

Department of Information and Service Management

Intermediation and manufacturing location decisions



Achieving advantages from distant countries



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Thanks to the increasing integration of the world economy, value can be created by exploiting the competitive advantages of suppliers and the comparative advantages of geographical locations, without any limitations imposed by national borders. Therefore, intermediation and manufacturing location decisions have emerged as two essential strategies for manufacturing firms globally. Research, though, has not widely explored how intermediaries can be effectively utilised and how firms should align their competitive priorities with location-specific contextual factors in order to gain advantage. With this observation in mind, the overarching research aim of this dissertation is to advance an understanding of how advantages can be achieved in distant countries through intermediation and manufacturing location strategies. This aim is divided into two precisely focused research objectives: 1) to conceptualise and empirically analyse intermediaries and their utilisation in global sourcing and international trade; and 2) to understand the manufacturing strategies underscoring firms' decisions to locate from emerging to developed economies.

The first research objective is addressed in Essays I and II. First, Essay I synthesises the conceptual developments and provides a more integrated understanding of international intermediaries through a systematic literature review. Second, in order to empirically analyse intermediaries and their utilisation, Essay II studies intermediaries in contemporary Chinese sourcing. Specifically, the research objective is addressed by analysing intermediaries' signalling capabilities through the lens of agency theory in an international and cross-cultural setting. Finally, Essay III investigates the second research objective by conducting a comparative analysis of the competitive priorities characterising backshoring companies and Chinese manufacturers locating in high-cost countries.

The findings of this dissertation suggest that advantages are achievable in distant countries by recognising intermediaries' signalling capabilities and by aligning firms' competitive priorities and location decisions. Overall, this dissertation contributes new knowledge by challenging some of the fundamental assumptions regarding the advantages obtainable in distant locations. Specifically, the study results suggest that intermediaries are value-creating actors, rather than the dying breed indicated in some of the previous literature. The findings also show that firms' decisions to locate to developed economies are not only strategic asset-seeking, but also involve combinations of competitive priorities specific to firms from different home countries. By studying different yet interconnected international operations phenomena through theoretical lenses grounded in both international business and operations management traditions, this dissertation contributes to the cross-fertilisation between the two research disciplines.

Keywords intermediaries; manufacturing location; global sourcing; international trade; agency theory; signalling; competitive priorities; China; high-cost countries

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Kerava, September 2020

Yuan Virtanen

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List of Key Concepts and Definitions

Global sourcing/purchasing is defined as “the activity of searching and obtaining goods, services and other resources on a possible worldwide scale, to comply with the needs of the company and with a view to continuing and enhancing the current competitive position of the company” (Quintens et al., 2006, p.171).

An **intermediary**, in the context of this dissertation, is defined as an independent company located either in the home country or abroad that both/either consolidates demand from multiple buyers and/or sources products and/or services from suppliers globally, and, in doing so, either takes title or negotiates title.

Offshoring is defined as “an abbreviation of ‘offshore resource using’, incorporating the aspects of (external) outsourcing or (internal) relocation of services (white collar jobs) as well as the hybrid option of establishing a joint venture in offshore locations” (Jahns et al., 2006, p.227).

Backshoring is defined as “the relocation of value creation tasks from offshore locations to geographically closer locations such as domestic or nearshore countries and based on the following premises:

- it is the reverse decision of a previous decision to offshore;
- it can refer to all or only a part of previously offshored activities; and
- it is irrespective of the ownership mode in the offshore country” (Foerstl et al., 2016, p.495).

List of Essays

Essay I

Yuan, Virtanen. (Work in progress). International Intermediaries: A Critical Review and Research Agenda. Unpublished manuscript. A previous version of the essay was presented at the 28th International Purchasing and Supply Education Research Association (IPSERA) Conference in Milan, Italy.

Essay II

Yuan, Virtanen; Asta, Salmi; Xiao, Qin. (Under review). Modern mediators: signalling capabilities of intermediaries in sourcing from China. Unpublished manuscript. A previous version of the essay was presented in the OSCM Division Joint Junior Faculty and Doctoral Consortium at the 78th Academy of Management Annual Meeting in Chicago, USA.

Essay III

Alessandro, Ancarani; Carmela, Di Mauro; Yuan, Virtanen; Weimu, You. (In press). From China to the West: why manufacturing locates in developed economies. Unpublished manuscript. A previous version of the essay was presented at the 26th EurOMA Conference in Helsinki, Finland.

