from the higher productivity associated with the new technologies. Furthermore, efficiency can push towards a relocation if the cost advantages expected with the first offshoring movement don't meet expectations (Larsen, Manning, and Pedersen, 2013).

Evidence from Barbieri et al. (2019), shows that RSCs are more likely than RHCs under some circumstances:

a. Efficiency-seeking offshoring investment: in front of the increase in production costs consequent to the economic development of EU transition economies, firms looking for cost savings have moved towards other transition economies, such as Romania and Bulgaria, that still offer cost advantages. Moreover, efficiency-seeking firms can also engage in relocations to third countries for strategic evaluations such as a change in objective, from cost saving to productivity enhancing.

b. Market-seeking offshoring investments, for companies with headquarter in Europe, during crises: while generally firms exit foreign markets or return home (RHC) during periods of crisis, the study has highlighted that European

centered companies have pursued third countries markets (RSC) to look for chances not available domestically.

c. Firms that have firstly offshored to culturally distant countries: the results of Barbieri et al. (2019) analysis indicate that a firm that has already overcome the liability of foreignness in the first internationalization step is more likely to engage in an RTC.

On the other hand, large firms or market-seeking location choices that do not meet the above cited conditions (headquarter in Europe and during a period of crisis) result more frequently in RHCs (Barbieri et al., 2019).

Figure 7 shows the structure of the reshoring process as built by McIvor and Bals (2021), with a focus on the drivers for the choice of undertaking a relocation. The "reversal of incorrect offshoring decision" (McIvor and Bals, 2021), refers to the eventuality of undertaking a reshoring initiative because of an incorrect evaluation of either costs, quality or interdependencies (Foerstl, Kirchoff, and Bals 2016) in the offshoring process. However, an offshoring decision can result unsatisfactory even when the initial assessment was correct if external factors subsequently change. This is the case of "increasing complexity and coordination costs" (McIvor and Bals, 2021). Complexity can become critical if the firm struggles in controlling the manufacturing process or the interdependencies abroad. Coordination costs, instead, are fostered by uncertainty that can be related to the institutional and economic spheres, but also to the evolution of market relationships and requirements (Bals, Daum, and Tate 2015). Furthermore, relocations can be driven by changes in the strategy of the firm. McIvor and Bals (2021), as shown in figure 7, distinguish between change in core competency strategy and change in product strategy. Regarding competitive strategy, given that companies tended to offshore low value-added operations (Gerbl et al. 2015) for cost saving purposes, a strategic change, for instance from an efficiency-oriented to a

customer-oriented approach, can motivate a relocation of second degree (Di Mauro et al. 2018; Srai and Ané 2016). Instead, a change in product strategy is typically related to the reputation of the firm. For instance, firms can be encouraged to engage in reshoring to exploit the "made-in" effect and, consequently the perception of product quality (Bals, Kirchoff, and Foerstl 2016; Srai and Ané 2016; Delis, Driffield, and Temouri 2019).

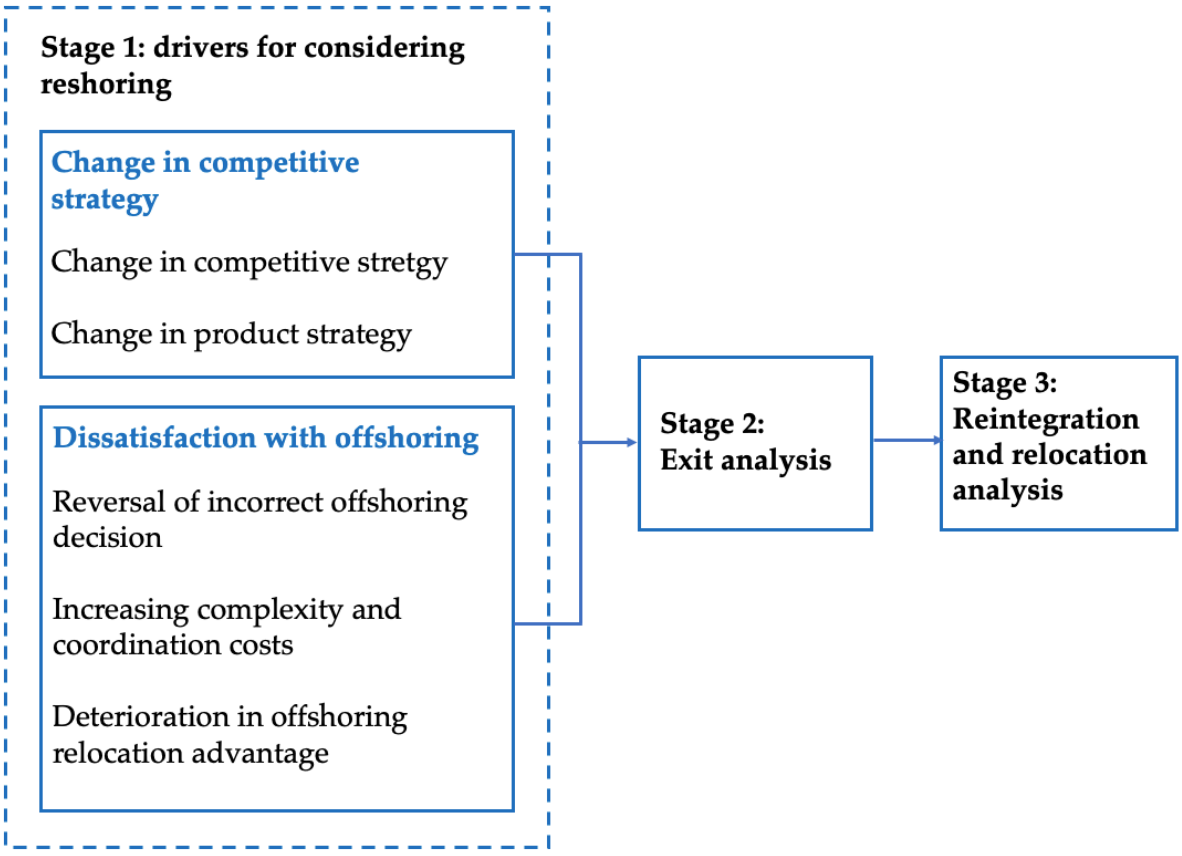


Figure 7: drivers for considering reshoring from McIvor and Bals (2021)

McIvor and Bals (2021) propose a classification of relocation drivers starting from Barbieri et al. (2018) literature review, resulting in three clusters:

a. Revision of a managerial evaluation (Kinkel and Maloca, 2009): this category contains the relocations driven by an unsatisfactory offshoring experience

consequent to an incorrect cost, risk and performance assessment leading the decision (Albertoni et al. 2017; Bals, Kirchoff, and Foerstl 2016; Kinkel and Maloca 2009; Foerstl, Kirchoff, and Bals 2016; Kinkel 2014)

b. Change of exogenous factors (Martínez-Mora and Merino 2014): firms can choose to relocate their activities because of modifications in the factors that initially justified offshoring, that are no longer advantageous (Barbieri et al., 2018)

c. Strategic assessment (Bals, Kirchoff, and Foerstl, 2016; Baraldi et al., 2018; Di Mauro et al., 2018): the last cluster is populated by all the reshoring flows consequent to changes in the international strategy of the firm, whether driven by flexibility (Di Mauro et al., 2018), research of skills or resources, product development (Bellego 2014) or changes of objectives.

In conclusion, there are two additional explanations that scholars believe to be recently fostering reshoring flows: sustainability (Fratocchi and Di Stefano 2019) and the COVID-19 pandemic, that has been more a constraint than a driver in relocating operations to closer countries (Gereffi 2020; Seric and Winkler 2020). Both drivers, however, are outside the unit of analysis of this dissertation because they are chronologically subsequent to the phenomena of the dataset but could be interesting for a further future development of the research.

1.1.4. Time in relocations

The literature on relocations is scarce of time-related considerations on the phenomenon (Barbieri et al., 2018). The only two dimensions that are investigated by scholars are the duration of the international experience preceding the reshoring

choice (Ancarani et al. 2015a), and the trend of reshoring after the global financial crisis of two-thousand-eight (Kinkel 2012; 2014).

Regarding the duration element, Ancarani et al. (2015) performed a survival analysis on EU and USA businesses in order to understand what determines how long the offshoring event lasts. The research outlined that several factors contribute to the duration, specifically:

a. Firm size: SMEs offshore experience seems to last less than large MNEs ones, probably for the lower level of resources that small firms can dispose of (Ancarani and Di Mauro 2018);

b. Industry: firms operating in the electronics or automotive industries reshore earlier compared to those of other sectors. This industry-specific trend is justified by the competitiveness of such sectors, where markets are continuously changing and survival rates tend to be lower;

c. Entry mode in the offshoring event: firms that engaged in outsourcing offshoring strategies generally return sooner than those that initially chose wholly owned modes of entry. A plausible explanation to such observation is that less integrated modes of entry are typically easier to reverse (Ancarani and Di Mauro 2018);

d. Reshoring drivers: firms that reshore for quality enhancing purposes or seeking the "made-in" effect (Diamantopoulos, Schlegelmilch, and Palihawadana 2011) tend to engage in the process earlier. This could be a consequence to the early tendency of firms to offshore for cost saving purposes;

e. Host country: according to (Ancarani et al. 2015b), offshoring experiences towards Asia show significantly lower durations compared to those located in Eastern European countries. Generally speaking, country-specific factors such as political and financial stability have a significant relevance on the likelihood of success and survival of an international market entry.

Furthermore, with respect to the relationship between the global financial crisis and the magnitude of reshoring, three considerations can be extracted from extant literature: Kinkel (2012) outlined that the two-thousand-eight global crisis impacted negatively on the German offshoring process but, for those firms that engaged in reshoring, the outcome was positive. Instead, the recent years following the crisis, according to Fratocchi et al. 2015) and Tate and Bals (2017), have been characterized by a relevant growth of the reshoring phenomenon, fostered by North American firms. The same trend is, finally, found by Fel and Griette (2017) with respect to French firms' relocations.

1.2. Entry mode: traditional theories and classification

Inside the wide topic of International Business, the choice of the entry mode in a foreign country has been given large attention in literature over the past decades (Root 1964; 1977). This focus is driven, among other reasons, by the concrete and empirically measurable nature of the operational mode (G. R. Benito, Petersen, and Welch 2009). Scholars have progressively developed a diversified and extensive theoretical framework on the subject, made of the traditional theories as the transaction cost theory (Anderson and Gatignon 1986; Hennart, 1989) internalization theory (Buckley and Casson 1976), institutional theory, knowledge- and resource-based views (Cuervo-Cazurra, Maloney, and Manrakhan 2007; Kogut and Zander 1993; Madhok 1997; Meyer, Wright, and Pruthi 2009) eclectic framework, better known as OLI (John H Dunning 2000; John Harry Dunning and Lundan, 2008); empirical studies (Johanson and Vahlne 1977; Johanson and Wiedersheim-Paul 1975; Luostarinen 1979; Newbold, Buckley, and Thurwell 1978); and further theoretical investigation, as the extended transaction cost theory by Brouthers (2002).

1.2.1. Entry mode definitions and classifications

Scholars have investigated how firms enter foreign markets, following the trends of international business, for decades (Canabal and White, 2008; Crick and Crick, 2016; Hennart and HL Slangen, 2015; Johanson and Vahlne, 1977; Johanson and Wiedersheim-Paul, 1975). Besides the above cited ease of measurement and concreteness of market entry modes (MEM), a second relevant reason for the major attention drawn towards the topic is that researchers generally agree on the relevance that the operational mode choice has on the strategic success or failure of an internationalization step (Agndal and Chetty 2007; Anderson and Gatignon 1986; K. D. Brouthers 2002; 2013; M.K. Erramilli and Rao 1993; Ragland, Widmier, and Brouthers 2015; Root 1987; Tse, Pan, and Au 1997).

Such abundance of publications results in several, and sometimes divergent, definitions of what MEM is. In chronological order, entry mode has been defined as:

a. "The development of operations in individual countries" by Johanson and Wiedersheim-Paul (1975);

b. "A governance structure that allows a firm to exercise control over foreign operations" by Anderson and Gatignon (1986);

c. "An institutional arrangement that makes possible the entry of a company's products, technology, human skills, management or other resources into a foreign country" by Root (1987);

d. "A way of organizing business activities in a foreign country" by Hill, Hwang, and Kim (1990)

e. "A structural agreement that allows a firm to implement its product market strategy in a host country either by carrying out only marketing operations (i.e. via export modes) or both production and marketing operations there by itself

or in a partnership with others (contractual modes, joint venture, wholly owned operations)" by Sharma and Erramilli (2004).

This last definition is the most functional to this dissertation since it captures the dichotomy that will be identified in this research as equity vs non-equity entry mode. Nevertheless, Root (1987) provides the tools to investigate and understand the drivers behind the MEM choice, which is the focus of the majority of the studies on the matter (Kostova; Zaheer 1999), by listing what a company can transfer to a foreign country, namely capabilities of managers and workers, goods, technology and other valuable resources.

An additional consequence to the academic attention towards entry modes is the broad variety of classifications that scholars have posed over time, based on as many different criteria. Hill, Hwang, and Kim (1990), starting from the seventeen entry mode types suggested by Anderson and Gatignon (1986), identify three mode types on the basis of level of control, commitment and risk: Licensing/Franchising, Wholly Owned Subsidiaries and Joint Ventures. The same parameters have been adopted by Osland, Taylor, and Zou (2001). Others (Agarwal and Ramaswami 1992; Blomstermo, Deo Sharma, and Sallis 2006; D. D. Sharma and Blomstermo 2003; Zahra, Ireland, and Hitt; 2000) only distinguish between high or low level of commitment. Three further, and among themselves similar, classifications are based on ownership level and correspond to equity vs non-equity modes (Kumar and Subramanian 1977; Pan and Tse, 2000); ownership-based vs contract-based (Zhao, Luo, and Suh, 2004) or contract vs equity (Brouthers and Hennart, 2007). This dissertation will follow the classification by Kumar and Subramanian (1977) and Pan and Tse (2000), where equity modes include:

a. wholly owned subsidiaries: following the OECD definition it "is a company controlled by another company. Control occurs when the controlling company owns more than 50 per cent of the common shares. When the parent owns 100

per cent of the common shares, the subsidiary is said to be wholly owned". This type of subsidiary can be established through a greenfield investment or an acquisition. The United Nations define greenfield investments as "a form of foreign direct investment where a parent company starts a new venture in a foreign country by constructing new operational facilities from the ground up. In addition to building new facilities, most parent companies also create new long-term jobs in the foreign country by hiring new employees. An acquisition is when one company purchases most or all of another company's shares to gain control of that company. When the acquisition regards the totality of the shares, the subsidiary is wholly owned.

b. joint ventures: according to OECD "a joint venture is an association of firms or individuals formed to undertake a specific business project. It is similar to a partnership, but limited to a specific project (such as producing a specific product or doing research in a specific area)".

while non-equity modes refer to contracts, defined by OECD as:

a. licensing: "licensing refers to granting legal permission to do something, such as produce a product. The license confers a right which the person or firm did not previously possess. Some licenses are granted free of charge, but most require payment. Licenses are legal agreements which may contain restrictions as to how the license is employed".

b. franchising: "franchising is a special type of vertical relationship between two firms usually referred to as the "franchisor" and "franchisee". The two firms generally establish a contractual relationship where the franchisor sells a proven product, trademark or business method and ancillary services to the individual franchisee in return for a stream of royalties and other payments"

c. outsourcing: "outsourcing means acquiring services from an outside (unaffiliated) company or an offshore supplier. In contrast, a company can

source offshore services from either an unaffiliated foreign company (offshore outsourcing) or by investing in a foreign affiliate (offshore in-house sourcing)".

Although some taxonomy is needed for the successive econometric analysis, it's useful to keep in mind that excessive research poses an artificial constraint to the existing variety of entry modes (Shaver, 2013), resulting in the loss of information about the mode combinations (Petersen and Welch, 2002) and variations or developments that occur over time. This last implication has recently led scholars to detach from categorization in favor of more flexible and realistic boundaries (Schellenberg, Harker, and Jafari, 2018), thus covering a larger spectrum of real cases.

1.2.2. Theories of the entry mode

The entry mode choice in International Business has been a matter of interest for scholars and academics since the very beginning (Crick and Crick, 2016; Gannon, 1993). The following chapter will contain an overview of three major internationalization theories (Schellenberg, Harker, and Jafari 2018) with the addition of a fourth consecutive and comprehensive one. In order, this chapter will present the Transaction Cost Theory (Williamson 1975), the Institutional Theory, The eclectic OLI framework (Dunning 1993) and the Extended Transaction Cost Theory (Brouthers, 2002), in both their original forms and subsequent evolutions in literature.

1.2.2.1. Transaction Cost Theory

The most common approach adopted in MEM literature, mentioned in almost half the research on the topic, is the Transaction Cost Theory (TCT) (Canabal and White 2008; Brouthers and Hennart, 2007). In TCT the entry mode decision is driven by "the costs of integrating an operation within the firm as compared with the costs of using an external party to act for the firm in a foreign market" (Williamson, 1985) that give the

name to the theory itself and are, indeed, the so called "transaction costs". Essentially, transaction costs are the sum of negotiation and monitoring expenses during the research, settling, and fulfillment of the business relationship (Agarwal and Ramaswami 1992; Erramilli and Rao 1993; Hill, Hwang, and Kim 1990; Hennart 1991; Williamson 1985; Makino and Neupert 2000; Gatignon and Anderson, 1988). Such expenditures rise in consequence to the bounded rationality under which risk-neutral agents behave, and the simultaneous propensity of economic agents to engage in opportunistic behaviors (Seggie, 2012). The aspects of transactions that can result in the above-mentioned costs are: asset specificity, transaction frequency and uncertainty, whether it is behavioral or environmental (Williamson, 1975). Although transactions occur both domestically and internationally, opportunistic behaviors are more likely to be engaged with culturally distant counterparties (Luo, 2007) and in complex environments (Shapiro 1987). Hence, TCT is particularly suitable and interesting for international business research. Williamson's works (1975; 1985) are traditionally considered the basis for the theory, followed by applications and elaborations from other scholars. Anderson and Gatignon (1986) were the first to openly apply the Transaction Cost Theory to their research (Schellenberg, Harker, and Jafari, 2018), identifying as main entry mode choice driver the trade-off between level of control and resource investment.

According to Williamson (1985), non-equity entry modes are suggested in internationalization strategies as they allow to exploit scale economies of the local markets. However, the cost advantage could be erased by the inefficiency that raise in consequence to uncertainty in front of:

1. the hurdles of anticipating future contingencies in the agreement
2. a potential unfavorable price set under information asymmetry

(Williamson 1985; Taylor, Zou, and Osland 1998)

3. monitoring and maintenance costs in conditions of long distance, communication problems and difficulties in measuring outputs

(Williamson 1985; Hill 1990)

Hence, TCT recommends market-based entry modes when transaction costs are low, but more hierarchical choices in front of high finding, negotiation and monitoring expenses in circumstances of uncertainty (Erramilli and Rao 1993; Hennart 1991; Gatignon and Anderson 1988; Anderson and Gatignon 1986; Taylor, Zou, and Osland 1998).

A second determinant dimension in TCT is the degree of asset specificity in the firm. Asset specificity is the characteristic of those "assets that lose value in alternative use" (Williamson, 1985), that need high protection against opportunistic appropriation (Hennart, 1991; Gatignon and Anderson, 1988; Williamson, 1985). Indeed, in the interaction among two firms, such assets create an opportunity for one organization to leverage on the other firm's reliance on specific technology, thus, engage in shirking, free-riding or even technology dissemination (Hennart 1991; Gatignon and Anderson 1988; Williamson 1985; Hill 1990). Consequently, when asset specificity is high, firms need to protect technology against opportunism, and such defense entails an increase in transaction costs. Thus, transaction cost theory pushes towards high-control entry modes (i.e., wholly owned subsidiaries) that don't require interactions at risk of opportunism, when firm-specific technology is relevant (Makino and Neupert, 2000; Hennart, 1991; Gatignon and Anderson, 1988). On the other hand, if asset specificity is low and, consequently, the threat of suffering opportunism is low, TCT recognizes more efficiency in either non-equity modes or joint ventures (Williamson 1985; Brouthers 2002; Hill 1990). According to Williamson (1979), while uncertainty and asset specificity are critical matters in the entry mode choice, the relevance of transaction frequency is "at least plausible". Indeed, frequency of transaction is classified as either one-time, occasional or recurrent. Among these, only recurrent

transactions can result in economies of scale that can justify an internalization of the operation, thus a vertical entry mode choice (Williamson, 1979).

Assuming that firms as economic agents choose the entry mode that maximizes the risk-adjusted return on investment (Anderson and Gatignon, 1986), the transaction cost theory provides the tools to identify the most efficient alternative (Brouthers, 2002). Literature shows significant approval on this point (Roberts and Greenwood 1997; Chiles and McMackin 1996; Poppo and Zenger 1998; Shrader 2001; Hill 1990). However, other scholars disagree and believe that TCT may not be the optimal support for the entry mode choice or could even be damaging (Ghoshal and Moran 1996). The main limitations ascribed to the transaction cost theory are that it does not take into account location specific costs (Tse, Pan, and Au ,1997) and revenue or value-enhancing potential of strategic decisions (Contractor 1990; L. E. Brouthers, Brouthers, and Werner 1999). Furthermore, TCT appears not to be suitable for young firms with a resource bottleneck or for those dynamic and evolving markets, where strategic internationalization choices are preferred over pure cost efficiency.

1.2.2.2. Institutional Theory

A different perspective compared to the transaction cost theory is known in literature as "institutional theory". The Institutional Theory looks at the system of institutional variables that a firm has to deal with during its internationalization process, made of legislation, norms, rules and values (Davis, Desai, and Francis 2000; Meyer and Nguyen 2005), classified by Scott (1995) in regulative, normative and cognitive.

The institutions of the host country are relevant in international business decisions since they "reflect the rules of the game by which firms participate in a given market" (Brouthers and Hennart 2007b; Davis, Desai, and Francis 2000), they constitute the

"structure in which transactions occur" (North, 1990). Indeed, a basic assumption of the theory is that firms operating in foreign countries look for isomorphism with the existing players of that market to gain legitimacy (Yiu and Makino ,2002). Aligning with local institutions means fitting in the host country and market, thus, achieving better performances (Oliver, 1997).

Furthermore, institutions influence both the attractiveness of the country itself and the entry mode of foreign firms (Brouthers 2002; Henisz 2000). Several scholars have underlined that between institutional context and mode choice there's a direct and concrete relationship (Chatterjee and Singh 1999; Davis, Desai, and Francis 2000). Local governments can purposely raise barriers to entry, such as legal limitations on ownership or intellectual property rights, in order to favor domestic economic growth (Delios and Beamish 2001; Gatignon and Anderson 1988; North 1990). Such constraints may prevent firms to engage in the entry mode suggested by theoretical studies (i.e. the transaction cost theory) (Gatignon and Anderson 1988; Roberts and Greenwood 1997). As a result, where legal restrictions are heavy, firms should prefer low control modes, such as joint ventures or non-equity forms (Delios and Beamish 2001). On the contrary, if institutional pressure is light, firms can engage in the mode that another theoretical reference suggests, such as wholly owned solutions (Brouthers, 2002). Indeed, it is unlikely to see MEM choices exclusively based on the Institutional Theory; usually, it is adopted as an extension to one or more other theoretical frameworks that by themselves lack the administrative perspective (Roberts and Greenwood 1997; Arregle, Hébert, and Beamish 2006; Oliver 1997; K. D. Brouthers 2002; 2013). As a matter of fact, when the Institutional Theory is combined with transactional parameters, the result is not only capable of explaining previous choices under study, but also has a significant predictive power on future decisions (Canabal and White, 2008) and performance enhancement (Schellenberg, Harker, and Jafari, 2018).

1.2.2.3. Eclectic OLI framework

Following the transaction cost theory, the second most shared approach in literature is the eclectic framework, better known as "OLI paradigm" (Canabal and White, 2008). The theory, likewise TCT, relies on the analysis of the costs and benefits of international transactions (Whitelock 2002). However, the eclectic paradigm differs from the transaction cost theory for the dimensions of interest that, instead of uncertainty, frequency and asset specificity, are Ownership, Location and Internalization advantages (Dunning 1993; Dunning 1988). Although the OLI paradigm is, in fact, a framework to evaluate internationalization choices (it explains *why* firms go multinational), it also has explanatory power on the entry mode chosen when international expansion occurs. Indeed, it links the three types of advantages to the most suitable mode of entry to exploit them.

Ownership advantages come from the possession of inimitable or difficult to acquire intangible assets, capabilities or product innovations (Hennart 1991). Such assets are firm-specific and by necessity unique and sustainable, therefore, they constitute a source of competitive advantage (Brouthers, Brouthers, and Werner, 1999). Indeed, they reflect the ability of the company to provide a distinct offer and reside in both the firm's size and international experience (Dunning, 1993). In a market entry mode perspective, according to (Dunning, 2000), the presence of ownership advantages favors a firm international expansion in the form of foreign production.

Location advantages are concerned with a wide range of factors that depend on the geographical area or specific market. They include very different aspects of transactions, from institutional and cultural to operational and practical characteristics and peculiarities of a place (Schellenberg, Harker, and Jafari, 2018). Typical variables representing location advantages are similar culture, common language,

infrastructures, availability of raw materials or other resources, low production or labor costs (Dunning, 1993). In terms of entry mode "enterprises will engage in foreign production whenever they perceive it is in their best interests to combine spatially transferable intermediate products produced in the home country, with at least some immobile factor endowments or other intermediate products in another country" (Dunning, 1988).

Finally, Internalization advantages refer to the cost saving of performing value chain activities within the firm instead of finding them on the market. Basically, internalization costs are transaction and coordination expenses (Ruzzier, Hisrich, and Antoncic, 2006). Coherently with the transaction cost theory, if internalization advantages are high, it is convenient for the firm to opt for wholly owned forms of organization abroad (Dunning, 2000).

The final consideration of the theory is that, in order for companies to engage in foreign direct investments, all three the advantages must be combined, otherwise it is preferrable to choose non-equity entry modes (Dunning, 2000).

		Type of advantage		
		Ownership	Location	Internalization
Market Entry modes	Licensing	Yes	No	No
	Export	Yes	Yes	No
	FDI	Yes	Yes	Yes

Table 4: type of advantage and consequent entry mode suggested by OLI

Table 4 summarizes the relationship between entry modes and type of advantage following the OLI paradigm. Each column of the table represents the type of market

entry mode that is suitable for each specific type of advantage. Reading the table horizontally the information obtained is the entry mode suggested by the combination of the three types of advantages.

Since its first version by (Dunning 1980; Dunning 2000), scholars have further investigated and extended the OLI paradigm (Hill, Hwang, and Kim 1990; L. E. Brouthers, Brouthers, and Werner 1999; Whitelock 2002; Woodcock, Beamish, and Makino 1994; K. D. Brouthers, Brouthers, and Werner 1996) and Dunning himself intervened (Dunning 1988) to answer the criticism suffered by the theory, such as:

a. Multinational corporations engage in international production even in absence of ownership advantages
b. Not all location advantages are freely available (Hennart, 2009)
c. Not all types of existing FDIs can be explained by the OLI theory

However, the discussion around the eclectic paradigm goes beyond the scope of this dissertation. The contribution of OLI to this research is double: on one hand, by mixing together elements from the International Trade Theory, the Resource Based View and TCT (Schellenberg, Harker, and Jafari, 2018), it introduces the idea that a single perspective approach could be insufficient to explain MEM choices; on the other hand it recognizes the relevance of cultural factors in the internationalization process of a firm.

1.2.2.4. The Extended Transaction Cost Theory

Literature and research on entry modes choices in international business is mainly oriented towards the Transaction Cost Theory (Makino and Neupert 2000; Taylor, Zou, and Osland 1998; Erramilli and Rao 1993; Hennart 1991; Gatignon and Anderson 1988; Anderson and Gatignon 1986). However, its limitations, previously discussed in

the dedicated chapter, have encouraged scholars (Delios and Beamish 2001; Brouthers and Brouthers 2000) to enlarge the theoretical framework by adding institutional and cultural drivers, already separately explored in academic publications (i.e., institutional theory, eclectic framework). Studies have shown that the best explanation of MEM choice is given by the joint addition of cultural and institutional aspects to the transaction cost theory (Roberts and Greenwood 1997; North 1990; Kogut and Singh 1988). Indeed, cultural distance is taken into consideration by decision makers during the internationalization process (Brouthers and Brouthers, 2000) because of the implications it has on failure or success, or generally on performances of the firm in foreign countries. Moreover, institutional factors integrate TCT with those risks and costs generated by the obstacles of property rights protection (Delios and Beamish, 2001).

Brouthers (2002) proposes a comprehensive theoretical and empirical approach to support entry mode choices and predict performance outputs, known as "Extended Transaction Cost Theory". The work is summarized in six statements that reflect the transaction cost theory, the institutional and cultural extensions, and the outcomes of the resulting international entries, that are:

1. Transaction costs: firms suffering high finding, negotiation and monitoring costs choose wholly owned modes to enter foreign markets. If such costs are low, enterprises tend to engage in joint ventures or non-equity modes.
2. Asset specificity: firms that show a high degree of asset specificity prefer wholly owned modes of entry, while firms that do not undertake asset specific investment tend to choose joint ventures or non-equity modes.
3. Institutional context: firms that enter markets where there are severe legal obligations on entry modes tend to prefer wholly owned forms. Instead, when host countries are not characterized by high legal barriers to entry, firms engage in joint venture or non-equity entry modes.

4. Cultural context: firms entering culturally distant markets typically choose joint ventures or non-equity modes of entry, while firms approaching countries with low investment risk consequent to the cultural context, tend to prefer wholly owned modes
5. Market growth: firms facing fast changing markets choose wholly owned entry modes. Instead, firms approaching slow-growing foreign markets engage in joint ventures or non-equity entry modes.
6. Performances: "entry modes that can be predicted by transaction cost, institutional, and cultural context considerations, tend to perform better than entry modes that cannot be predicted by these variables" (Brouthers, 2002).

The first two propositions constitute the transaction cost theory component of Brouthers' (2002) work. As a consequence, they are justified by traditional TCT arguments. Regarding the first statement, the presence of finding, negotiating and monitoring costs explains a hierarchical mode choice because such entry mode limits the interactions with the counterparties. Hence, hierarchy reduces, or even eliminates, the above-mentioned costs by avoiding the transaction themselves (Taylor, Zou, and Osland, 1998; Erramilli and Rao, 1993; Hennart, 1991; Gatignon and Anderson, 1988; Anderson and Gatignon, 1986). Proceeding with the second assertation, asset specificity has to be protected against opportunism, such as episodes of shirking, knowledge spillover or free-riding (Hennart 1991). Thus, it is less costly for highly asset-specific firms to engage in wholly owned modes of entry where there's no contract at risk of opportunistic behaviors (Makino and Neupert, 2000; Hennart, 1991; Gatignon and Anderson, 1988). However, when there's no threat of increasing transaction costs of any kind, TCT suggests that the most efficient entry modes are the less integrated ones (Hill 1990; Williamson 1985).

The third statement contains the first extension to the transaction cost theory, specifically the addition of the institutional perspective. TCT itself assumes the existence of an institutional body that influences firms' choices (Williamson 1985; Meyer 2001). This is the case of market or trade agreements that facilitate international business (North, 1990; Williamson, 1985). However, institutional factors are not always favorable for firms' international expansion (North 1990; Meyer 2001). As a consequence, sometimes firms "face pressures to adopt designs that are within the subset of socio-politically legitimated designs" (Roberts and Greenwood, 1997) instead of following transaction cost directives. Indeed, governments can raise barriers to entry against foreign firms in order to privilege domestic production by posing legal constraint on ownership, thus impeding entrants to fully take advantage of their own capabilities (Delios and Beamish 2001; North 1990; Gatignon and Anderson 1988; Roberts and Greenwood 1997).

A further addition to the theoretical framework is the cultural dimension, summed up in the fourth and fifth statements. The cultural context is not limited to national culture, it is the result of the network of the economic, legal, political, cultural and market dimensions of a country and can be expressed through the investment risk (K. D. Brouthers and Brouthers 2000; S. Agarwal and Ramaswami 1992; John Harry Dunning 1993; Agarwal 1994). Consequently, the more culturally distant the host country is, the more firms will rely on the market in order to enter through local existing agents or, eventually, through joint ventures with existing players in order to reduce the above mentioned investment risk and the costs that come with it (Brouthers, 2002). Vice versa, low investment risk countries allow firms to engage in wholly owned modes of entry. A second relevant aspect of the cultural context of the host country is its market degree of maturity and growth. High growth markets offer the conditions to establish wholly owned subsidiaries, that allow firms to exploit economies of scale and assert a long-term position (Agarwal and Ramaswami, 1992). Instead, entering

slow-growth saturated markets is easier through less integrated modes that don't require additional market capacity, since firms exploit existing players. Furthermore, in case of low sales it's less costly to exit the market if there has been no significant investment (Kim and Hwang, 1992).

In conclusion, the theory investigates the link between the entry mode selected in the offshoring decision, and the performances of the firm internationally. The extended transaction cost model fills the gaps of the traditional TCT outlined by several scholars (Ghoshal and Moran 1996; Tse, Pan, and Au 1997; Contractor 1990; Dyer 1997; Zajac and Olsen, 1993) through the addition of the institutional and cultural contexts. Thus, Brouthers (2002) states that choosing the entry mode taking simultaneously into consideration transaction cost reduction, investment risk reduction and political limitations results in the best fit with the hist market and, consequently, with the best performances.

Table 5 shows the summary of Brouthers' (2002) theory with respect to the first five propositions:

Theory	Factor	Level	Entry mode
Transaction Cost Theory	Finding, negotiating and monitoring costs	High	Equity
		Low	Non-equity
	Asset specificity	High	Equity
		Low	Non-equity
Institutional Theory	Legal limitations on ownership	High	Non-equity
		Low	Equity
Cultural context	Cultural distance	High	Non-equity
		Low	Equity
	Market growth	High	Equity
		Low	Non-equity

Table 5: extended Transaction Cost Theory: drivers and entry modes

1.3. Entry mode in multi-step internationalization processes

The extant literature on foreign markets modes of entry, besides the models analyzed in the previous chapter, includes a further traditional theory: the Uppsala Internationalization Model (Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977). This last theory, unlike the preceding ones, approaches entry modes in the internationalization process dynamically and entails the concept of path dependence in consecutive international business decisions.

1.3.1. The Uppsala Internationalization Model

The Uppsala Internationalization model (Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977) looks at entry mode choice from a perspective that differs from the traditional approaches in literature. The main structure of the theory is a cyclic relationship between the so-called "state" and "change aspects". State aspects are identified as resource commitment and market knowledge, both general and firm-specific, resulting from international experience. Instead, change aspects are the existing state of business activities and investment decisions (Schellenberg, Harker, and Jafari, 2018). According to the model, change aspects contribute to state aspects by enhancing knowledge that consequently encourages an increase in resource commitment Afterwards, the new state aspects influence commitment decisions and set a new current state of business, and the process proceeds cyclically (Andersen, 1993). As a result, the international expansion of the firm is driven by learning (Johanson and Vahlne, 1977). The theory entails a progressive and dynamic international expansion of firms, that start from low levels of foreign operations and commitment that consecutively increase thanks to knowledge accumulation (Schellenberg, Harker, and Jafari, 2018).

The Uppsala Internationalization model introduces the concept of "psychic distance" to explain international business decisions. Firms are, indeed, expected to expand first to "psychically" close countries, meaning areas with similar language, culture, education, behavioral characteristics of economic agents. In later stages of the internationalization process firms are assumed to be able to manage higher degrees of psychic distance thanks to the collected international experience and, consequently, not only enter further markets, but also engage in more structured entry modes (Ruzzier, Hisrich, and Antoncic, 2006). Because of its mechanism, the Uppsala model is also known as "establishment chain" (Johanson and Wiedersheim-Paul, 1975), since every decision within the internationalization of a firm is influenced by the experience developed in the previous steps. The framework that, according to Johanson and Wiedersheim-Paul (1975), better represents foreign expansion sees as starting point low-commitment entry modes, such as export, then gradually reaches higher degrees of risk and resource investment, ending with wholly owned establishment choices. In parallel, firms initially direct their business towards near countries in terms of "psychic" distance, which usually also correspond to geographically close areas, to later reach very different realities (Johanson and Vahlne, 1977).

Scholars have outlined the limitations of the model through empirical studies (Madsen and Servais, 2017; McDougall, Shane, and Oviatt, 1994; Oviatt and McDougall, 1995) and observations. Reid (1983) underlines that different firms could follow different internationalization paths, Cannon and Willis (1983) suppose that firms can choose to undertake only part of the steps suggested by the Uppsala theory, Crick and Crick (2016) see decision making as a response to internal and external stimuli and Bell (1995) recognizes that some enterprises can be able to establish stages of the value chain abroad from a "young age" because of managerial characteristics. However, the model has a valuable heritage: it recognizes the relevance of experience and commitment in entry mode decisions, thus, it is a starting point for following research (Canabal and White, 2008).

1.4. Entry mode: towards new International Business trends

Within the academic discussion around International Business strategies, market entry mode has been given significant attention over time (Crick and Crick, 2016; Gannon, 1993). Initially, MEM theories were mostly focused on offshoring decisions, precisely defining how firms enter foreign markets (Canabal and White, 2008). However, International Business literature has evolved concurrently with its subject. Mata and Portugal (2000) and Fisch and Zschoche (2012) have outlined that the entry mode selection in the offshoring decision influences a successive de-internationalization or foreign divestment, while Wan et al. (2019) has conducted an empirical study on MEM patterns in back-reshoring processes by applying the traditional theories to the new phenomenon. Furthermore, reshoring has the peculiarity of being an event that can only exists within a multi-step internationalization path, given that it is by nature consequent to a previous offshoring decision (Gray et al., 2013). As a consequence, the aim of this dissertation, that will be expressed through the hypotheses development in the following chapter, is to contribute to the research on reshoring by adapting the existing theories of the entry mode in a multi-stage internationalization perspective to the case of Relocations to Third Country.

2 Objectives of the research and hypothesis development

The following chapter will present the scope of this dissertation identified in consequence to the previous literature review. Following the identification of the gap in the extant literature, the main existing theories on the entry mode will be applied to the phenomenon of relocations to third country, resulting in eight hypotheses to test with the subsequent econometric analysis.

2.1. Entry Mode choice in Relocations to Third Country

The review of the extant literature concerning Relocations of Second Degree conducted in the previous chapter, has highlighted a gap in scholars' research correspondent to the topic of Relocations of Second Degree. While back-reshoring has been investigated in its main dimensions, for instance characteristics, drivers, diffusion, and choice of entry mode; to the extent of our knowledge, few research has been directed their attention towards Relocations to Second Host Country. The disparity in attention between the two cases of Relocation to Home and Second Host Country has already been recognized by Barbieri et al. (2018, 2019), who investigated the drivers pushing firms towards home or a third country in the relocation process in relation to the location choice of the previous offshoring event. Such study represents a fundamental contribution to the literature gap on the topic that remains, however, substantially unexplored in its other aspects.

On the other hand, Relocations to Second Host country are partially comparable with traditional offshoring decision, since both represent internationalization decision driven by the search of advantages that are not available at home. Such perspective opens several possibilities of filling the literature gap: this dissertation will propose an analysis on the second most investigated topic in international business literature, the entry mode choice in internationalization events, applied to the episodes of Relocations to Second Host Country. Indeed, while the traditional theories of the entry mode, (Transaction Cost Theory, Institutional Theory, OLI paradigm) have been developed with respect to offshoring decisions, they can also be adapted to the case of reshoring.

However, besides the similarities among offshoring and relocations to second host country, it must be also taken into consideration one relevant difference: relocations always occur after a previous offshoring decision, hence, it is by nature part of a multi-stage internationalization process and must be studied accordingly. As a consequence, this dissertation will investigate the drivers behind the choice of firms of switching or keeping the entry mode in entering the second host country as compared to the mode selected for the first host country.

2.2. The conceptual framework for the development of the hypotheses

The aim of this dissertation is to explain the entry mode choices in the process of Relocation to Second Host Country in relation to the mode chosen in the previous offshoring phase. Precisely, the analysis will investigate the entry mode in terms of switch (from non-equity to equity or from equity to non-equity),or keep (from non-equity to non-equity or from equity to equity), between first host country and second

host country. Throughout the dissertation the term "first host country" will indicate the offshoring destination, while the term "second host country" will represent the destination of the relocation.

The main conceptual frameworks for the research are the Extended Transaction Cost theory elaborated by Brouthers (2002) and the Uppsala Internationalization model (Johanson and Vahlne, 1977; Johanson and Wiedersheim-Paul, 1975).

Regarding Brouthers' Extended Transaction Cost theory, the element of novelty with respect to the original work is that it is applied in this research to the case of relocations instead of offshoring.

The choice of Brouthers' work (2002) over another single traditional theory of the entry mode (i.e., TCT, Eclectic OLI framework, Institutional Theory) is justified by the comprehensive nature of the Extended Transaction Cost theory, that encompasses and combines the previous scholar contributions in order to take into consideration the most relevant factors identified and tested in prior research on international entry mode choices. However, the phenomenon of reshoring is not as widespread as offshoring, thus, the model, that for each separate theory investigates distinct highly specific aspects, could result too complex to be adapted in its entirety to the case of Relocations to Second Host Country. In order to reduce such complexity and adjust the model to the scope of this dissertation, each theoretical contribution represented in Brouthers' work (i.e Transaction Cost theory; Institutional context and Cultural context) will be investigated in one comprehensive and significant aspect, rather than multiple specific ones. For instance, the institutional context will be investigated with respect to the country stability, that is a composite and comprehensive dimension, instead of focusing on just legal restrictions, that are just one specific aspect of the institutions of a country.

Furthermore, in order to address the peculiarity of Relocations to Second Host Country of being inherently consequent to a previous offshoring decision and, as a consequence, part of a multi-stage internationalization process, the Uppsala Internationalization model will be adapted to the scope of this dissertation in addition to the Extended Transaction Cost approach. In this case, the elements of novelty with respect to the original theory are that the stage of the international expansion of the firm under analysis, namely the Relocation to Second Host Country, is consequent rather than subsequent to the previous offshoring step, and it represents a reversal of the offshoring decision.

An additional observation that is functional to the understanding of switch or keep entry mode choices regards the decision-making processes of the international market entry modes. The offshoring to first host country and the relocation to second host country are two distinct, although related, decision-making process that happen in different moments in time. As a consequence, it is reasonable to assume that they, at least partially, differ from one another. Specifically, four considerations should be made:

1. The outcome of the decision-making process could be to switch entry mode because of a change in the value of the drivers.
2. Decision making processes result from trade-off choices: the outcome of the decision-making process could be to switch entry mode because of external or internal factors that influence the weight of the different aspects of the trade-off.
3. By adopting a multi-theory approach, we assume that entry mode choices are influenced by several factors and perspectives. However, while we investigate

the influence of each driver on the entry in the second host country separately, the mode chosen for the first host country is given and already combines all the different perspectives. Hence, one specific driver could remain unchanged and still suggest a switch because it is possible that in the first host country decision making process was dominated by other factors.

4. The relocation to second host country is a reevaluation of the previous offshoring to first host country, hence, the decision of switching entry mode in the two stages can be consequent to an unsatisfactory offshoring entry mode performance.

The structure of the following section of the chapter will follow Brouthers (2002) division of his theory in Transaction Cost Theory elements, Institutional theory extension and Cultural context integration with the final addition of the Uppsala Internationalization model contribution, in order to progressively define the hypotheses of this dissertation.

2.2.1. Asset specificity and entry mode switch in the relocation from the first host country to the second host country

The initial section of Brouthers' (2002) framework is dedicated to the Transaction Cost Theory drivers of the entry mode choice. Specifically, this dissertation will focus on the transaction costs rising from the protection of highly specific assets. With regard to the aspect of asset specificity, Brouthers' theory states:

"Firms making high asset specific investments tend to use wholly owned modes of entry while firms making low asset specific investments tend to use joint venture modes" (Brouthers, 2002).

In order to adapt such statement to the case of Relocations to Second Host Country it is important to understand the characteristics of the chosen driver, whether it changes in a single- or multi-stage internationalization process and, eventually, how.

Recalling what explained in detail in chapter 1.2.2, the degree of asset specificity of a firm matters in TCT for the implications it has on costs. Indeed, highly specific assets need to be protected against opportunistic behaviors within transactions, and such protection is costly. However, hierarchical governance structures reduce the need of safeguarding specific technologies, and the consequent expenses, by limiting the transactions with counterparties, thus, the risk of being subject to opportunistic behaviors. There is no obstacle to the extension of this reasoning to the case of Relocations to Second Host Country, being asset specificity a firm-specific factor, hence, not dependent on the country of origin or destination of the international business decision, nor on the number of previous internationalization steps.

Therefore, the Transaction Cost theory suggests that a firm that owns highly specific assets will tend to protect them against opportunism in entering the second host country by choosing an equity entry mode, that applied to the scope of this dissertation, means a switch of entry mode if the firm entered the first host country through a non-equity mode and a keep of entry mode if the firm entered the first host country through an equity entry mode.

On the contrary, TCT assumes that non-equity entry modes are more efficient if there are no costs raising from transactions because they require lower resource

commitment. Hence, firms registering low asset specificity that, consequently, do not incur in costs of protection should prefer non-equity entry modes. Extending the theory to relocations, a firm presenting low asset specificity that entered the first host country through a non-equity mode of entry will keep a non-equity mode of entry, while a firm presenting low asset specificity that entered the first host country through an equity mode of entry will switch to a non-equity mode of entry.