1. Introduction

The first part of this dissertation consists of four chapters that provide an overview of the research. The first chapter, the introduction, presents the motivation and background for the study, the research problem and objectives, and the positioning and outline of the dissertation. The second chapter, the theoretical background, provides an overview of the key concepts discussed in this dissertation. The third chapter, the methodology, reviews the methodological approaches chosen for each of the three individual essays. The fourth chapter, the review of results, reports the main findings of the individual essays. The last chapter, the discussion and conclusions, discusses the theoretical contribution, managerial implications and future research directions. The three individual essays are presented in the second part of this dissertation.

1.1. Motivation and background

Today's precarious business environment requires firms to continuously search for new sources of sustainable competitive advantage (Trent and Monczka, 2003). Thanks to the increasing integration of the world economy, values can be created by exploiting both the competitive advantages of suppliers and the comparative advantages of geographical locations without any limitations imposed by national borders (Kotabe and Murray, 2004; Mudambi and Venzin, 2010). Consequently, many manufacturers have begun either to source products from lower-cost producers on a contractual basis (i.e. global sourcing) or to produce in lower-cost counties (i.e. offshoring) (Kotabe and Murray, 2004). Over the past three decades, both global sourcing and offshoring have been major industry trends and hotly debated research topics (Contractor et al., 2010; Christopher et al., 2011; Ancarani et al., 2015). Among all low-cost sourcing and offshoring destinations, China in particular has attracted significant scholarly interest due to its position as the "world factory" (Zhang, 2006; Salmi, 2006; Nassimbeni and Sartor, 2007; Towers and Song, 2010).

However, global sourcing and manufacturing offshoring provide firms with not only opportunities, but also challenges. On the one hand, large geographical and psychological distances increase firms' costs of control and coordination (Handley and Benton, 2013). Therefore, intermediaries such as agents or trading companies represent a useful organisational solution in assisting firms to facilitate global sourcing activities by managing supply risks (Vedel and

Ellegaard, 2013) and offering access to local business relationships and networks (Nassimbeni and Sartor, 2007). However, despite being an important link in numerous supply chains, intermediaries have remained outside the scope of mainstream organisational research, and the findings so far have been disconnected and fragmented (Ellis, 2003). Furthermore, with the advancement of information technology, information asymmetries across countries have been rapidly reduced, leaving traditional middlemen firms with little room to survive (Peng and York, 2001). Yet, we know surprisingly little about how contemporary sourcing intermediaries have met these challenges in order to remain economically viable.

On the other hand, due to factors such as drastically rising costs (Kumar et al., 2009), trade policies (Ellram et al., 2013), and government subsidies supporting repatriation (Livesey, 2012), some of the manufacturing activities previously offshored to low-cost countries have been relocated back to high-cost environments (i.e. backshoring) (Kinkel and Maloca, 2009; Fratocchi et al., 2016; Ancarani et al., 2019) – a significant portion of which had been offshored to China (Ancarani and Di Mauro, 2018). Meanwhile, a parallel flow towards developed economies, represented by the outward foreign direct investment (OFDI) of Chinese firms, has evolved, transforming China from the “world factory” to the “world investor” (Wang and Li, 2017). Although the research on backshoring and on Chinese OFDI has gained momentum in recent years, the two research streams remain separate and, as yet, there have been no empirical studies comparing and contrasting the competitive priorities of companies backshored from China and of Chinese manufacturers that have located in developed economies.

By shedding light on the intermediation process in both international trade and sourcing from China, and on manufacturing decisions involving location from China to developed economies, this dissertation attempts to advance an understanding of how advantages can be achieved in distant countries through intermediation and manufacturing location strategies. A familiarity with international intermediation and manufacturing strategies that drove past location decisions may provide important insights into the utilisation of intermediaries in global sourcing and trade, and may also inform the successful location of plants. Figure 1 depicts the above-mentioned trends in global sourcing and manufacturing relocation from China to developed economies, as well as the conceptual structure of this dissertation.