As a result, the application of Brouthers (2002) transaction cost approach to the case of Relocations to third country suggests two hypotheses:

Hypothesis 1.1: Firms that adopted a non-equity entry mode in the first host country, are more likely to switch to equity modes of entry in the second host country in case of high asset specificity, while they are more likely to keep non-equity modes of entry in the second host country if their asset specificity is low.

Hypothesis 1.2: Firms that adopted an equity entry mode in the first host country are more likely to keep an equity mode of entry in the second host country in case of high asset specificity, while they are more likely to switch to non-equity modes of entry in the second host country in case of low asset specificity.

2.2.2. Institutional context and entry mode switch from the first host country to the second host country

The first innovation compared to the traditional Transaction Cost Theory in Brouthers' work (2002) is the recognition of the relevance of the institutional context of the host country in entry mode choices, suggested by the existing Institutional Theory.

Specifically, Brouthers considers one dimension of the administrative environment of the offshoring destination: the presence (or absence) of legal restrictions on ownership.

His proposition with regards to the institutional theory states:

"Firms entering countries with few legal restrictions on mode of entry tend to use wholly owned modes while firms entering countries with many legal restrictions on mode of entry tend to use joint venture modes" (Brouthers, 2002).

As previously unfolded in chapter 1.2.2, the institutional context of a host country defines the rules and limitations that international transactions have to respect. The administrative framework can be in favor of international businesses, for instance through market-based agreements; or pose limitations to foreign firms entering the market, such as legal constraints on ownership or other barriers to entry in favor of the domestic production. In this perspective, in order to adapt the extant theories to the object of this dissertation, it is necessary to underline that legal limitations are one specific aspect of the institutional context of a country. In order to address institutions both when they favor and impede foreign investments, in this dissertation, the institutional context will be integrated in the analysis taking a Transaction Cost theory perspective, referring to the comprehensive stability of the institutional context (e.g. political stability, rule of law, openness to the resto of the world, degree of corruption, government reliability) rather than focusing on the specific aspect of legal restrictions on ownership. However, looking at the stability of the institutions of a country as a whole embeds the possible barriers to entry and challenges posed by the governments that firms have to face in running their business in that specific host country and, as a consequence, it is a more comprehensive approach.

Furthermore, the institutional context of a country is, by nature, country-specific. As a consequence, in order to adapt the existing framework to the scope of this dissertation it is necessary to change the perspective from an absolute measurement of the governance performance to a relative expression of the variable. This research will, indeed, test the effect of an increase or decrease of governance performance from the first host country to the second host country, on the choice of switching or keeping the entry mode from the first to the second.

According to the Transaction Cost theory, when a country is stable on an administrative level, the market can be trusted thus non-equity entry modes are preferred (Williamson, 1985). The reasoning is consequent to the TCT assumption that non-equity entry modes are more efficient if the market transactions do not carry additional costs to be successful. On the other hand, governance performance is high when the institutions are strong, stable and trusted by the population, corruption is low, and laws are respected. Hence, high governance performance means a stable and reliable external context for firms to run their business which, in a TCT perspective, means that the market can be trusted and there is no risk of incurring in transaction costs to enforce non-equity entry modes.

In an entry mode switch or keep perspective this reasoning means that a firm that entered the first host country with a non-equity entry mode, in front of a decrease in governance performance entering the second host country, will find an institutionally riskier market that doesn't guarantee smooth transactions and pushes towards the switch to an equity mode. Coherently, if the firm entered the first host country with an equity entry mode, the decrease in governance performance will encourage a keep of equity entry mode.

On the contrary, an increase in governance performance means that the market of the second host country is safer than the one of the first, hence, it can be trusted and a firm that entered the first host country with a non-equity entry mode will keep such mode,

while a firm that entered the first host country with and equity entry mode will switch to a non-equity entry mode to seek for higher efficiency.

The resulting hypotheses regarding the relevance of the institutional context on the entry mode choice are:

Hypothesis 2.1: Firms that adopted a non-equity entry mode in the first host country are more likely to switch to equity modes of entry in the second host country in case of decreasing governance performance, while they are more likely to keep non-equity modes of entry in the second host country if governance performance increases.

Hypothesis 2.2: Firms that adopted an equity entry mode in the first host country are more likely to keep an equity mode of entry in the second host country in case of decreasing governance performance, while they are more likely to switch to non-equity modes of entry in the second host country if governance performance increases.

2.2.3. Cultural distance and entry mode switch from the first host country to the second host country

Brouthers' (2002) second, and last, extension to the traditional Transaction Cost Theory consists of the inclusion of cultural variables to explain entry mode choices in offshoring decisions. He associates the cultural context of a country to the investment risk it creates, for instance a country with stable economic, social and political environments that is culturally close to the home country of the firm, offers safe conditions for an investment. Hence, Brouthers' proposition on the influence of the cultural distance on entry mode choices in offshoring is:

"Firms entering markets characterized by low investment risk tend to use wholly owned modes of entry while firms entering markets where investment risk is high, tend to use joint venture modes" (Brouthers, 2002)

Recalling from chapter 1.2.2, the cultural context of a host country is relevant for the choice of the international market entry mode because it plays a significant role in defining the risks and the probability of success of a specific entry. Indeed, a firm entering a culturally distant country may need to rely on the market in order to exploit local knowledge and, at the same time, reduce the resource commitment and consequent exposure to the country-related risks. On the other hand, foreign firms entering a culturally similar country can opt for more hierarchical modes because, in terms of culture, there are limited or no barriers between home and host country. In this dissertation the cultural context will be addressed using the concept of cultural distance instead of investment risk. The two concepts reflect, in fact, the same dimension, since investment risk in Brouthers' work (2002) only refers to that emerging from high cultural distance; hence, the choice of using one over the other does not entail any conceptual difference, it is just a choice of terminology, in this case motivated by the evocative power of the term "cultural distance" with respect to the context it represents.

In addition, the cultural context of the host country is country-specific. Coherently with the approach adopted for the institutional context, the cultural context needs to be studied in relative terms, because the scope of this dissertation is the evolution of the entry mode choice. Hence, this research will test the relationship between the choice of keeping or switching the entry mode for the second host country, and an increase or decrease of cultural distance from the first host country to the second host country.

A decrease in cultural distance means that the second host country is culturally more similar to the home country of the firm as compared to the first host country.

Therefore, theory suggests that the firm does not need to rely on the market to acquire local knowledge to succeed as a business and establish strong relationships with local customers and employees, since the cultural context of the firm is closer to the home one and, consequently, more familiar for the firm. As a consequence, a firm that entered the first host country through a non-equity entry mode can switch to an equity entry mode, not needing a local agent to get familiar with the environment, while a firm that entered the first market using an equity entry mode tends to keep the same entry mode.

On the contrary, an increase in cultural distance means entering a second host country that is culturally more dissimilar to home as compared to the first host country. Hence, a firm that chose a non-equity entry mode to enter the first host country will tend to keep a non-equity entry mode also entering the second host country, where relying on local agents allows to exploit country-specific knowledge that is not possessed by the firm because of the diversity between home and second host country; while a firm that entered the first host country with an equity entry mode will switch to a non-equity mode to enter the second, to learn from incumbents the cultural norms of the country.

Consequently, the two hypotheses resulting from the application of the extant theory to the case of Relocations of Second Degree are:

Hypothesis 3.1 Firms that adopted a non-equity entry mode in the first host country, are more likely to switch to equity modes of entry in the second host country in case of cultural distance decreases, while they are more likely to keep non-equity modes of entry in the second host country if cultural distance increases.

Hypothesis 3.2: Firms that adopted an equity entry mode in the first host country are more likely to keep an equity mode of entry in the second host country in case of cultural distance decreases, while they are more likely to switch to non-equity modes of entry in the second host country in case of cultural distance increases.

2.2.4. International experience and entry mode switch from the first host country to the second host country

Relocations to Second Host Country, and relocations of Second Degree in general, present one significant difference from the offshoring phenomenon: they can only happen after a prior offshoring event; thus, they are inherently part of a multi-stage internationalization path. Brouthers' Extended Transaction Cost theory and the previous theories of the entry mode it is developed from, referring indeed to offshoring, fail to address the dynamicity of the reshoring process and eventual trends of path dependence. Hence, in order to better represent the studied phenomenon, in this dissertation the Uppsala Internationalization model will be added to the theoretical framework to investigate the impact of the history of internationalization of the firms on the entry mode decision in the relocation.

As detailed in chapter 1.2.2, the Uppsala Internationalization model relies on the assumption that knowledge and resource commitment enhance each other in a cyclical process. As a consequence, firms' international expansion consists in learning from experience and applying the gathered knowledge to the subsequent stages of internationalization. The model observes simultaneously two dimensions of the international expansion of firms: psychic distance of the location choice and selected mode of entry.

Regarding psychic distance, according to the model firms are expected to first expand to countries that are close in culture, language, social organization (low psychic distance) to reach in the later stages more psychically distant destinations. Such reasoning may result, however, useful in explaining generic multi-stage internationalization choices, but not suitable to the specific case of Relocations to Second Host Country that are choices that reverse a previous offshoring decision, usually towards destinations that are closer to home.

On the contrary, the considerations of the Uppsala Internationalization model on the choice of the mode of entry can be adapted to the scope of this dissertation. The Swedish university framework (Johanson and Vahlne, 1977; Johanson and Wiedersheim-Paul, 1975) describes international expansion as beginning in the early stages with modes that require low resource commitment, that correspond to what is addressed in this research as non-equity entry modes, to subsequently engage in later steps in more structured investments, such as equity entry modes, thanks to the knowledge and international experience acquired.

The internationalization path of the firm, as described by the Uppsala Internationalization model, consist of a cycle of learning and adapting to the acquired experience. In our multi-stage perspective, a firm that entered the first host country with a non-equity entry mode but accumulated high international experience, should have learnt from it the expertise to run a business abroad, hence, it has the managerial know-how to successfully enter the second host country through high commitment equity modes of entry. However, the process of passing from non-equity to equity entry modes is progressive, thus, a firm that entered the first host country through a non-equity entry mode but has a comprehensive low international experience taking into account its entire international businesses, could still prefer to keep a non-equity entry mode because it hasn't accumulated enough experience.

On the contrary, a firm that entered the first host country with an equity entry mode will keep and equity entry mode in entering the second host country regardless of the international experience. Indeed, in an Uppsala Internationalization model perspective, once the knowledge gathered abroad is sufficient to engage in an equity entry mode, there is no counter cycle pushing a firm to go back to a non-equity entry mode, since what has been learnt cannot be destroyed or lost in the subsequent internationalization stages.

The hypotheses resulting from the extension of the Uppsala Internationalization model to the case of Relocations to Third Country are:

Hypothesis 4.1: Firms that adopted a non-equity entry mode in the first host country, are more likely to switch to equity modes of entry in the second host country in case of high international experience, while they are more likely to keep non-equity modes of entry in the second host country if their international experience is low.

Hypothesis 4.2: Firms that adopted an equity entry mode in the first host country are more likely to keep an equity mode of entry in the second host country regardless of the value of international experience.

The two tables below summarize the hypothesis development of this research. Table 6 shows the theoretical framework with its main sources, the scope of analysis of each section and the comparison between representative dimensions in the original theory and in the adaptation to this dissertation.

Theoretical framework	Source	Scope of analysis	Original theory representative variable	Adapted representative variable
Extended Transaction Cost theory: TCT	Brouthers, 2002	Transaction costs	Asset specificity	Asset specificity
Extended Transaction Cost theory: Institutional context	Brouthers, 2002	Institutional context	Legal restrictions	Governance performance
Extended Transaction Cost theory: Cultural context	Brouthers, 2002	Cultural context	Investment risk	Cultural distance
Uppsala internationalization model	Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977	Entry mode resource commitment	International experience	International experience

Table 6: theoretical framework and its adaptation to the dissertation

Table 7 shows the scopes of the study, the dimensions chosen to represent the scope, the hypotheses developed and their main implications in terms of entry mode.

Scope of analysis	Representative dimension	Hypothesis	Entry mode in offshoring	Level or variation of the dimension	Entry mode switch or keep
Transaction costs	Asset specificity	Hp 1.1	Non-equity	High	Switch
				Low	Keep
		Hp 1.2	Equity	High	Keep
				Low	Switch
Institutional context	Governance performance	Hp 2.1	Non-equity	Decrease	Switch
				Increase	Keep
		Hp 2.2	Equity	Decrease	Keep
				Increase	Switch
Cultural context	Cultural distance	Hp 3.1	Non-equity	Decrease	Switch
				Increase	Keep
		Hp 3.2	Equity	Decrease	Keep
				Increase	Switch
International experience	International experience	Hp 4.1	Non-equity	High	Switch
				Low	Keep
		Hp 4.2	Equity	High	Keep
				Low	Keep

Table 7: summary of the Hypotheses of the research

3 Database description

A final chapter containing the main conclusions of your research/study and possible future developments of your work must be inserted in this chapter

The following chapter presents the description of the database analyzed in the research. The first section of the chapter contains the definition of the different variables of the data base. The second section regards the descriptive analysis conducted on the dataset in order to highlight different trends and patterns characterizing the variables.

3.1. Database structure

3.1.1. The ERM database

The database is composed of the integration of the already existing European Restructuring Monitor (ERM) database and other variables useful for the purpose of this research coming from different sources, that will be specified in the punctual description of each variable and summarized at the end of the chapter in table 6.

The ERM is part of Eurofound, the European Foundation for the Improvement of Living and Working Conditions, it is an agency of European Union, and it offers a searchable database of reshoring events based on announcements in national media sources between 2002 and 2018. Currently, it covers the 28 EU members states plus

Norway. The information collection phase has been charged to different European experts, mainly economist, sociologists, and journalists; all the information present in this data set is the result of the analysis of secondary data: newspapers, business presses with the integration of firms' websites, social media, and other sources regarding reshoring processes. The database is composed of 589 observations of reshoring events performed by manufacturing companies in Europe.

The database contains a series of variables for each company, among which ten are functional to the following econometric analysis performed in this dissertation:

1. Company name: name of the single firm
2. Firm name: name of the holding
3. Announcement date: announcement year of the reshoring event
4. Type of operation: the nature of relocation. There are two possible options: Relocation intra EU or (Back)-reshoring, the latter has been excluded in our analysis. In our research the observations considered are 485 because of the exclusion of the back-shoring events.
5. Size of the firm: it describes the number of employees of each firm
6. Country A: it is the home country where the headquarter of the company is based, from where the first offshoring event started
7. Country B: the destination country of the first offshoring event, and the starting location of the reshoring one
8. Country C: the destination country of the reshoring event
9. Type of entry mode B: it defines which type of entry mode is used in the offshoring phase towards country B, the different types of entry modes are clustered in two different categories which are equity entry modes (acquisition, greenfield, greenfield and acquisition) and non-equity entry modes (licensing, outsourcing and agency)

10. Type of entry mode C: it defines which type of entry mode is used for the reshoring phase towards country C. The alternative entry modes are coherent with the classification of entry mode in country B
11. NACE code (2-digit): NACE stands for Nomenclature of Economic Activities; it is a standard classification system compulsory in the European statistic system. This specific classification defines the industry to which the different companies belong.

The index "NACE code (2-digit)" has been further subclassified for the scope of this dissertation, resulting in an additional variable called "industry ID (1-digit)". This aggregated variable identifies the industry the companies operate in, at a lower level of detail. The outcome of the operation is that NACE sectors are grouped in four categories:

Industry ID	Description
1	Agri-food industry
2	Mechanical manufacturing industry
3	Electric equipment manufacturing industry
4	Chemical industry
5	Other industries

Table 8: description of the variable Industry ID (1-digit)

Table 8 represents the result of the clustering, the different categories described are: "1" corresponds to the companies belonging to the agrifood sector, "2" represents the

mechanic manufacturing, while "3" indicates the manufacturing of electronics equipment, "4" is for the chemical industry and 5 all the other sectors not belonging to the previous categories).

3.1.2. The database enlargements

The ERM database has, subsequently, been extended to include additional information that is functional to international business research, namely the Country Stability Index, The Ease of Doing Business. All the additional information is sourced from the World Bank Open Data.

The Country Stability Index (CSI) defines the governance performance of each country. It is measured by combining the results of the surveys posed to a number of firms, citizens and experts in industrial and developing countries. It ranges from approximately -2,5 (weak) to + 2,5 (strong), and its value results from the combination of six dimensions:

1. Voice and accountability: this element reflects the participation of a country's citizens in selecting their government, the freedom of expression, freedom of association and free media
2. Political stability and absence of violence: this indicator measures the perception of political instability and politically motivated violence, including terrorism
3. Government Effectiveness: it reflects the quality of public and civil services and the quality of policy formulation and implementation
4. Regulatory quality: it captures the ability of the government to formulate ad implement sound policies to promote private sector development

5. Rule of law: it reflects the perception to which agents have confidence in the rules of society, particularly in the quality of property rights, police, and contract enforcement
6. Control of corruption: it captures perceptions to which public power is exercised for private gain, including grand form of corruptions

The Ease of doing business index (DBI) is an aggregate index composed of parameters that define the degree of barriers posed to companies operating in a specific country. The parameters considered in the aggregation include construction permits, registration, ease of getting credit and tax payment. This indicator ranks economies with a score from 1 to 190. A high ranking (low numerical value) means that the regulatory environment is conducive to business operation.

Size level is one of the possible measures of the dimensions of a firm and is a firm specific indicator, calculated using the number of employees. On the bases of its total employees, each firm is classified as: micro (for the firms with less than 10 employees), small (number of employees between 10 and 49), medium (number of employees between 49 and 250) and large (for the companies with more than 250 employees). The source of the information about the total employees is the ERM database, in which is described the size in function of the employees of each firm.

In addition, the international experience variable is added to the data set, it is described as the number of branches of each company until nowadays. These data are sourced from Orbis and represent the number of branches of each company until 2022. Number of branches are a representative approximation of the international experience of each firm, because it defines the tendency of each company to invest outside its home

country, following the definition of branches introduced by OCSE (*branch is defined as a "fixed place of business by means of which the non-resident enterprise carries on all or part of its business in the territory of the State")* (sourced from www.finanze.gov.it)

Furthermore, we enlarged the database of seven additional variables that are functional for testing the hypotheses of this dissertation: cultural distance, entry mode change, level of intangible assets, R&D intensity and EU enlargement, crisis 08-11 and crisis 12-15. Data sources will be specified in the punctual description of each variable.

The Cultural distance variable has been added to database as country specific indicator, calculated starting from the 4 dimensions of national culture defined by Hofstede:

1. Power distance index (PDI): this dimension expresses the degree to which less powerful people of a society accept the inequality of the distribution of the power
2. Individualism vs collectivism (IDV): Individualism is defined as the idea that each individual are expected to take care of themselves, on the opposite collectivism is the idea that individuals can expect their relatives to look after them in exchange of loyalty
3. Masculinity vs Femininity (MAS): Masculinity side is the preference in the society for heroism, achievement, and material reward, so society is more competitive; on the opposite femininity is the preference for cooperation, modesty, and quality of life, so society is consensus oriented
4. Uncertainty avoidance (UAI): this dimension defines how the members of a society feel uncomfortable with uncertainty. Countries with strong UAI have

rigid codes, and behavior, on the other side countries with weak UAI practice counts more than principles

The final value of the cultural distance indicator, measured between two countries, is calculated as:

$$\sqrt[2]{(PDI_a - PDI_b)^2 + (IDV_a - IDV_b)^2 + (MAS_a - MAS_b)^2 + (UAI_a - UAI_b)^2} \qquad (1.1)$$

Equation (1.1) defines how the final value of Cultural distance is obtained, a is the reference country arbitrarily chosen, and b is the country from which the distance calculated.

In order to better describe the entry mode decisions of the different companies, the variable called entry mode change has been introduced in the data set. It is set as a dummy that assume value "0" when the category of type of entry mode B is the same of C, and "1" when the category change.

A further variable added to the dataset is an indicator of the value of the intangible assets of each company, this is a firm specific indictor. It is calculated in relative terms as:

$$\frac{Intangible\ Assets}{Total\ Assets} \qquad (1.2)$$

Equation (1.2) is the ratio between the value of Intangible Assets over Total Assets. The values have been calculated from the financial statements of each company.

The value obtained allows to understand the real weight of the intangibles on each entry mode choice.

Research and Development (R&D) intensity is further addition to the dataset as industry specific variable. The information about this factor comes from a ranking, defined through studies coming from the ULB university of Bruxelles, that calculate the average R&D expenditure on 10 different OECD countries. This data has been further classified in 3 different subcategories: low intensity, medium intensity, and high intensity level of R&D.

Furthermore, the European Union enlargement dummy has been added to the database in order to understand if the elimination of the barriers with the eastern Europe countries has an influence on the location decision of reshoring.

In conclusion. other two dummies have been included to the data set, in order to understand better the contest in which companies have decided to adopt reshoring strategies. Crisis 08-11 is a variable that assume value when the relocation announcement year is between 2008 and 2011, it shows the possible short-term effects of the financial crisis. Crisis 12-15 is the ither dummy variable added to the database, it assumes value "1" when the reshoring announcement year belongs to the period from 2012 to 2015, it is useful to understand the long term effects of the financial crisis.

A final consideration on the above defined variables regards the unit of analysis. Table 9 shows the classification of the variables in firm specific, country specific and industry specific. The database includes three country specific variables that are CSI,DBI and Cultural distance, moreover there are two firm-specific variables (Size level and Level of intangible assets) and two industry specific variables (Outsourcing propensity and R&D intensity).

Variables	Unit of analysis	Source
Country Stability Index (CSI)	Country-specific	World Bank dataset (2019)
Ease of doing Business Index (DBI)	Country-specific	World Bank dataset (2019)
Size level	Firm-specific	ERM (2018)
International experience	Firm specific	Orbis (2022)
Cultural distance	Country-specific	Hofstede's website https://geerthofstede.com
Level of intangible assets	Firm-specific	Firm's financial statements
R&D intensity	Industry-specific	Study from ULB university (2003)

Table 9: description of the unit of analysis for each variable and their relative sources

3.2. Descriptive analysis

3.2.1. Analysis by country

Figure 8 describes the distribution of the relocations by country of origin (country A), hence, where the firm's headquarters are located.

The most frequent home country corresponds to the United States (34,43%), which identifies more than one third of the total relocation events. Due to the significant movement of U.S. based firms relocating within Europe, it is reasonable to assume that the phenomenon of relocations to third country is more developed and much more

frequent in the American countries. Furthermore, the figure shows that, besides the US, most of the relocation events comes from Western and Central Europe (37,93%), where the most developed and rich countries are located. Also, a relevant presence (12,73%) of north European country is identifiable.

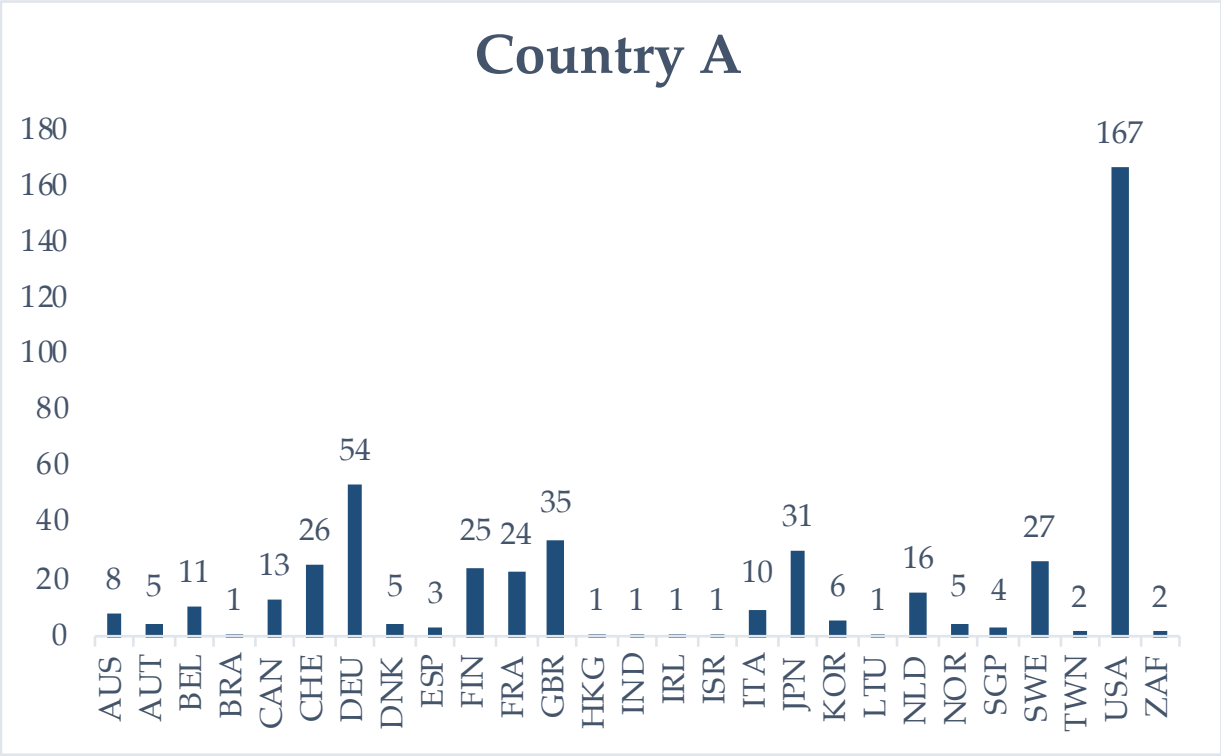


Figure 8: distribution of relocation events by country of origin

Moreover, figure 9 describes the distribution of the first offshoring phase by country. For the nature of the database, there are only European countries, because the offshoring host nation is the starting point of the reshoring process. The common path to highlight from this figure is that the most frequent are all developed economies, hence, no Eastern Europe countries show high numerosity. Indeed France, United Kingdom, Germany, Belgium, and Sweden cover more than half (51,13%) of the events described.

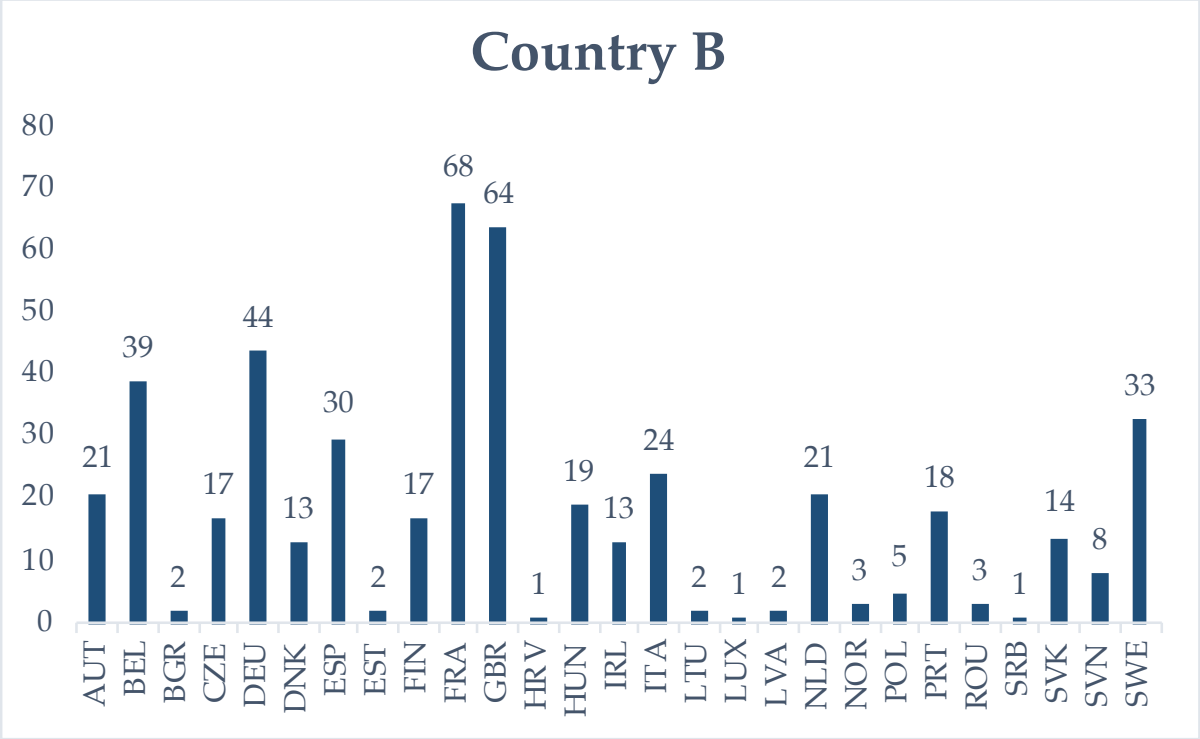


Figure 9: distribution of relocation events by offshoring country, second host country

Then figure 10 represents the distribution of the relocation to second host country destinations. In this graph, it is important to underline the fact that most of the countries are from Eastern Europe (60%, of which the most frequent destination is Poland), probably because firms decide to move production in more low wage countries to seek cost advantages.

Moreover, the other significant countries in which companies relocated are developed economies and rich countries of Western Europe (20% of the total events include Germany, Belgium, France, United Kingdom, Italy and Nederland). Hence, some firms' reshoring decision is justified by the research of high technology and qualified employees.

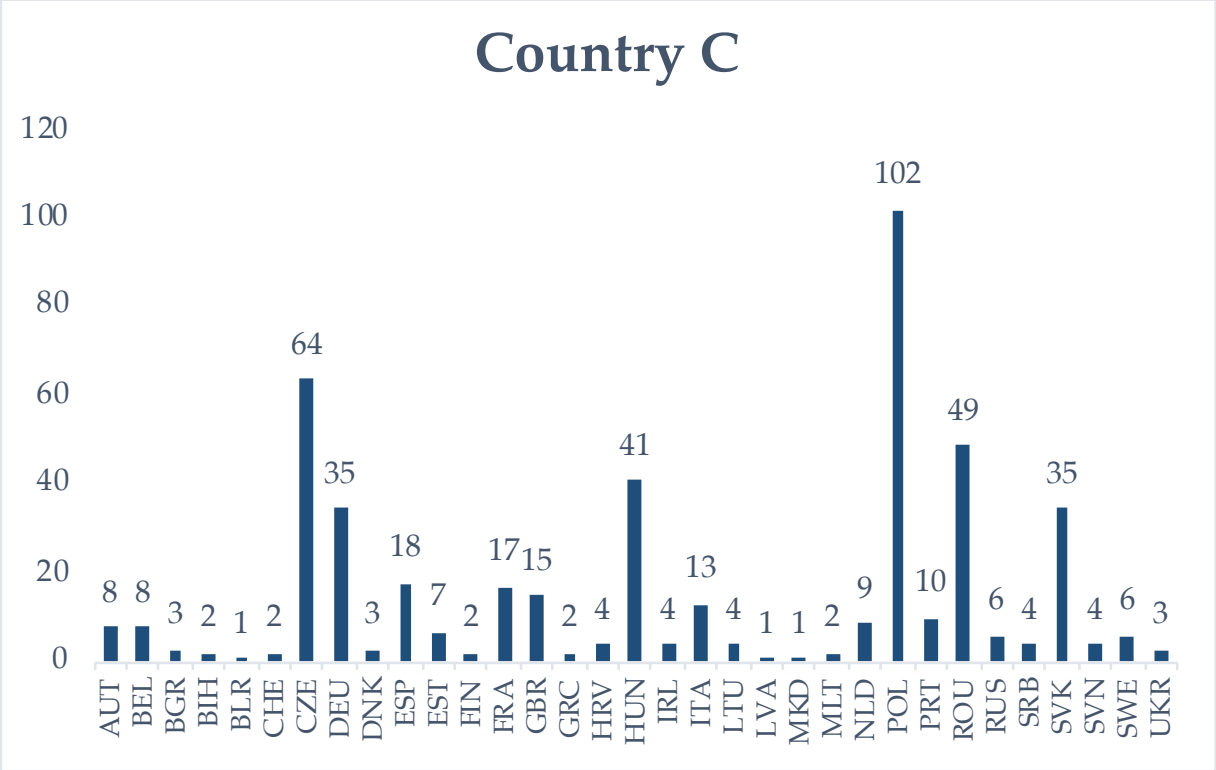


Figure 10: distribution of relocation events by country of reshoring destination, second host country

3.2.2. Analysis by year

Figure 11 shows the distribution of the announcements of reshoring by year.

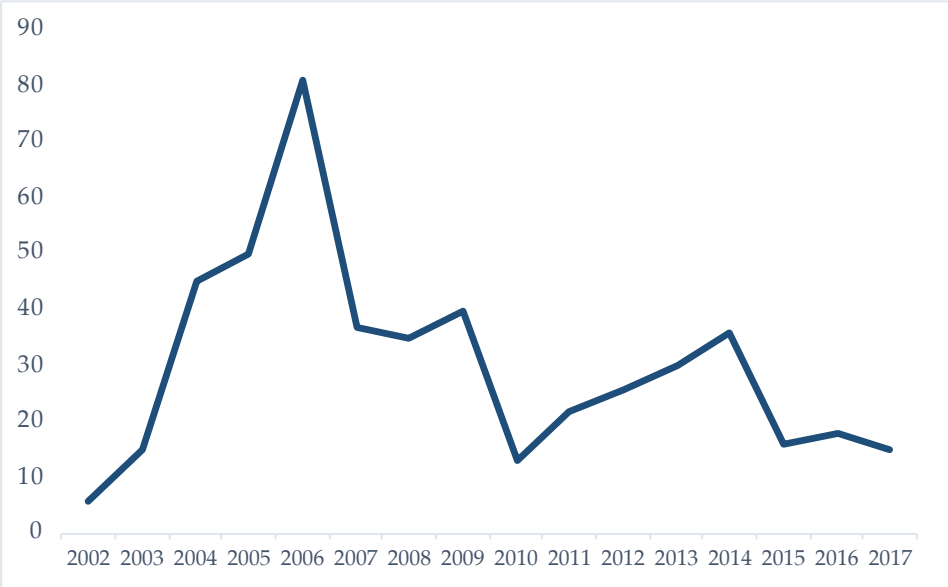


Figure 11: distribution of relocation events by year

The year span of the announcements present in the database and used for the research, covers the period from 2002 to 2017.

The distribution shows different trends. Firstly, there's a significant drop in correspondence to the financial crisis started from 2007. After the crisis, the number of reshoring events do not reach the levels recorded before the crisis (2005/2006). Such years correspond to the peak, that can be justified by the European Union enlargement from 2004 to 2007, in which most of the Eastern Europe countries has been annexed in EU (Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia). A further analysis has been conducted about the impact of EU enlargement on the location decision. From the distribution of the most frequent country C, correspondent to Easter Europe countries (figure 12), it is visible that most of the location choice in this area has been taken after the enlargement of the European

Union (59,80% of the choice of relocation in Eastern Europe has been made after EU enlargement). Hence, it is reasonable to assume that the elimination of the barriers with the Eastern countries pushes firms to take more into consideration those nations in additions to the presence of lower labor costs.

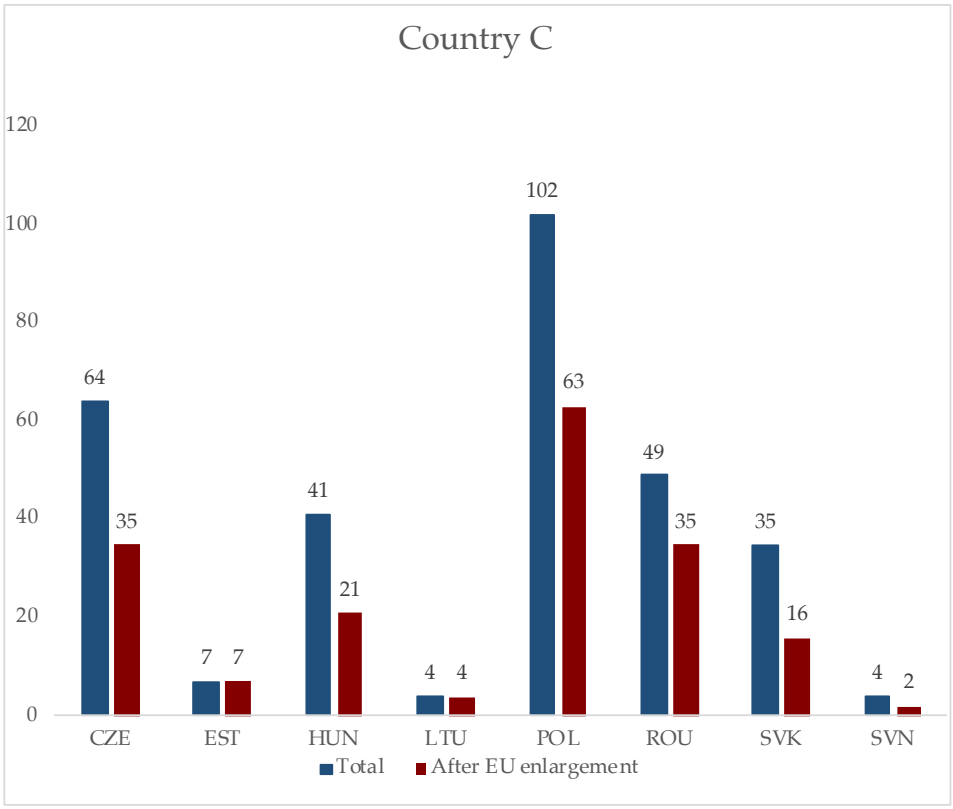


Figure 12: distribution of events before and after UE enlargement for the most frequent Eastern Europe countries

A further analysis to be conducted in function of the year is linked to Crisis 08-11 and Crisis 12-15 variables, in order to understand which are the effects of the financial crisis on reshoring decisions. For what concerns the short term effects of the financial crisis (variable Crisis 08-11), most of relocation events described in the database happened outside the period between 2008-2011, as it is visible from figure 12 below. This

observation is coherent with the drop of events visible from the distribution of events by year in figure 11 at the beginning of the paragraph.

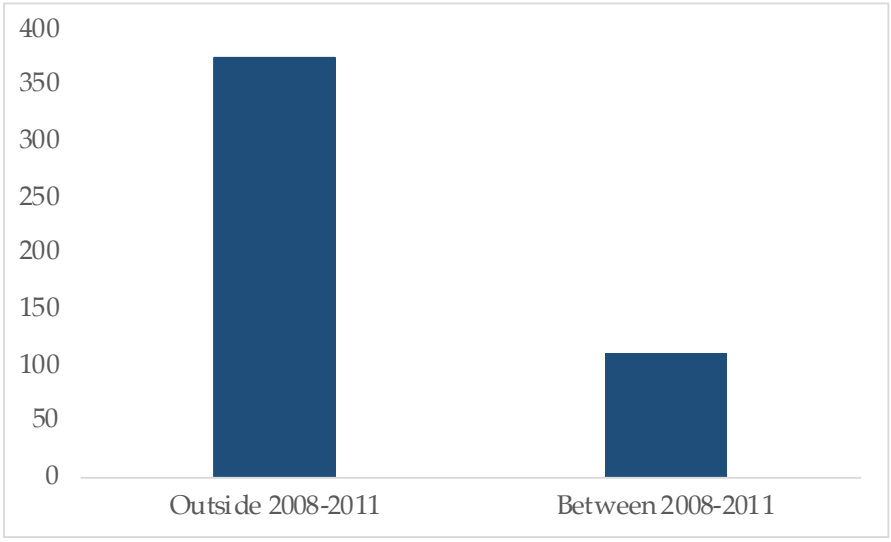


Figure 13: distribution of reshoring events in function of the variable crisis 08-11

Regarding the long term effects described by the variable "Crisis 12-15", the same pattern as before is visible in figure 14 below. Indeed most of the relocation choices has been taken outside the period between 2012-2015.

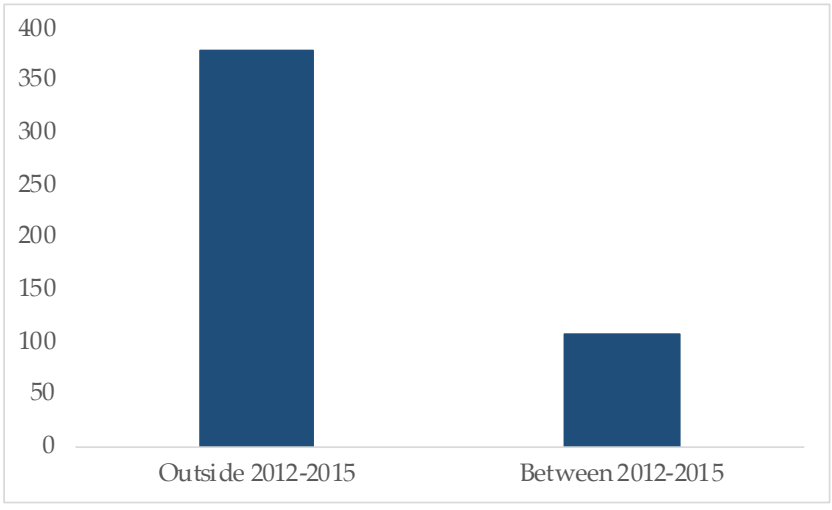


Figure 14: distribution of reshoring events in function of the variable crisis 12-15

3.2.3. Analysis by industry

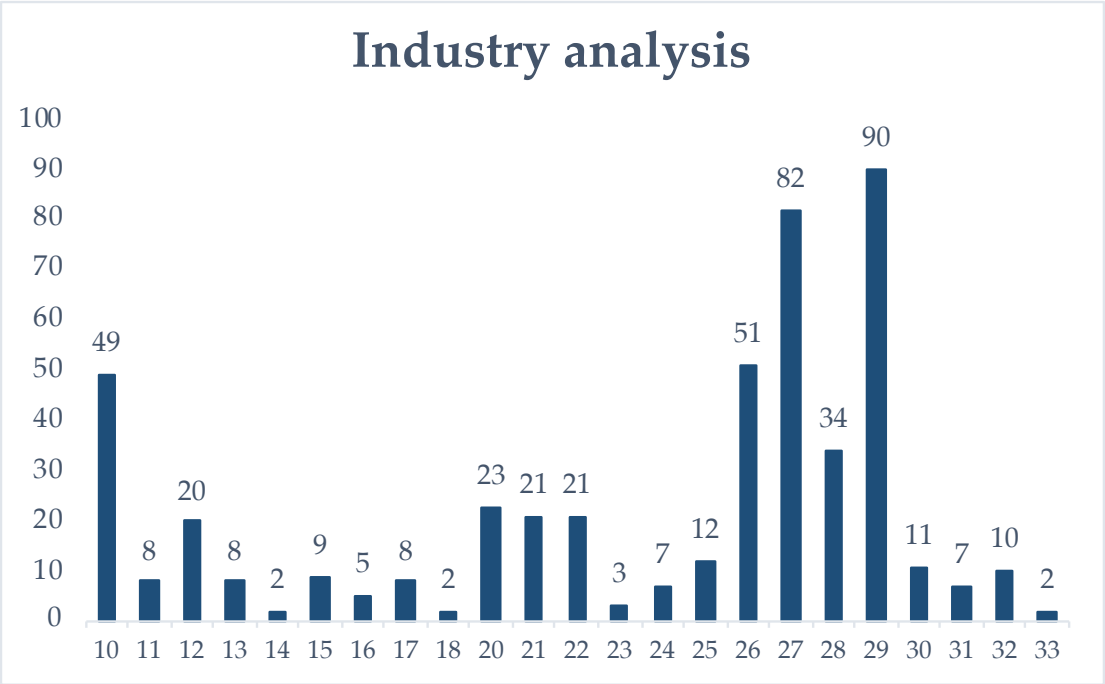


Figure 15: distribution of relocation events by industry following the NACE code (2-digit)

Figure 15 describes the number of relocations divided by industry following the NACE code (2-digit) classification. From the graph it's possible to understand in which industry it is more frequent to observe relocation events. Manufacture Of Motor Vehicles, trailers and semi-trailers (29) are the most present in the data set (18,55% of the evidences) followed by Manufacture Of Electrical Equipment (27) cover the 19,90% of the events. A further analysis of the sector has been conducted on the Industry ID (1-digit) classification, where the different industries in the graph above are further grouped as defined in the variable description. It is visible from figure 16 below that Mechanical Manufacturing is the industry in which the reshoring decision has been taken the most. Indeed, more than half of the observations belong to this category (56%). Secondly the agrifood industry is the one in which the second highest number of events occur, it covers the 23% of the total.

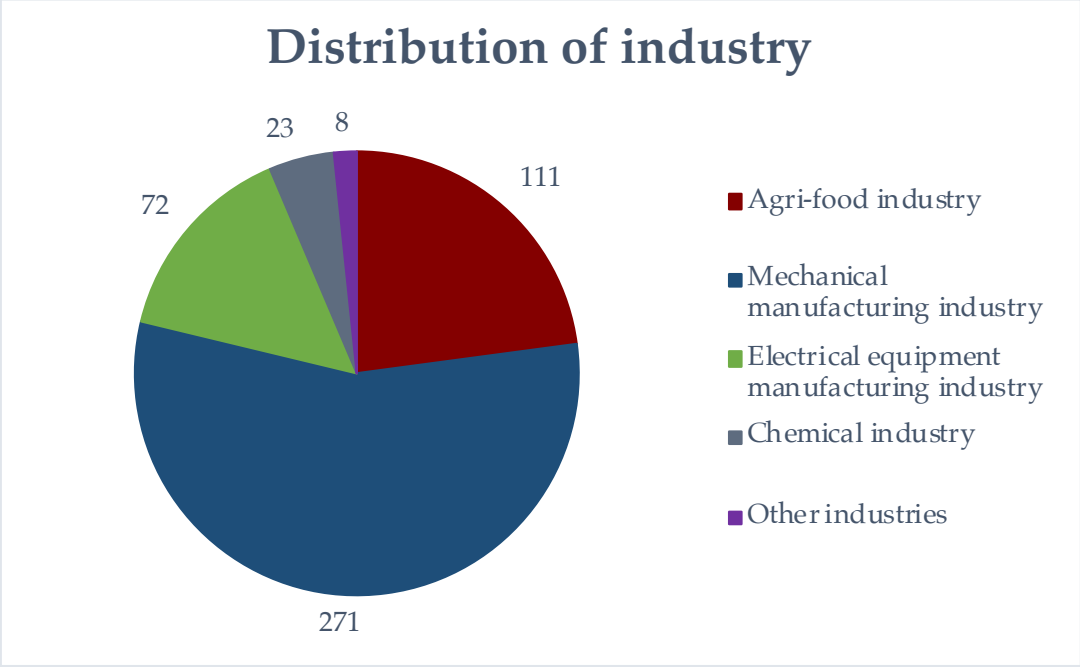


Figure 16: distribution of relocation events by Industry ID (1-digit)

3.2.4. Analysis by variable

The following section of the chapter contains the descriptive analysis of each variable in respect with the different trends emerging from data.