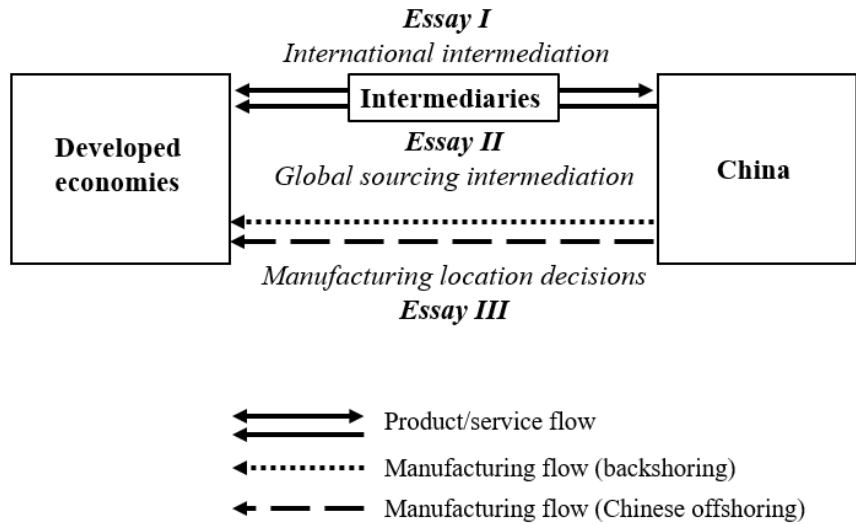


Figure 1. Research background and conceptual structure of dissertation.

China has been selected as the main research context of this dissertation for the following reasons. First, because of the sheer size of its economy, its growth rates, and its geo-political position, no emerging economy has had as much influence on the global business landscape as China (Deng et al., 2017). An understanding of the intermediated sourcing practices and manufacturing location initiatives deriving from China may provide important managerial guidance for firms that may have to make such decisions, while also pointing to potential areas of policy intervention. Second, China has been at the forefront of academic interest especially due to its changing business environment (Fang et al., 2008; Ma et al., 2009) and the peculiarity of its institutional factors (Buckley et al., 2018). In particular, as China has now lost its low-cost competitive advantage as the world’s favoured manufacturing destination (Nassimbeni and Sartor, 2007; Towers and Song, 2010; Sinha et al., 2011), it is therefore a “revelatory context” for analysing how intermediaries and manufacturers can best respond to a changing context.

1.2. Research problem and objectives

Intermediation (in global sourcing and trade) and manufacturing location decisions are two key strategies if firms aim to achieve competitive and comparative advantages in distant countries (Kotabe and Murray, 2004; Nassimbeni and Sartor, 2007; Mudambi and Venzin, 2010). Research, though, has not widely explored how intermediaries can be effectively utilised and how firms should align their competitive priorities with location-specific contextual factors in order to gain advantage. With this observation in mind, the overarching research aim of this dissertation is to advance an understanding of *how advantages can be achieved in distant countries through intermediation and manufacturing location strategies*. This aim is divided into two precisely focused research objectives, each of which is discussed in one or more of the

three individual essays: 1) to conceptualise and empirically analyse intermediaries and their utilisation in global sourcing and international trade; and 2) to understand the manufacturing strategies underscoring firms' decisions to relocate from emerging to developed economies.

The first research objective of conceptualising and empirically analysing intermediaries and their utilisation in global sourcing and international trade is addressed in Essays I and II. First, Essay I synthesises the conceptual developments, provides a more integrated understanding of international intermediaries through a systematic literature review, and contributes a detailed, theoretically derived future research agenda. Second, in order to empirically analyse intermediaries and their utilisation, Essay II studies intermediaries in contemporary Chinese sourcing. Specifically, the research objective is addressed by analysing intermediaries' signalling capabilities through the lens of agency theory in an international and cross-cultural (Sino-Western) setting. In order to account for widely recognised developments in global business and to provide a dynamic context, this paper focuses on China as the sourcing context. The qualitative interviews utilised as the main data sources offer rich insights into this contemporary phenomenon.

Essay III investigates the second research objective of understanding the manufacturing strategies underscoring firms' decisions to relocate from emerging to developed economies. In recent years, the phenomena of backshoring and Chinese OFDI have gained momentum in both academic research and business practice. However, the two research streams remain separate and no empirical studies have yet investigated the differences/similarities between the competitive priorities characterising backshoring companies and Chinese manufacturers relocating in high-cost countries. Essay III aims to fill this research gap by conducting a comparative analysis via the lens of competitive priorities. The analysis builds on two unique databases of Chinese manufacturers' greenfield investments (155 cases) and of backshoring initiatives instigated by China (308 cases), both obtained from secondary data sources.