3.2.4.1. Ease of doing business (DBI)

The enlargement of the European Union can be analyzed in relation to the Ease of Doing Business indicator (DBI), evaluating its variation before and after the inclusion of the new states into the European Union.

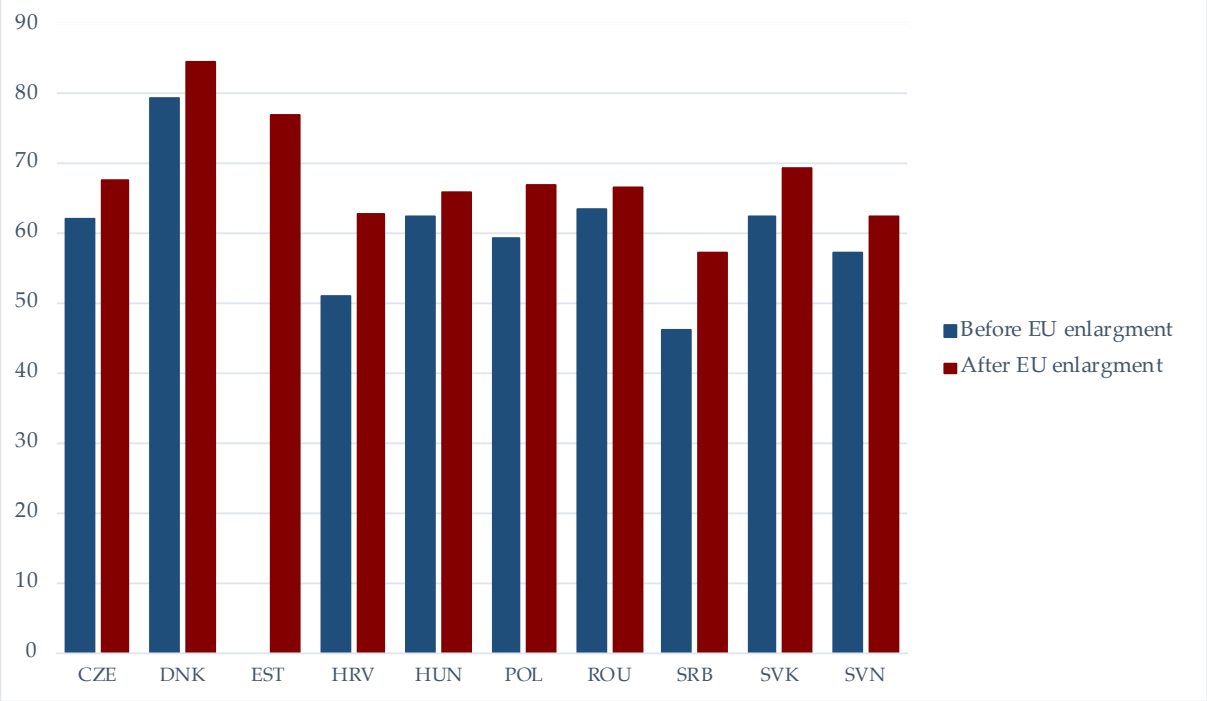


Figure 17: average value of DBI before and after EU enlargement for the most frequent Eastern Europe countries

Figure 17 shows how the value of the indicator changed for the countries annexed into EU from 2002 to 2007. It is evident how the elimination of barriers and participation in the single market favored the conditions for starting a new business within these countries.

Figure 18 represents the distribution of the average value (from 2002 to 2017) of the Ease of Doing Business index for each country. The countries where the relocations are most favorable are Denmark, Great Britain, and Ireland where the average value of DBI is over 80. The worst countries in this classification are Ukraine, Belarus, Greece, and Croatia, that have a value of Ease of Doing Business lower than 60.

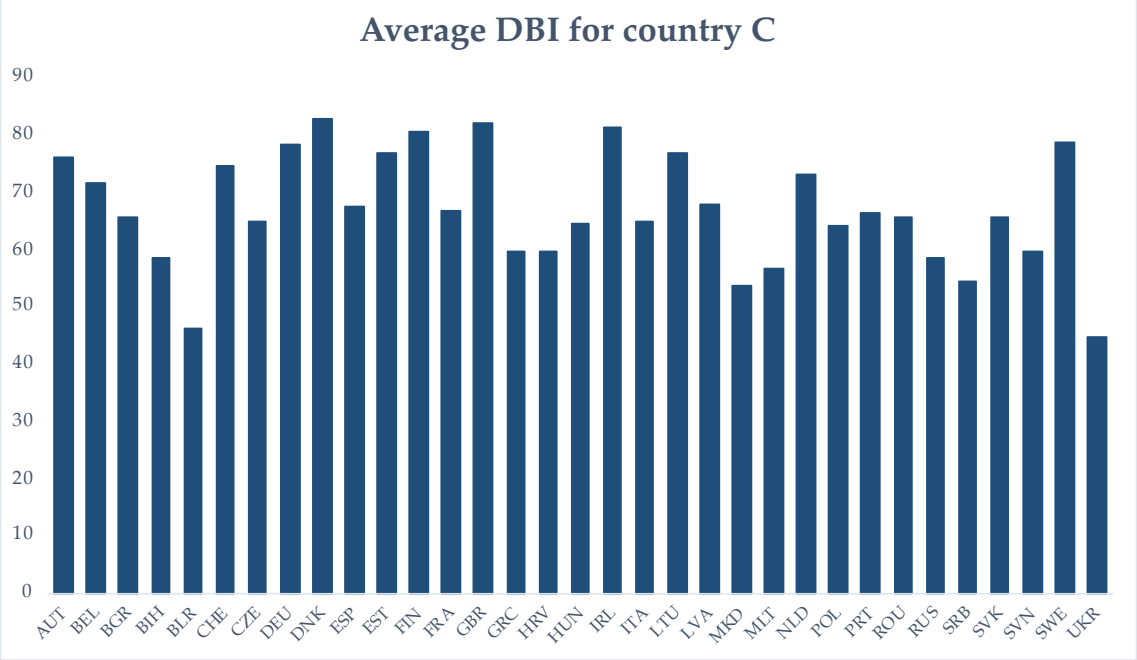


Figure 18: average value of DBI for each country

Continuing the descriptive analysis of the DBI index, it is important to understand the relation of the latter with the entry mode choice. The graph below (figure 19) shows the average of the $\Delta DBI(C - B)$ both in case of equity EM and non-equity EM. Since the values analyzed are negative, it means that, when the average value decrease (shifts downward in the graph), DBI in country B is bigger that in country C, so companies are more frequent to adopt non-equity EM, given the increased presence of difficulties in starting a business. On the other hand, the equity EM choice has been taken when the average difference of Ease of Doing Business between country C and country B is lower.

The value of ΔDBI results negative with respect to both equity and non-equity EM because it is an average, hence, influenced by the presence of largely negative outliers.

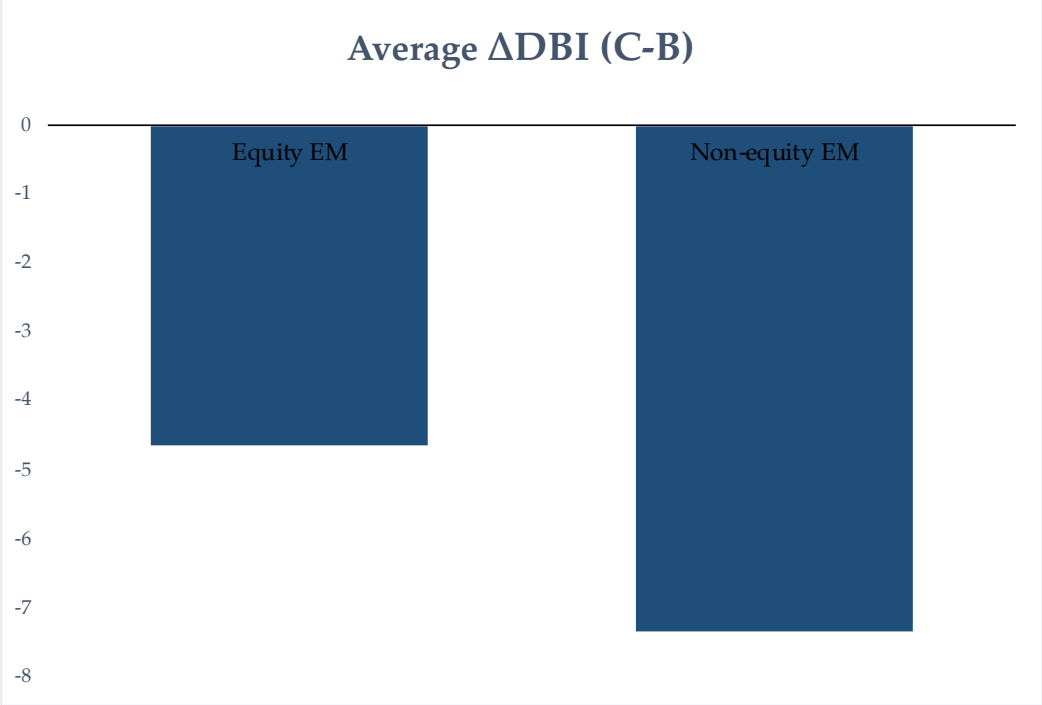


Figure 19: average value of ΔDBI for type of entry mode in country C

3.2.4.2. R&D intensity

A further variable that needs to be analyzed with regard to the sector to which the companies belong is the intensity of investment in research and development. Figure 20 below shows that the mechanical manufacturer industry tends to have a medium-high level of R&D intensity, the opposite situation arises in the case of Agricultural and Food industry that is positioned at a medium-low level. Moreover, a further observation can be made about Electric Manufacturing and Chemical industry that show a similar level of intensity as the mechanical one.

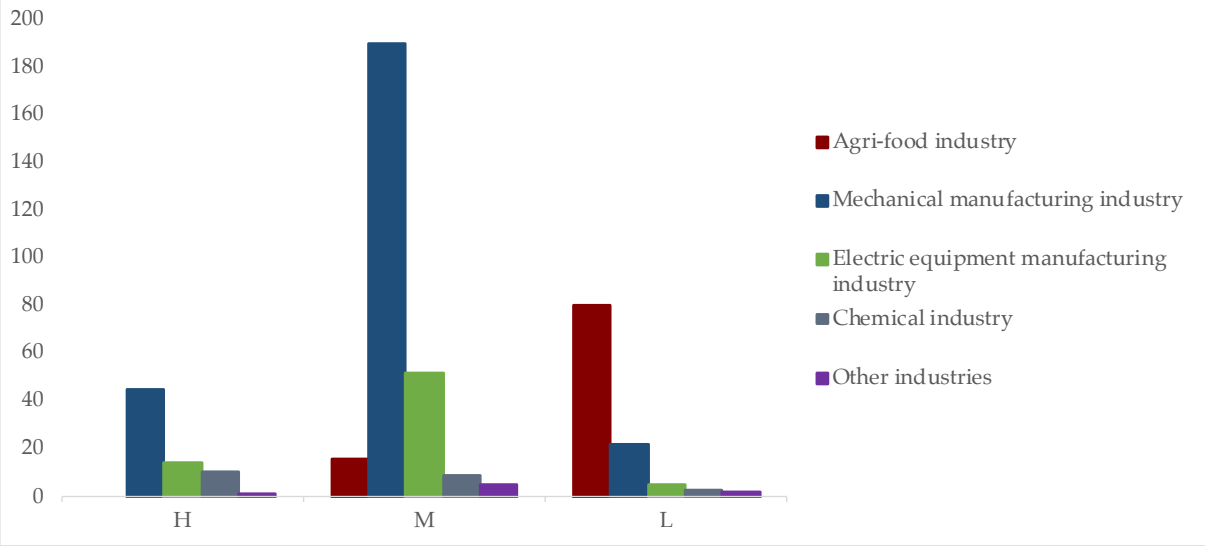


Figure 20: R&D intensity value distribution by Industry ID 1-digit

3.2.4.3. Change of entry mode

Regarding the dummy variable that describes the change of entry mode, a clear majority of "no entry mode change" is visible in the database as showed in figure 21. 88% of the firms decide to keep the same entry mode between the offshoring choice in country B and the reshoring one in country C.

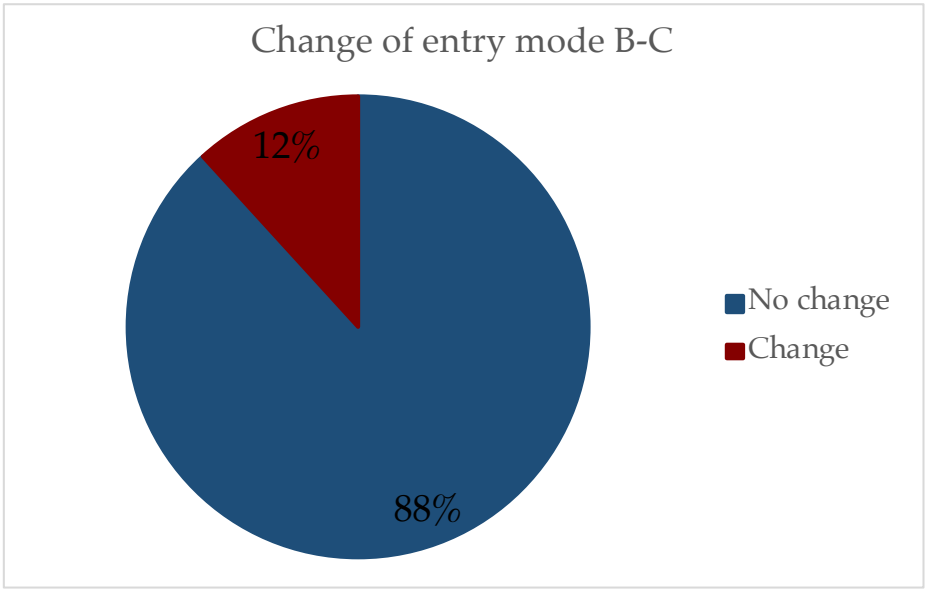


Figure 21: distribution of relocation events by change of entry mode between entry mode in country B and entry mode in country C

A further description of this variable can be conducted, analyzing in detail which entry mode is preferred by firms. As represented in figure 22, the data show that all the firms that keep the same entry mode belong to equity entry mode category.

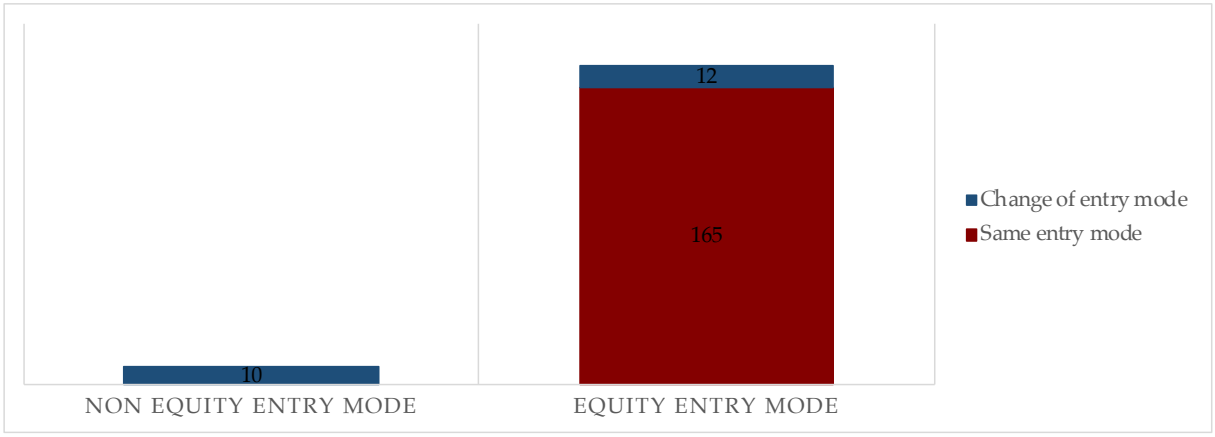


Figure 22: classification of the different type of entry mode in relation with change of entry mode

3.2.4.4. Size level

The next variable under analysis is the size level of the firms. Table 10 describes the distribution of the offshoring events in function of the size level.

Firm Size	Number of operations	% of total
Large	302	62,23%
Medium	4	0,825%
Small	1	0,245%
Micro	178	36,70%

Table 10: distribution of reshoring events classified by the size level of the different firms

The data show that large size companies engage in more relocation operations, particularly in our case this observation can be linked to the type of entry mode mostly used. Indeed the equity entry mode is more frequent for this size level as shown in figure 23, the reason behind this data can be the fact that larger firms have more capital to invest and when the environment is favorable, they prefer to open a new plant and make more investment than smaller firms.

Furthermore figure 23 highlights that the outsourcing mode of entry is the less used by large firms, following the observations collected in the dataset.

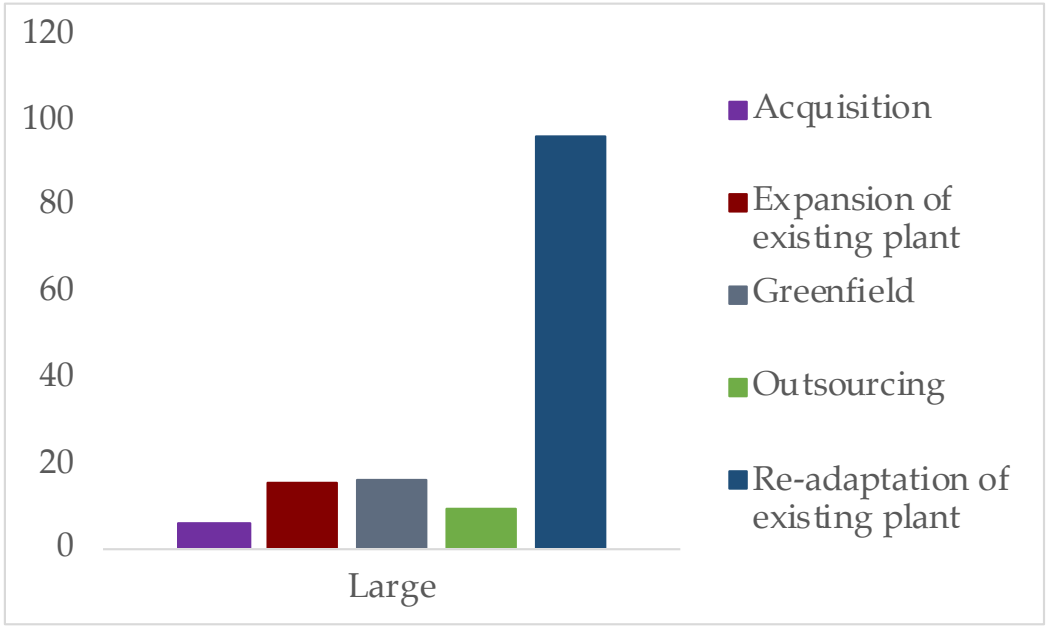


Figure 23: distribution of entry mode for country C for large level sized firms

3.2.4.5. Intangible assets/Total assets

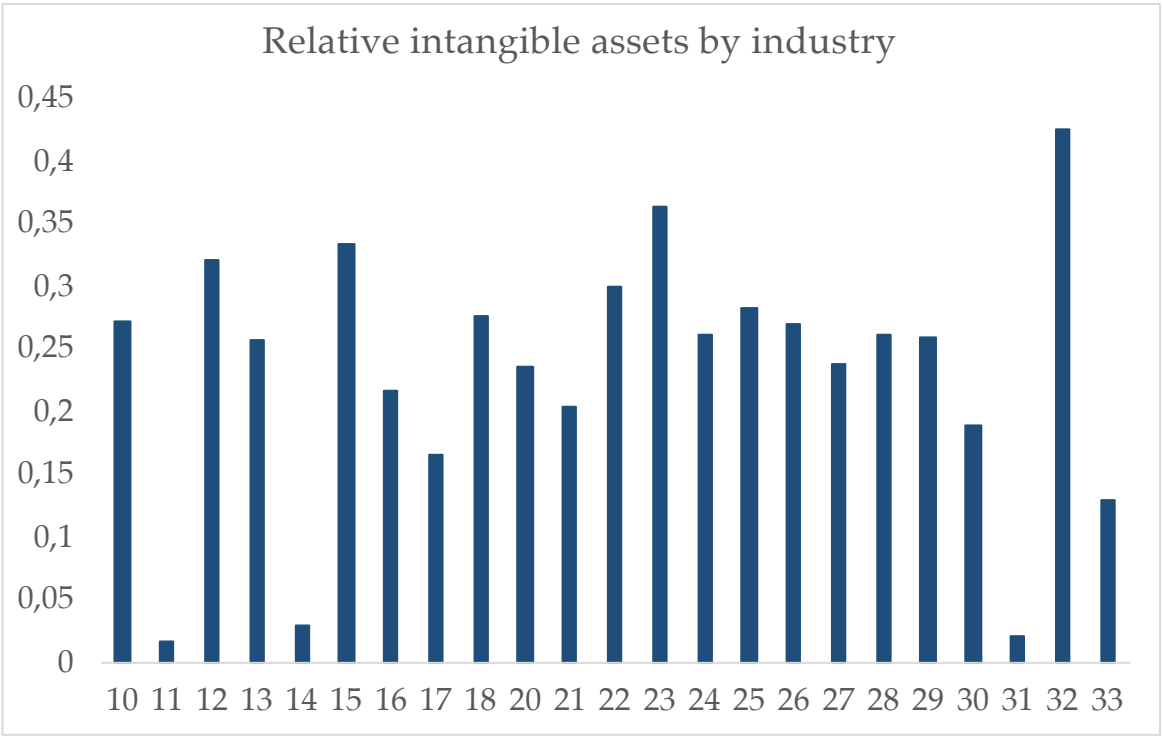


Figure 24: average value of Intangible assets on Total assets for each industry classified by NACE code 2-digit

The descriptive analysis for this indicator has been conducted by industry, in function of the NACE code 2-digit, in order to understand in which sector the weight of the intangible assets is more relevant. Figure 24 shows the distribution of the average value of this ratio for each sector. Manufacture of Furniture (31), Manufacture of Wearing Apparel (14) and Producer of Beverages (11) are the industries in which intangible assets cover a less percentage on total assets. On the other hand, the sectors in which intangible assets carry the most weight are Other industries (32), Manufacturer of Mineral Products (23), Manufacture of Leather (15) and Manufacture of Tobacco Product (12).

3.2.4.6. Cultural distance

Regarding the Hofstede cultural distance measurement, a descriptive analysis has been conducted in relation with the type of entry mode, in order to understand if there are trends or elements to highlights.

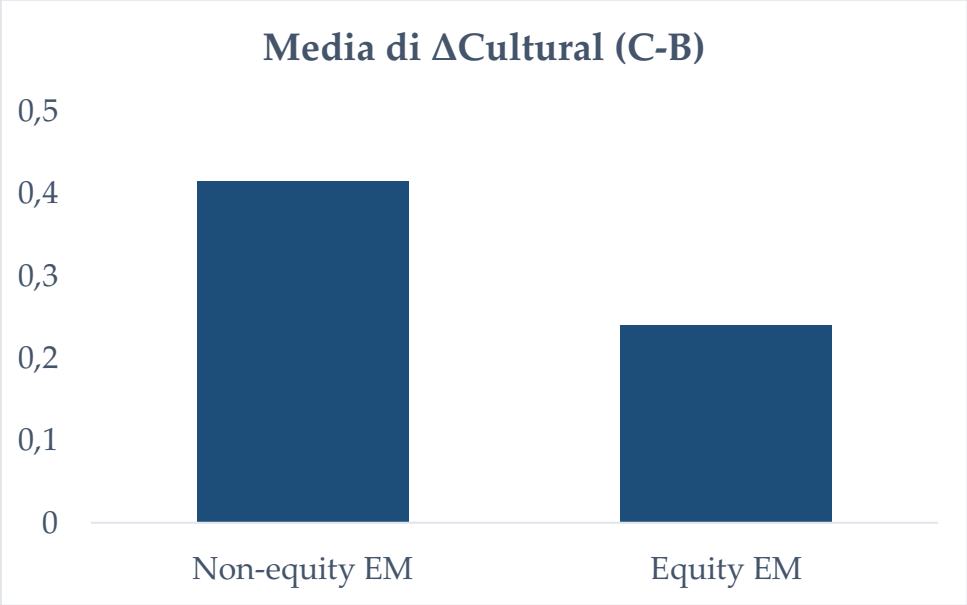


Figure 25: average value of ΔCultural distance between country B and country C classified by type of entry mode

Figure 25 shows the average value of the cultural distance between country C and country B (defined as $\Delta Cultural(C - B)$), for both of the categories of entry mode on the database.

Coherently with literature (Brouthers, 2002), non-equity entry mode has been adopted when the average $\Delta Cultural(C - B)$ increased, so when firms decide to move to a more culturally distant nation. On the other hand, equity entry mode is preferred when $\Delta Cultural(C - B)$ is low, indeed firms prefer to open a new plant and make investment. This is due to the fact that cultural distance has an impact on the uncertainty and consequently on transaction cost, making riskier an equity approach.

3.2.4.7. Country Stability Index (CSI)

The first analysis conducted on Country Stability Index (CSI) is by country, in order to understand which are the nations with the best governance performance.

As it is visible in figure 26, the worst performing countries for this index are Bosnia Herzegovina, Belarus, North Macedonia, Russia, Serbia and Ukraine, that show a negative CSI. The other countries that show a low level (but not negative) of governance performance are Romania and Bulgaria, coherently with Barbieri et al. (2019) considerations on relocations consequent to efficiency-seeking offshoring flows.

In the middle area of this indicator, between 0,5 and 1,5, there are most of the western and center Europe countries (Belgium, Germany, Spain, France, Great Britain, Ireland, Italy, Malta, Portugal) together with Poland, Czech Republic, Hungary, Estonia and Lithuania.

On the other hand, the highest scoring countries for governance performance are the Northern European ones (Denmark, Finland, and Sweden) with an average CSI over 1,5, at the same level there are also Austria, Netherlands, and Switzerland.

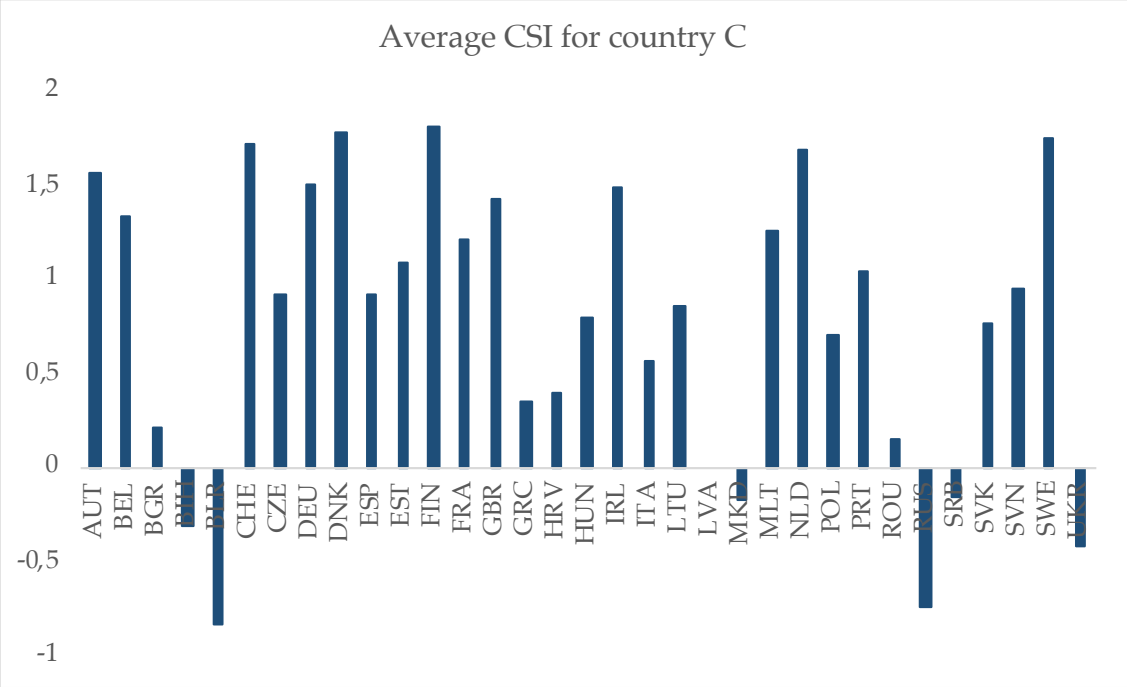


Figure 26: average value of CSI for each destination country of reshoring (country C)

The same approach of the Cultural Distance Index has been used for the descriptive analysis of the Country Stability Index.

In order to better understand how this indicator impacts on the choice of the type of the entry mode, the analysis has been conducted in function of $\Delta CSI(C-B)$ that is the difference between the CSI value in country C and the value in country B.

Furthermore, the trend followed by this index is the same as Cultural Distance Index, since non-equity entry modes are preferred in case of huge $\Delta CSI(C-B)$.

This evidence is justified by the fact that firms prefer to use equity entry modes when the quality of governance performance is more similar ($\Delta CSI(C-B)$ is near to zero) to the origin country of the reshoring process (country B), instead the non-equity entry mode is mostly adopted when the government performance in country C are better than in country B.

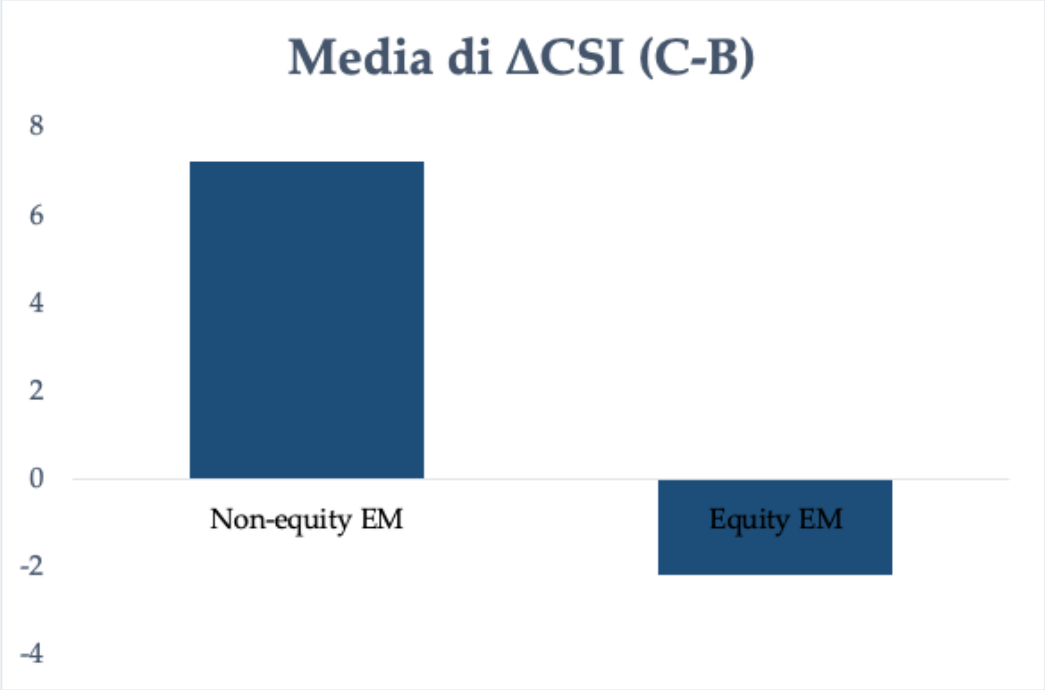


Figure 27: average value of ΔCSI between country C and country B classified by type of entry mode in country C

3.2.4.8. International experience

For what concerns the variable "international experience", in figure 28 below is described the average value of the number of branches in function of the industry. The sector in which firms tend to have more branches, and, as a consequence, more international experience is *Manufacture of motor vehicles, trailers and semi-trailers (29),* followed by *Manufacture of electrical equipment (27), Manufacture of machinery and equipment (28)* and *Manufacture of furniture (31)* that are positioned at the same level. On the other hand, the industries with lowest international experience are *Manufacture of paper and paper products (17)* and *Manufacture of other transport equipment (30)* .

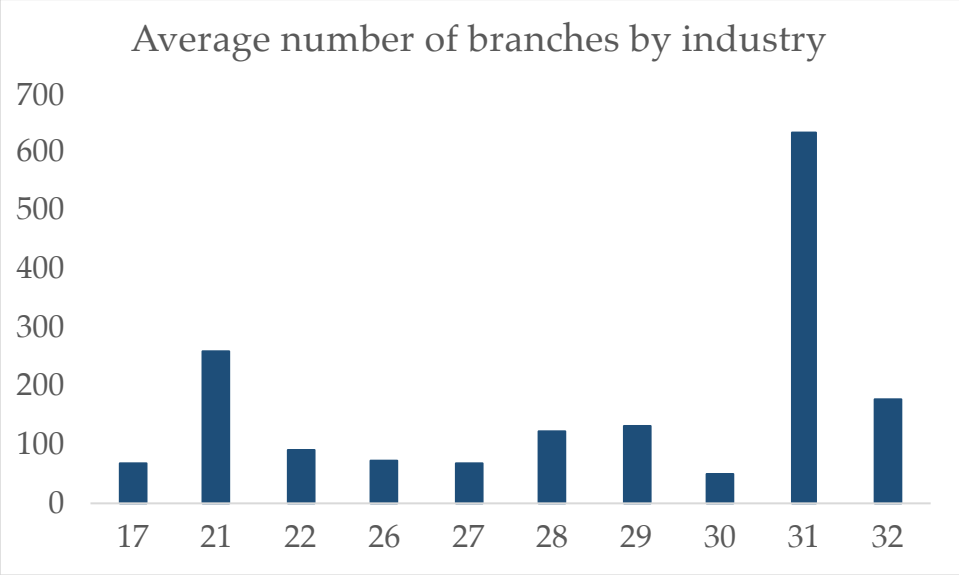


Figure 28: distribution of the highest ten values of the variable “international experience” in function of the NACE code 2-digit

4 Methodology and results

The following chapter will provide a description of the variables adopted in the research, the regression model adopted to test the hypotheses, and the results of the econometric analysis. The variables will by classified in dependent, explanatory and control variables. Subsequently, the Multinominal Logit model is descripted along with the results. The program utilized to perform the statistical analysis is STATA.

4.1. The variables

In this section of the chapter, a description of all the variables used for the econometric analysis is presented. The first section is dedicated to the dependent variable, that represents the object of analysis of this dissertation. Secondly, the explanatory and the control variables are described in order to define the drivers of the entry mode choice and the context in which firms have taken the decision to relocate in the Second Host Country.

4.1.1. Dependent variable

The aim of this dissertation is to explain the entry mode choices in the process of relocation to second host country as compared with the mode chosen in the first host country in terms of switch or keep between the two countries. The classification of entry modes adopted in this research is Kumar and Subramanian (1977) and Pan and

Tse (2000) distinction in equity and non-equity entry modes. With respect to the dataset, equity entry modes include greenfield, acquisitions and some hybrid cases addressed as greenfield&acquisition. The cases of non-equity entry modes under analysis are, instead, licensing, outsourcing and agency.

The dependent variable chosen in this research to represent all the possible scenarios under investigation is "Change of entry mode typology". It is structured to assume four different values and depends on the entry mode type in country B (first host country) and in country C (second host country):

a) "0" when the firm used a non-equity EM for offshoring and an equity EM for reshoring

b) "1" in case of equity EM for both the entries in country B (offshoring) and country C (reshoring)

c) "2" in case of non-equity EM for both the entries in country B (offshoring) and country C (reshoring)

d) "3" when the firm used an equity EM for offshoring and a non-equity EM for reshoring

Hence, the structure of the dependent variable encompasses a double function: on one hand, it allows, through the econometric analysis, to investigate which drivers influence the entry mode selection of firms in Relocations to Second Host Country; on the other hand, it entails the comparison between offshoring and reshoring entry mode choice without the need to examine the initial offshoring motivations, that is a topic already addressed by extant literature and, consequently, beyond the scope of this dissertation.

4.1.2. Explanatory variables

The first class of independent variables descripted in this chapter are the explanatory variables.

The explanatory variables need to be representative of the drivers identified in the hypotheses subsequently tested in the econometric analysis, hence, they are chosen in function of the scope of the dissertation. The reason behind the selection of the below described variables is to catch the different dimensions of the underlying theory in order to explain the entry mode change (keep or switch between first and second host country). Starting from the hypotheses developed in chapter X, the variables chosen to represent each aspect under analysis are:

1. "Intangible assets/Total assets" and "R&D intensity" to test hypothesis 1.1 and hypothesis 1.2, hence the Transaction Cost Theory component of Brouthers' (2002) work;
2. "ΔCountry Stability Index" and "ΔEase of Doing Business Index" to test hypothesis 2.1 and hypothesis 2.2, corresponding to the institutional context extension in Brouthers' (2002) work;
3. "Cultural distance" to test hypothesis 3.1 and hypothesis 3.2, regarding the cultural context extension in Brouthers' (2002) work;
4. "International experience" to test hypothesis 4.1 and 4.2, developed from the Uppsala Internationalization model.

The following section of the chapter will present the variables following the same structure of the hypothesis development and, consequently, of (Brouthers 2002) work with the final addition of the Uppsala perspective (Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977).

4.1.2.1. Intangible assets/Total assets

The scope of analysis of hypotheses 1.1 and 1.2 is the asset specificity of the firm performing a Relocation to Second Host Country. The first variable selected to represent the dimension of asset specificity is the Intangible Assets on Total Assets ratio.

Such variable is firm specific and independent on the location chosen for the relocation. Indeed, it is calculated using the values of intangible and total assets disclosed in the financial statement of each firm one year before the announcement of the relocation event.

Intangible assets are, by nature, specific property of the firm; since their value includes patents, trademarks, customer loyalty, business processes and organizational models, they are used to define an aspect of the asset specificity. Hence, the higher the value of the ratio, the more the asset specificity of the company is relevant since intangible assets weigh significantly on the total assets of the firm. Consequently, it is expected that high values of the ratio correspond to the choice of equity entry modes in the Relocation to Second Host Country. Vice versa, low values of the ratio should result in non-equity entry modes.

4.1.2.2. R&D intensity

The second variable used to test hypotheses 1.1 and 1.2 is R&D intensity; this variable is representative of the asset specificity of a company but does not overlap with the previous measure of "Intangible assets/Total assets".

R&D intensity is industry-specific and independent on the location choice of the relocation. Indeed, it represents an average value of Research and Development expenditures in each industry on 10 different OECD countries. The variable can assume, as described in chapter 5, the three values "1", "2" and "3" representing

respectively low, medium and high level of R&D intensity. R&D expenses aim to create new assets and knowledge specific for the company, hence it is used as a measure of asset specificity. The asset specificity of the firm is high when the R&D intensity of the industry in which it operates is high. Consequently, the expected outcome is that in front of high R&D intensity firms choose equity entry modes in the process of relocation. On the other hand, low levels of R&D intensity are expected to allow firms to choose non-equity entry modes.

4.1.2.3. ΔCountry Stability Index (ΔCSI(C-B))

Hypotheses 2.1 and 2.2 aim at investigating the impact of institutional context variables on the choice of entry mode in Relocations to Second Host Country. The first variable chosen to test the governance performance aspect is the "Country Stability Index" (CSI), expressed in its variation between the second host country and the first host country. Thus, the variable will be addressed as "ΔCountry Stability Index". The reason behind the choice of this variable as explanatory variable is the fact that Country Stability Index is a comprehensive indicator that defines the institutional context of a country in all the main dimensions (political stability, rule of law, openness to the resto of the world, degree of corruption, government reliability).

A positive ΔCSI means that the company moves to a second host country with a greater governance performance than the first host country, hence, the expected effect of such positive variation is higher trust on the local market and, consequently, the choice of a non-equity entry mode. Vice versa, a negative value of ΔCSI should encourage equity entry modes.

4.1.2.4. ΔEase of Doing Business Index (ΔDBI(C-B))

The second variable representative of governance performance and, consequently, used to test hypotheses 2.1 and 2.2, is the "Ease of Doing Business" (DBI). Such variable is observed in its variation between the destination of the relocation and the one of the offshoring and will be, consequently, analyzed as "ΔEase of Doing Business Index".

The of Ease of Doing Business Index is a country specific variable relative to the administrative dimension of a nation because a high value of DBI means low barriers to entry raised by the government in the relative country.

A positive value of the ΔDBI represents a decrease in entry barriers and an increase in governance performance in the second host country with respect to the value of the first host country. Hence, hypotheses 2.1 and 2.2 would be verified if in front of a positive variation in DBI firms choose non-equity entry modes and, in front of a negative variation they prefer equity entry modes.

4.1.2.5. ΔCultural distance (C-B)

The impact of the cultural context on the entry mode choice is addressed by hypotheses 3.1 and 3.2. Specifically, the representative variable of the cultural dimension for this dissertation is "ΔCultural Distance".

The Cultural Distance is, by nature, a relative variable that expresses the degree of diversity among the cultural context of two countries. It is calculated, as described in chapter 5, in accordance with Hofstede's (1980) dimensions of national cultural and the equation he defined to combine them in order to obtain the relative distance between two countries. However, the variable is studied in this dissertation with respect to its variation from the relocation destination (country C) and the offshoring destination (country B).

An increase in cultural distance means entering a more culturally dissimilar country, hence, operating in conditions of uncertainty. As a consequence, coherently with hypotheses 3.1 and 3.2, in front of an increase in cultural distance firms are expected to engage in non-equity entry modes. On the contrary, a decrease in cultural distance should encourage equity entry modes.

4.1.2.6. International experience

Hypotheses 4.1 and 4.2 are the result of the application of the Uppsala Internationalization model to the case of Relocations to Second Host Country. The explanatory variable chosen to test these hypotheses is "International Experience".

The international experience is a firm-specific variable. Indeed, it is an approximation of the international expansion of a firm based on the number of branches the company currently has.

A high value of the international experience variable entails large knowledge gathered during the previous internationalization steps that, according to hypotheses 4.1 and 4.2, should result in equity entry modes. Only low levels of international experience justify, according to the Uppsala internationalization model and consequently our hypotheses, non-equity modes of entry.

Table 11 summarizes the link between chosen variables, scopes of the analysis and their representative dimensions, and the consequent hypothesis.

Explanatory variable	Scope of analysis	Representative dimension	Hypothesis
Intangible Assets/Total Assets	Transaction Costs	Asset specificity	1.1; 1.2
R&D intensity			
ΔCSI (Country Stability Index)	Institutional context	Governance performance	2.1; 2.2
ΔDBI (Ease of Doing Business)			
Cultural distance	Cultural context	Cultural distance	3.1; 3.2
International experience	International experience	International experience	4.1; 4.2

Table 11: explanatory variables for scope, dimension and hypothesis

4.1.3. Control variables

Along with the explanatory variables that, together with the dependent variable, test the hypotheses, the model has been enriched with additional factors, called "control variables", in order to identify eventual patterns and conduct a more comprehensive analysis of the drivers that impact the choice of entry mode in relocations and its change from country B and country C. Such variables represent the external context in which companies made their decision, namely the control variables will cover the dimension of time, economic situation, and industry characterization. The first three variables presented below, "Crisis 08-11", "Crisis 12-15" and "EU enlargement" correspond to the contextualization in time with respect to economic events, while the last variable presented in the chapter, "Industry ID (1-digit)" identifies the industry of belonging of each firm.

4.1.3.1. Crisis 08-11

The context variable "Crisis 08-11" is a dummy that assumes value when the year of announcement of the Relocation to Second Host Country belongs to the time period going from 2008 to 2011. The variable is functional to the contextualization of the relocation decision both in time, since it refers to a specific range of years, and in economic circumstances. Indeed, it contributes to the understanding of the immediate and short-term effects of the 2008 global financial crisis on the relocation phenomenon.

4.1.3.2. Crisis 12-15

This context variable "Crisis 12-15" is a dummy that assumes value when the announcement of the relocation project takes place in the time period going from 2012 to 2015. The variable, similarly to the above explained "Crisis 08-11" contributes in defining both the time and economic contexts in which the relocation decision in taken.

This second variable is functional to the understanding of the long-term effects of the 2008 global financial crisis.

4.1.3.3. European Union enlargement (EU enlargement)

The EU enlargement control variable is a time variant variable, structured as a dummy that assumes value "1" when the announcement of the relocation project takes place after the year 2007, at the end of the inclusion of the Eastern European countries in the European Union. The introduction of this control variable helps in understanding how the enlargement of the European Union, and the consequent reduction of the barriers with the new countries, impacts the type of entry mode choice.

4.1.3.4. Industry ID (1digit)

The industry ID (1-digit) variable is a time invariant-control variable, that distinctively defines the industry to which the companies belong. It is an aggregate elaboration of the European classification NACE code (2-digit), as defined in chapter 5. This control variable covers the industry characterization dimension, and it is functional to define the context in which each company operates and, consequently, takes the relocation decision.

Table 12 presents a summary of the dependent, explanatory and control variables used in the analysis, specifying the scale of measurement for each one.

Variable name	Variable type	Scale
Change of entry mode typology	Dependent	0: from non-equity to equity EM 1: from equity to equity EM 2: from non-equity to non-equity EM 3: from equity to non-equity EM
Intangible Assets/Total Assets	Explanatory	Ratio of value between 0 and 1
R&D intensity	Explanatory	1: low level 2: medium level 3: high level
ΔCSI (Country stability index)	Explanatory	Difference C-B
ΔDBI (Ease of doing business)	Explanatory	Difference C-B
Cultural distance	Explanatory	Difference C-B
International experience	Explanatory	Count (branches)
Crisis 08-11	Control	Number (type: year)
Crisis 12-15	Control	Number (type: year)
European Union enlargement	Control	0: if announcement year before 2007 1:if announcement year after 2007
Industry ID (1-digit)	Control	1: Agri-food industry 2: Mechanic manufacturing 3: Electrical equipment manufacturing 4: Chemical industry 5: Other industries

Table 12: summary of all the variable for typology and scale

4.2. The econometric model

The following chapter is dedicated to the description of the econometric model used to perform the analysis. Specifically, the first section of the chapter is devoted to the description of the econometric model itself, while the following section presents the main characteristics of the sample adopted to test the hypotheses of this dissertation.

4.2.1. The model

The goal of the econometric model is to determine whether there is any causal connection between the independent and dependent variables. The estimation model selected for this dissertation, given the data, the scope of our research and the dependent variable chosen, is the Multinominal Logistic Regression (also named Multinominal Logit model).

This type of model is a statistical classification technique that extends logistic regression to issues with more than two discrete potential outcomes, or multiclass problems. The Multinominal Logit model is useful to predict the probabilities of different possible outcomes (distributed dependent variable), given a set of independent variables, that can be explanatory or control variables. When there are more than two categories and the dependent variable is nominal (equivalently categorical, meaning it falls into any one of a set of categories that cannot be ordered meaningfully), which is the case of the scope of this dissertation, multinomial logistic regression is utilized.

In order to estimate the likelihood of each possible value of the dependent variable, the multinomial logistic regression uses a linear combination of the observed features and some problem-specific factors.

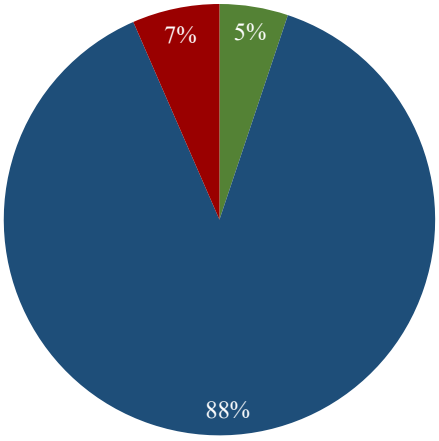
According to the multinomial logistic model, each independent variable has a single value for each instance and data are assumed to be case-specific. Additionally, the multinomial logistic model assumes that the dependent variable cannot always be accurately predicted from the independent variables. The independent variables do not have to be statistically independent from one another, just like in other types of regression.

The multinomial logit may, in some cases, place an excessive number of restrictions on the relative preferences between the many alternatives when used to model decisions. This aspect is particularly significant to consider if the study seeks to forecast how choices would change if one alternative disappeared.

4.2.2. The sample

Concerning the description of the sample under analysis, the following chapter will be firstly devoted to the dependent variable and, subsequently to an overview on the independent variables and the correlation among them.

With regards to the dependent variable of this dissertation, "Change of entry mode typology", figure 29 below describes the distribution of the different values that the variable can assume, hence, the four alternative scenarios of entry mode combination in offshoring and reshoring.



Change of entry mode typology	Frequency	Percentage
0	11	5.14 %
1	189	88.32 %
2	0	0 %
3	14	6.54 %

Figure *29*: sample description for the dependent variable "Change of entry mode typology"

The first remark identifiable in the sample is the absence of case "2", hence, there are not cases in the dataset in which firms that adopted a non-equity entry mode in the

offshoring event (towards country B) choose to keep a non-equity entry mode also in the relocation phase (toward country C).

Furthermore, there's a strong prevalence of cases "1", namely firms that entered country B (first host country) with an equity EM that decide to adopt an equity EM also entering country C (second host country).

Secondly, a general description for all the variables in the model has been conducted, in order to highlight the number of observations, mean, standard deviation and the range of values for each single element used in the econometric model, as it is shown in table 13.

Variable	Obs	Mean	Std. dev.	Min	Max
Change of EM typology	214	1.079439	0.55517	0	3
Industry ID (1-digit)	214	2.392523	1.054897	1	5
EU enlargement	214	0.7897196	0.4084632	0	1
Crisis 08-11	214	0.2429907	0.4298951	0	1
Crisis 12-15	214	0.317757	0.4666961	0	1
ΔDBI	212	-4.778952	8.883759	-32.48734	17.34916
ΔCSI	207	-0.4634444	0.5782802	-2.586043	1.616364
ΔCultural distance	214	6.677834	28.17857	-67.803	87.64948
Intangibles/Total assets	131	0.2542437	0.2032317	0	0.9635858
R&D intensity	205	1.873171	0.605135	1	3
International experience	214	88.92056	257.4621	0	1632

Table 13: general sample analysis, the main descriptive values are defined for each variable

The maximum number of observations for each variable is 214 that is the total number of Relocations under analysis. However, not all the variables present 214 observations due to the lack of information available on the different sources, namely World Bank dataset (2019), Firm's financial statements, and a study from ULB university (2003).

Regarding "Change of entry mode typology", the mean value (1.079439) is coherent with the description above, indeed the mean is near to "1" because it is the most frequently observed value for the dependent variable. The other significant mean

value to be commented regards “EU enlargement”, a categorical variable. Such mean value (0.7897196) is shifted near the extreme maximum, meaning that the majority of the reshoring events occurred after 2007. For what concerns the variable “crisis 08-11”, the mean value (0.2429907) highlights a different characteristics of the sample. Indeed, in this case most of the events occur out of the period between 2008 and 2011. Regarding all the other categorical variables, mean values do not show any tendency.

“International experience” and “Intangible assets/total assets” variables show a similar trend, observing the mean values. Both have a low mean value with respect to the maximum value (0.2542437 for “Intangible assets/total assets” with a maximum of 0.9635858, and 88.92056 for “International experience” with a maximum value of 1632). Hence, cases where very high values occur for these two variables (above one thousand for “international experience” and above 0,75 for “intangible assets/total assets) are very sporadic.

For what concerns the remaining not cited variables, their mean values illustrate a balanced distribution of the data.

A further analysis to be conducted before presenting the results of the regression model application, is the evaluation of the coefficients present in the correlation matrix, in order to understand the linear association between the couples of variables.

Table 14 represents the correlation matrix for our set of variables, red values imply significant negative correlation, blue values imply significant positive correlation.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
(1) Change of entry mode typology	1.0000										
(2) Industry ID (1-digit)	-0.1087	1.0000									
(3) EU enlargement	0.0753	**0.2601**	1.0000								
(4) Crisis 08-11	0.0323	-0.0135	**0.2588**	1.0000							
(5) Crisis 12-15	0.0439	0.0782	**0.3066**	**-0.4426**	1.0000						
(6) ΔDBI	-0.1527	0.0077	0.0299	-0.1649	0.1059	1.0000					
(7) ΔCSI	-0.2351	0.1126	0.0223	-0.0180	0.0732	**0.6962**	1.0000				
(8) ΔCultural distance	0.0755	-0.0988	-0.0329	-0.0617	-0.1144	**-0.3541**	-0.2451	1.0000			
(9) Intangibles/Total assets	0.0089	-0.0707	**-0.2571**	-0.1560	-0.0842	0.1138	0.0614	-0.0909	1.0000		
(10) R&D intensity	-0.0671	**0.5500**	0.0746	-0.0203	0.0292	0.0565	0.0470	-0.1419	-0.1410	1.0000	
(11) International experience	-0.3199	0.3186	0.0705	0.0196	0.0210	0.0692	0.1135	-0.0726	0.0688	0.1320	1.0000

Table 14: correlation matrix of the variable included in the analysis

The correlation between "ΔCSI" and "ΔDBI" is the most significant value in the table with a coefficient of 0.6962, so the two variables are strongly positive correlated, hence the more the ease of doing business increases, the higher the governance performance is in country C. In figure 30 is shown the graphic correlation between the two variables described.

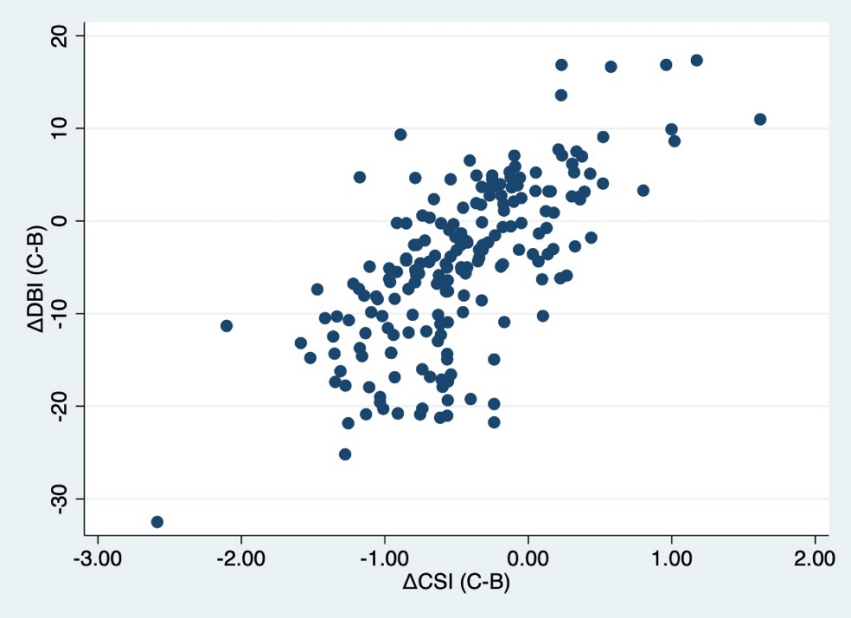


Figure 30: dot plot of the correlation between "ΔCSI" and "ΔDBI"

On the other hand, "ΔDBI" is negatively correlated with "Cultural distance" variable, for this reason an increase in Ease of doing business means a lower cultural distance between country B and country C.

No further consideration is made on the remaining cases of relevant correlation because they are referred to categorical variables, hence, they do not deliver relevant information.

4.3. Results and discussion

The results of the model are presented in function of the most frequent output. Particularly, in our case, the most frequently adopted value for the dependent variable "Change of entry mode typology" is "1", hence when firms that entered country B (offshoring) with an equity EM that decide to adopt an equity EM also entering

country C (RTC). The only categorical variable present in the model is the Industry ID (1-digit).

The first relevant observation, before describing the results of the analysis, regards the robustness of the model and if it fits well for the type of analysis conducted. Table 15 below shows the number of observations, and the values of the chi2 test describing robustness and fit of the model to the dataset analyzed in this dissertation.

Number of observation	**125**
LR chi2 (**26**)	66.99
Prob > chi2	**0.0000**
Pseudo R2	0.4874

Table 15: number of observations and chi2 test of the model

The number of observations is lower than the total number of Relocations to Second Host Country under analysis consequently to the lack of information available on some of the sources of the variables, namely World Bank dataset (2019), Firm's financial statements, and a study from ULB university (2003). Further information is missing regarding the entry mode typology in the ERM database (2018).

The p-value (Prob > chi2) is 0.0000, hence it means that the model fits well with the database and the level of robustness of the analysis is acceptable (p-value < 0.0001).

The base outcome chosen in the model was the value "1" of the dependent variable, the most frequent. Hence, the following results will refer to the values "0" and "3" of the "Change of entry mode typology" with respect to case "1", coherently with the output of the model from STATA.

Table 16 represents the STATA output of the application of the Multinomial Logistic model to dataset under analysis, with respect to the coefficient and the p-value of each variable.

0	Coefficient	P > | z |
Industry ID (1-digit) 2 3 4 5	 16.34966 19.3281 17.54554 49.99038	 0.996 0.995 0.996 1.000
EU enlargement	-3.738199	0.183
Crisis 08-11	-1.490943	0.291
Crisis 12-15	-0.3166974	0.812
ΔDBI	-0.0620992	0.460
ΔCSI	0.9872734	0.487
ΔCultural distance	-0.0335067	0.108
Intangibles/Total assets	**-16.64528**	**0.040**
R&D intensity	0.1484452	0.918
International experience	**0.0071318**	**0.032**

Table 16: results for the case "0" with respect to case "1"

The first section of the discussion of results regards the output for the analysis of case "0" with respect to case "1".

Regarding the explanatory variables ("ΔDBI", "ΔCSI", "ΔCultural distance", "Intangible Assets/Total Assets", "R&D intensity" and "international experience"), two of them result statistically relevant. These variables are "international experience" and "intangible assets/total assets" that show a p-value < 0.1. Since the coefficient of the "international experience" variable is positive (0.00713), it means that when the number of branches owned by a firm increases, the probability to pass to an equity EM from a non-equity EM is high. On the contrary, when the value of intangible assets over total assets increases, the probability that a company decides to move from a non-equity EM to an equity EM is low, because of the largely negative coefficient (-16.645).

Concerning the other variables that are not relevant, "ΔDBI" and "ΔCultural distance" show a negative coefficient. On the other hand, "ΔCSI" and "R&D intensity" show a positive coefficient, even if it is not relevant.

For what concerns the control variables ("Industry ID (1-digit)", "EU enlargement", "crisis 08-11" and "crisis 12-15"), none of them results statistically relevant (p-value > 0.01) for this scenario. The coefficients of the variables EU enlargement, crisis 08-11 and crisis 12-15 are all negative. On the other hand, the coefficient regarding "Industry ID (1-digit)" is positive.

Table 17 represents the STATA output of the application of the Multinomial Logistic model to dataset under analysis, with respect to the coefficient and the p-value of each variable.

3	Coefficient	P > | z |
Industry ID (1-digit) 2 3 4 5	 19.40166 19.96191 19.85537 45.00222	 0.996 0.996 0.996 1.000
EU enlargement	16.62547	0.997
Crisis 08-11	0.3668226	0.771
Crisis 12-15	0.4613963	0.683
ΔDBI	-0.0056044	0.943
ΔCSI	**-2.084535**	**0.051**
ΔCultural distance	-0.0119333	0.489
Intangibles / Total assets	-0.9715156	0.715
R&D intensity	**-1.701795**	**0.077**
International experience	-0.0287894	0.318

Table 17: results for the case "3" with respect to case "1"

The following section of the chapter regards the output for the analysis of case "3" with respect to case "1".

Regarding the explanatory variables ("ΔDBI", "ΔCSI", "ΔCultural distance", "Intangible Assets/Total Assets", "R&D intensity" and "international experience"), two of them results statistically significant in this case. These variables are "R&D intensity" and "ΔCSI", both with negative coefficient. It means that when firms belong to an industry with high level of R&D expenditure, the probability to move from an equity to a non-equity entry mode is low given the coefficient (-1.702). The same observation can be developed regarding the coefficient of the variable "ΔCSI" (-2.0845), it means that when firms move to a country C with a higher governance performance as compared to country B ("ΔCSI" increase), the likelihood to change type of entry mode from equity EM to non-equity EM is low. The other non-relevant explanatory variables ("ΔDBI", "ΔCultural distance", "Intangible Assets/Total Assets", and "international experience") show negative coefficients.

For what concerns the control variables ("Industry ID (1-digit)", "EU enlargement", "crisis 08-11" and "crisis 12-15"), none of them result statistically relevant and all of these variables have positive coefficient.

5 Discussion

The following chapter presents a complete discussion of the results of the analysis with respect to the hypotheses of this dissertation and, consequently, with the theoretical framework previously presented, in order to address the aim of this research: identifying the drivers that lead firms to switch, or keep, entry mode between the first and second host country.

The structure of the chapter will follow the four dimensions of drivers identified from the theoretical background: transaction costs, institutional context, cultural context, and international experience.

In order to verify or confute the hypotheses of the dissertation, only the variables that resulted statistically relevant in the econometric analysis will be discussed in the chapter. Indeed, we cannot exclude that the missed relevance of some explanatory variables could be due to the lack of observations and, consequently have no explanatory power on the hypotheses of the research and, consequently, the suitability of the theoretical framework.

5.1. Transaction cost implications

The first class of drivers analyzed to study their impact on entry mode choice in Relocations to Second Host Country regards asset specificity under the Transaction Cost Theory perspective.

The two variables that represent the company's asset specificity in the econometric analysis performed in this dissertation are the ratio of Intangible assets over Total

assets of a company, measured one year prior the reshoring announcement, and the R&D intensity of the industry in which the company operates.

The measure of intangible assets results relevant and negatively correlated with the value "0" of the dependent variable, i.e. when a firm that chose a non-equity entry mode in the first host country switches to an equity entry mode in the second host country. Such negative correlation may result conflicting with the Transaction Cost theory that states that highly specific assets need to be protected against opportunism through hierarchical modes (equity), while the result of the analysis implies that for a high level of asset specify the probability of switching to an equity entry mode is low.

In fact, it is necessary to detail the nature of intangible assets in order to properly understand the result. The accounting principle IAS 38 defines that, in order to be reported in the balance sheet of a company as intangible, an asset must be non-monetary and non-physical. Furthermore, it can be measured if it is separable or arising from contractual or other legal rights. For instance, trademarks, patents, licenses and copyrights are traditional intangible assets accounted by firms. Such assets belong to the category of Intellectual Property Rights (IPR), that are legal forms of protection of a company's intellectual property, inventions, and innovation (Manhart and Thalmann, 2015). Hence, in a transaction cost perspective, these intangible assets do not face the risk of misappropriation or opportunism since there are already protected. Substantially, the transaction costs that would rise from the protection of the intellectual property underlying those assets are, in fact, sunk costs. Once a trademark, copyright, patent is filed, the knowledge embedded in the recorded intangible assets is explicit and protected, hence it can be used as a complementary asset in market operations. In this perspective, it is important to underline that intellectual property is a source of competitive advantage for a company also in the home country market, thus, the issue of protecting it often raises before the

international expansion of a firm and, consequently, it is not an obstacle in subsequently entering foreign markets through non-equity modes. On the contrary, proprietary assets can be exploited as source of international competitive advantage if combined with adequate complementary assets shared by local players, which is coherent with the low probability of switching from a non-equity to an equity entry mode resulted from the analysis.

Furthermore, firms also record in their balance sheet as intangible assets the costs of advertisement or continuing education to represent brand identity and know-how. Brand identity is firm-specific and not at risk of opportunism; it needs, instead, to be spread and accepted within the firm, its subsidiaries, its agents, its franchisee, and every other entity that represents the firm at home or abroad.

On the other hand, know-how needs to be addressed separately. Such intangible asset, indeed, represents firm-specific tacit knowledge. Love (1995) argues that, in contrast with TCT, transaction costs rise in coding and teaching tacit knowledge rather than in protecting explicit one from opportunism. In this perspective, in a non-equity mode of entry, know-how doesn't need to be transmitted, since the local players are incumbents that have their own proprietary know-how, that only needs to meet the counterparty requirements. Hence, with respect to tacit knowledge, switching to an equity mode of entry is undesirable since it would result in coding and teaching costs.

Substantially, the apparent contradiction between the result of the analysis and the underlying theory does not rise from the representativeness of the variable "Intangible assets/Total assets" that is, indeed, a reasonable measure of the asset specificity of a company, but rather from the incomplete description of specific assets in TCT. Malhotra (2003) argues that the Transaction Cost theory lacks in detailing the concept of knowledge and, consequently, knowledge related assets. Such limitation is responsible for the wrong opportunism risk assessment of some categories of specific assets, including intangibles.

With respect to this dissertation, such considerations imply that the negative correlation of "Intangible assets/Total assets" with the switch from non-equity to equity entry mode cannot be considered a confutation of hypothesis 1.1, notwithstanding that it would have predicted a keep of non-equity entry mode in front of high asset specificity. Indeed, the reason of the negative coefficient is not in contradiction with the Transaction Cost theory on which the hypothesis is built since the asset specificity measured by the variable does not coincide with the one considered by TCT.

The variable R&D intensity measures a different aspect of asset specificity as compared to the value of intangible assets. Indeed, the engagement of companies in research and development projects reflects the degree of innovation of a company, that results in specific and unique assets.

The variable results statistically relevant and negatively correlated with the outcome "3" of the dependent variable, correspondent to the firms that chose an equity entry mode in the first host country and switched to a non-equity entry mode for the second host country. The result means that, as emerged from the sample of analysis, the higher the R&D intensity, the lower the likelihood of switching from equity to non-equity entry modes between first and second host country and, on the contrary, the lower the R&D intensity, the higher the likelihood to switch from equity to non-equity modes. Such result is coherent with the traditional Transaction Cost theory and verifies hypothesis 1.2, since the high value of R&D corresponds to highly specific asset that, unlike reported intangible assets, represent proprietary knowledge of the company that is not covered by any protection mechanism and, consequently, at risk of opportunistic behaviors in market relationships entailed in non-equity modes. Hence, R&D intensity is a suitable variable to represent the concept of asset specificity studied by TCT and it verifies hypothesis 1.2, that states that firms that adopted an equity entry

mode in the first host country are more likely to keep an equity mode of entry in the second host country in case of high asset specificity, while they are more likely to switch to non-equity modes of entry in the second host country in case of low asset specificity.

5.2. Institutional context implications

The second category of drivers that define the entry mode choice in offshoring decisions according to the Transaction Cost Theory's extension of Brouthers' work (2002), applied in this dissertation to the case of Relocations to Third Country, is the relevance of the institutional context of the host country. The representative variables used in the model for this dimension are the difference between the second host country (relocation) and the first host country (offshoring) of Ease of Doing Business (in the model "ΔDBI") and Country Stability Index (in the model "ΔCSI").

For what concerns "ΔCSI", when the dependent variable assume value "3", that means when a company that chose equity entry mode in entering the first host country switches to a non-equity entry mode for the second host country, the variable is statistically relevant and shows negative coefficient. Such negative correlation, for which an increase in governance performance means low probability to switch from equity entry mode to a non-equity entry mode, results in contrast with the Extended Transaction Cost Theory adapted to the case of relocation, which say that firms that adopted an equity entry mode in the offshoring phase, in case of increase of governance performance tend to switch to non-equity entry mode.

The conflict between the hypothesis 2.2 and the results of the econometric analysis can be justified with the Managerial Theory perspective regarding the institutional context. This alternative theory analyses the location and control decisions of

multinational enterprises from the managers point of view. The theory states that one of the elements taken into consideration by managers when choosing the offshoring country is the performance of institutions in the relative country (Henisz, 2000). Particularly, the Managerial Theory states that managers are less likely to make an investment when the market is politically unstable (Buckley, Devinney, and Louviere 2007). Indeed, managers choose the investments that have higher probability of success, and the institutional stability of a country plays two fundamental roles in this perspective:

1. Institutional stability means low uncertainty and high predictability; hence, it facilitates the evaluation of the investment outcome.
2. Institutional stability implies better and safer conditions to run a business, thus, it results in risk reduction and higher likelihood of survival.

Following this approach, the negative correlation coefficient of "ΔCSI" when the dependent variable assumes value "3" results coherent. Indeed, equity entry modes offer higher potential returns given the exclusive control on the foreign business, but simultaneously require high resource commitment that exposes firms to higher risk. As a consequence, managers prefer high commitment modes when entering politically stable countries because of the expected return on the investments but tend to choose non-equity modes when facing high uncertainty and risk consequent to institutional instability in order to reduce the loss in case of failure. Hence, adapting the managerial theory to the scope of this dissertation, following an increase in governance performance, the probability to switch from an equity entry mode in the first host country to a non-equity entry mode choice in the second hist country is low.

Hence, the negative correlation between "ΔCSI" and the switch from equity to non-equity confutes hypothesis 2.2 that states: firms that adopted an equity entry mode in the first host country are more likely to keep an equity mode of entry in the second host country in case of decreasing governance performance, while they are more likely

to switch to non-equity modes of entry in the second host country in case the governance performance increases. The Transaction Cost theory results not suitable to explain the role of institutions on entry mode choice in relocations, while the results are coherent with a Managerial theory perspective.

Finally, for what concerns "ΔDBI", that is the other representative variable regarding institutional context, the results' discussion will not be addressed because the variable never results statistically relevant in the econometric analysis. However, such result cannot be unequivocally attributed to the relationship between theory and empirical evidence because of the low number of observations. However, both variables "ΔDBI" and "ΔCSI" address the dimension of governance performance, thus, the result regarding the Country Stability Index will be considered representative, in the conclusions of this research, of the entire institutional dimension.

5.3. Cultural context implications

"Cultural distance", the representative variable of the cultural context in the analysis, did not result statistically relevant in any scenario. Such result cannot, however, be interpreted neither as a confirmation nor as a confutation of hypotheses 3.1 and 3.2 regarding its link with Brouthers' (2002). Indeed, it is possible that the lack of statistical relevance is a consequence to the low number of observations and potentially carries no information about the relation between the theoretical background and the empirical reality. As a consequence, given the sample of this dissertation, it is impossible to make any empirical consideration about the impact of the cultural distance on the entry mode choice in Relocations to Third Country.

5.4. International experience implications

The final dimension of drivers tested in the econometric analysis regards the relevance of the international experience of firms in the selection of the entry mode in the second host country, adapted from the Uppsala Internationalization model (Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977).

The most relevant scenario to be investigated from an international experience perspective is the one represented by the value "0" of the dependent variable, hence firms that chose a non-equity entry mode in entering the first host country and switched to an equity entry mode in the second host country. Indeed, the Uppsala Internationalization model describes the international expansion of a firm as a multi-stage process beginning with low commitment non-equity modes of entry, to later develop into more structured equity entry modes.

The variable chosen in this dissertation to test such approach with respect to Relocations to Third Country was "international experience", counting the international branches of each firm. The variable resulted statistically relevant and positively correlated with the switch from non-equity to equity entry mode from first to second host country. Such result verifies the applicability of the Uppsala perspective to the peculiar case of reshoring processes that differ from the scope of analysis of Johanson and Wiedersheim-Paul (1975) and Johanson and Vahlne (1977) in the interdependence between two consecutive international expansion decisions: the reshoring decision is a reversal of the previous offshoring one, they are not two separate internationalization choices that simply happen subsequently in time.

Substantially, the result of the econometric analysis confirms the existence of some degree of path dependence regarding the international experience of a firm. It is verified that firms that accumulated experience abroad after choosing a low

commitment entry mode (non-equity) in the first host country are likely to switch to more hierarchical modes such as greenfield and acquisitions (equity).

Further evidence of the relevance of international experience on the choice of the entry mode is the absence of case "2" scenarios, hence firms that chose non-equity entry modes both in entering the first and the second host countries. This result is coherent with the Uppsala perspective; indeed, it reflects that the expertise in running a business abroad that firms gained during the offshoring phase in the first host country led the same firms to undertake investments in equity entry modes in the second host country, switching mode.

The international experience of the firms of the sample that entered the first host country with a non-equity entry mode is high, always above the average of the international experience of the entire sample.

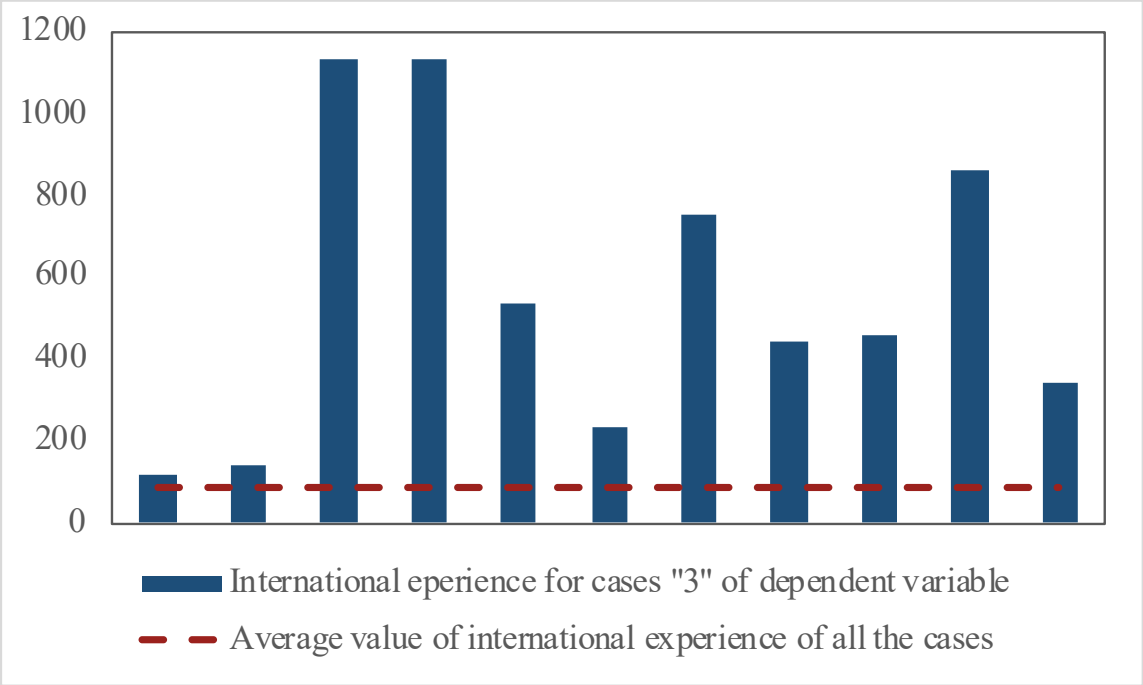


Figure 31: International experience of firms switching from equity to non-equity and average IE of the sample

Figure 31 shows the level of international experience of firms that chose non-equity entry mode in the first host country as compared to the average international experience of the sample.

Hence, both the relevance of the positive correlation of the international experience with the switch from non-equity to equity entry mode, and the absence of cases in which firms keep a non-equity entry mode, validate hypothesis 4.1: firms that adopted a non-equity entry mode in the first host country are more likely to switch to equity modes of entry in the second host country in case of high international experience, while they are more likely to keep non-equity modes of entry in the second host country if their international experience is low. Indeed, all the firms that gathered high international experience switched from non-equity to equity.

5.5. Keeping equity entry mode from first to second host country

In conclusion, the discussion will focus on the distribution of the dependent variable, specifically on the significant prevalence of cases "1", hence firms that keep an equity entry mode from first to second host country. Such disparity in distribution is, indeed, a result itself. Figure 32 shows the distribution of the dependent variable.

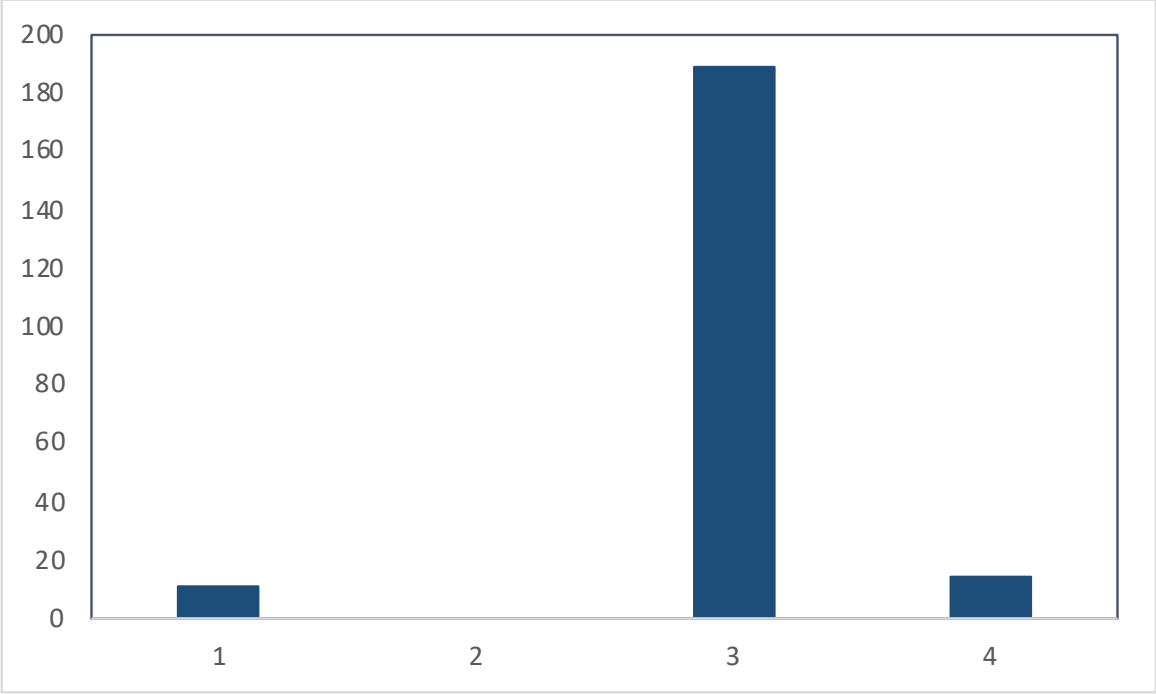


Figure 32: Distribution of the dependent variable

The result is coherent with hypothesis 4.2, that states that firms that adopted an equity entry mode in the first host country are more likely to keep an equity mode of entry in the second host country regardless of the value of international experience. Indeed, the theoretical reasoning behind the Uppsala Internationalization model, that is the basis of the hypothesis, is that once a firm has learnt enough from its international experience to switch from non-equity do equity mode of entry, there is no reverse flow.

Although the frequency of cases of firms keeping an equity entry mode from first to second host country is consistent with hypothesis 4.2, the result is discussed separately from the implications of the international experience (chapter 6.4) because further considerations can be made besides the Uppsala Internalization model applicability to the case. Indeed, a theoretical contribution that can explain the pattern of distribution of the dependent variable can be found in the Eclectic OLI framework, specifically, in the concepts of Ownership and Internalization advantages of the theory.

Since Ownership and Internalization advantages can be developed and collected abroad, combined with the concept of dynamic resource accumulation (Teece et al., 1997), result in a reasoning that is consistent with the Uppsala Internationalization model, namely that firms, in their international experience, accumulate learned capabilities and routines that constitute advantages that would be lost if the entry mode is switched to non-equity (Dunning, 2000). Wan et al. (2019) found similar results with respect to the case of Relocations to Home Country, which can be considered a further support to the result of this research, since the drivers identified behind the specific case of firms keeping an equity entry mode are not country specific. Hence, the drivers do not depend from neither home, the first nor the second host country and, consequently, it is a circumstance in which RSC and RHC are comparable.

6 Conclusion

The last chapter discusses and presents the conclusions emerged from the discussion of the results of the econometric analysis in terms of suitability of the theoretical approach to the scope of the dissertation, based on the empirical evidence. Furthermore, the theoretical contributions, managerial implications, limitations and avenues for future developments of the research are subsequently discussed.

6.1. The implications of the empirical evidence on the theoretical model

The discussion of the results has highlighted the consistencies and inconsistencies between the model adopted in the analysis, hence the theoretical background, and the empirical evidence.

Table 18 summarizes which hypothesis were confirmed or not verified in the econometric analysis.

Hypothesis	Theoretical background	Outcome
1.1	Transaction Cost theory: Asset specificity	Not confirmed
1.2	Transaction Cost theory: Asset specificity	Confirmed
2.1	Extended Transaction Cost theory: Institutional context	Not confirmed
2.2	Extended Transaction Cost theory: Institutional context	Not confirmed
3.1	Extended Transaction Cost theory: Cultural context	Not confirmed
3.2	Extended Transaction Cost theory: Cultural context	Not confirmed
4.1	Uppsala Internationalization model	Confirmed
4.2	Uppsala Internationalization model	Confirmed

Table 18: hypothesis confirmed and not confirmed in the econometric analysis

The fit between the model and the empirical evidence is mixed. On one hand, The Uppsala Internationalization model and the Transaction Cost theory with respect to the dimension of asset specificity result suitable to explain the firms' choices of keeping or switching the entry mode from first to second host country. Therefore, the econometric analysis supports that firms learn from their international experience and such learning allows them to switch from Non-equity to Equity entry modes in a

progressive cycle that does not entail any reverse flow, hence when the experience is sufficient to engage in an equity entry mode in the first host country, it is kept in the second. Furthermore, it is also verified that firms tend engage in equity entry modes to avoid the costs arising from the protection of highly specific assets from opportunism in market transactions.

On the other hand, the institutional and cultural extensions to the Transaction Cost theory do not show the same fit with the empirical evidence. Specifically, there is no evidence of the relevance of the cultural dimension on the choice of keeping or switching entry mode from first to second host country. However, such result cannot be unequivocally interpreted as a non-correlation between cultural distance and switch or keep entry mode choice.

On the contrary, the econometric analysis highlighted that the Institutional extension to the Transaction Cost theory cannot explain the choice of switching from equity entry mode in the first host country to non-equity entry mode in the second host country. The result, instead, can be explained through a Managerial theory perspective. Therefore, firms choose to switch from equity to non-equity modes of entry when governance performance, hence institutional stability, decrease since managers only engage in risky, high commitment, equity modes of entry when the country is stable and uncertainty is low, otherwise they prefer non-equity modes of entry.

In conclusion, it is reasonable to state that a multi-perspective and multi-theory approach is suitable to explain switch or keep entry mode choices, however, at least with respect to the institutional context it is necessary to detach from a Transaction Cost approach in favor of a Managerial one. Hence, the theoretical model suggested from the results of the analysis is the combination of the Transaction Cost theory, the Managerial theory and the Uppsala Internationalization model. The addition of the Uppsala perspective to the original Brouthers' (2002) model reflects the peculiarity of relocations of being inherently part of a multi-stage internationalization process, since

they are the reevaluation of a previous offshoring decision, that was instead the scope of the Extended Transaction Cost theory.

Figure 33 represents the evolution of the theoretical approach throughout this dissertation, from the original model developed for offshoring, through its adaptation to the keep or switch of entry mode, to the final correction consequent to the results of the econometric analysis.

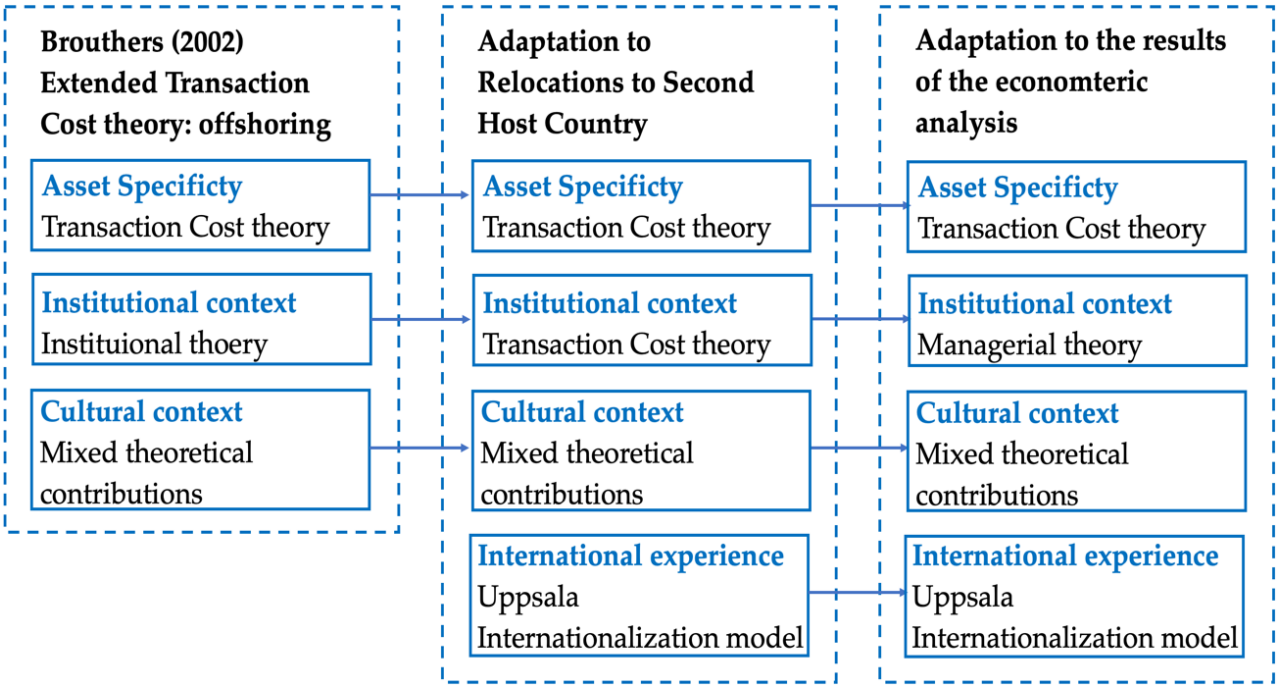


Figure 33: Evolution of the theoretical model

6.2. Managerial implications

The outcome of this research can be adopted as a support for managerial decision making processes regarding entry mode switch or keep decisions. The analysis, indeed, provides information on the drivers that guided large firms in their Relocations to Second Host Country entry mode decisions over the last two decades, resulting in a framework that managers could take as a reference in their strategic

choices. The entry mode choice is recognized to be one of the main determinants of strategic success or failure in International Business (Agndal & Chetty, 2007; Anderson & Gatignon, 1986; Brouthers, 2013, 2002; Erramilli & Rao, 1993; Ragland, Widmier, & Brouthers, 2015; Root, 1987; Tse, Pan, & Au, 1997), hence, it is in the interest of managers to carefully evaluate the choice following extant theories and empirical evidence.

Nevertheless, each company has its own characteristics, strategic objectives and experience and each relocation decision is taken in specific circumstances that influence the process.

The first fundamental takeaway of the research that we suggest to managers is to take into consideration that relocations, unlike offshoring decisions, are necessarily linked to the previous expansion to first host country, hence, entry mode decisions should be evaluated in a multi-stage perspective. Therefore, it is recommendable to evaluate the country specific drivers in differential terms between first and second host country to properly select the switch or keep entry mode strategy. Furthermore, besides the international experience of the managers themselves that is an inherent bias of the decision making process, also the international experience of the firm as a whole should influence the entry mode choice in the relocation. Indeed, the experience accumulated abroad by the firm in terms of know-how and practices does not coincide with the personal experience of the decision makers but is a relevant factor in the choice of keeping or switching the entry mode from first to second host country.

A second suggestion for managers responsible for the entry mode keep or switch decision, resulting from this research, is to combine existing approaches to take into consideration several internal and external factors influencing entry mode choices. Namely, this research shows empirical evidence that at least transaction costs,

institutional context and international experience should be taken into account in the decision. However, the different factors could be in trade-off, which has to be addressed case by case on the basis of the circumstances and the strategic objectives of each company and can result, in front of identical factors, in different keep or switch decisions on the basis of the weight given to each dimension.

6.3. Limitations of the model and avenues for future research

The last considerations that should be made with regards to this research regard its limitations and its potential future developments.

One first class of weaknesses of the research regards the low number of observations of the econometric analysis. Indeed, the ERM original database developed by the Eurofound reported progressively the relocations that involved EU countries either in the first host country, second host country or both, from 2002 to 2018. However, focusing only on Relocations to Second Host country, further constrained by the belonging of at least one of the countries to the European Union, the remaining number of cases is 214. Furthermore, the data concerning the explanatory variables of the econometric analysis was found in reliable but external sources (e.g., Orbis, 2022; World Bank open data, 2022; financial statements of the firms, Hofstede official website, 2022) that do not always cover the entirety of the firms or countries involved in the database, reducing the observation to only 125.

In this perspective, it is desirable for the future to enrich the database with additional relocation cases to increase the total number of observations. Indeed, acting on the correspondence in data between ERM and external sources could be not feasible since independent auditors do not have the authority and access to data of institutions such

as the World Bank, or established companies as Bureau Van Dijk, to fill the gaps left by such sources. Furthermore, being relocations a growing phenomenon worldwide, besides updating the existing database, a second possibility to enrich the analysis is to extend the analysis to global scale removing the belonging to the EU of the first or second host country constraint.

Subsequently, the model could be further developed with respect to the scope of analysis, in coherence with extant studies on offshoring entry modes. For instance, within the two clusters of equity and non-equity entry modes, future research could focus on the choice of switching from greenfield to acquisition and vice versa, or joint ventures over hierarchical modes, or licensing over franchising. Such level of detail would be a significant support for decision makers, however, it is too complex to adapt to the current database that, in order to allow such specific analysis, needs to be previously expanded.

Finally, this research only studies manufacturing firms. However, the service industry global value added by the end of 2021 was worth 55,81$ trillions, accounting for 65,7% of global GDP (World Bank national accounts data, 2022; OECD National Accounts data, 2022). Extant literature has studied entry mode choices in service industry offshoring events (Krishna Erramilli, 1990;), therefore, an interesting suggestion for future developments would be the extension of the research to the Relocations to Second Host country in the service industry, adopting a similar approach with respect to this dissertation, hence adapting existing theories and research on offshoring to the relocation of services.

Finally, extant literature has investigated the impact of the COVID-19 pandemic on the phenomenon of relocations (Barbieri et al. 2020; Enderwick and Buckley 2020; Seric

and Winkler 2020). It would be interesting, in the future, to enrich such research and extend it to the case of Relocations to Second Host Country, empirically measuring both short- and long-term effects of the virus on global value chains.

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