1.3. Positioning of the study

The dissertation consists of three essays that investigate the current state of global sourcing intermediation and manufacturing location decisions. The positioning of the individual essays with regard to their main perspectives, approaches, and research methods is presented in Table 1 and explained in more detail in the following.

Table 1. Positioning of the individual essays.

Essay	Main perspective	Approach	Research method(s)
I	Conceptualisation of intermediaries and their utilisation in global sourcing and international trade	Conceptual Descriptive	Systematic literature review
II	Empirical analysis of intermediaries and their utilisation in contemporary Chinese sourcing	Empirical Prescriptive	Interviews and archival data

III	Manufacturing strategies underscoring firms' location decisions from emerging to developed economies	Empirical Descriptive Prescriptive	Content analysis, cluster analysis, and archival data
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The choice between the different research approaches and methods should depend upon, and be consistent with, the research aim and the researcher's epistemological assumptions (Burgess et al., 2006; Silverman, 2011). Therefore, it is imperative to establish and clarify the main philosophical stance taken in this dissertation before discussing the positioning of the individual essays.

The author of this dissertation has been influenced by interpretive assumptions, according to which, in order to be able to understand the social world, one needs to interpret and understand the meaning of social phenomena (Eriksson and Kovalainen, 2008). The research questions asked in this dissertation are embedded in the context of "psychic distance" between countries, a concept that is socially constructed. Therefore, this dissertation has an overall emphasis on insights, richness and context, rather than on a search for facts and the development of generalisable causal laws, as would be characteristic of positivistic researchers. The author acknowledges her active role in the data collection and analysis processes and does not claim that the data collected is "uncontaminated". Hence, this dissertation does not attempt to provide an invariant and universal truth, but rather constructs a new perspective of the studied phenomena as interpreted by the author.

These philosophical underpinnings are reflected in the methodological choices in this dissertation. For example, the method of interpretive content analysis was applied in all three essays to make sense of the data and to identify key themes. The data collection process in Essay II exhibited many turns and allowed for flexibilities. In the course of the study, the focus changed from looking at the basic roles of intermediaries to more specifically investigating their signalling capabilities in intermediation. Regarding the lines of interpretive assumptions, this dissertation overall shows the value of an emergent research process and redirections as a source of insight. However, the interpretive stance does not contradict the fact that both qualitative and quantitative methods have been adopted in this dissertation. The author believes that choosing quantitative methods does not mean that research should be conducted free of any context, and that conversely the employment of qualitative methods does not equate with extreme constructivist assumptions that there are no objective realities out there. The bottom line is that methods should be chosen that provide the best fit with the research problem and are coherent with the philosophical stance adopted by the researcher (Bartezzaghi, 2007).

In order to examine the phenomena in the most appropriate way, both descriptive and prescriptive approaches have been applied in this dissertation. The descriptive approach mainly concerns "describing things as they are", while the prescriptive approach focuses on setting rules on how they should be (Dawson, 1994). In the latter, evaluation and "best practices" are emphasised (Dawson, 1994; Tsang, 1997). Essay I takes a conceptual and descriptive approach, examining what has been done in the research field of international

intermediaries, identifying research gaps, and providing directions for future research. Essay II has an empirical approach, with data being collected through interviews and from archival sources. A prescriptive approach is emphasised in Essay II, as it aims to understand how intermediaries can be effectively utilised in contemporary Chinese sourcing. Essays I and II both focus on international intermediaries, while Essay II more specifically focuses on Chinese intermediaries involved in global sourcing and Nordic intermediaries involved in sourcing from China in order to provide an international setting. Essay III employs both descriptive and prescriptive approaches, as it first describes the competitive priorities of the two phenomena under study and then compares the two different clusters of competitive priorities so as to address a specific question: why manufacturing locates to high-cost environments? It is an empirical study, with content analysis and cluster analysis employed as the research methods. The perspective in Essay III is on the competitive priorities of Chinese manufacturers investing in developed economies and of firms backshoring from China.

1.4. Outline of the study

This doctoral dissertation consists of two parts: Part I: *Overview of the dissertation*, which provides a summary of the dissertation, and Part II: *Original essays*, which contains the three individual essays.

Part I, the *Overview of the dissertation*, introduces the overall motivation and background of this dissertation. The research problem, research objectives, and positioning of the study are also presented. The Theoretical Background chapter provides an overview of the general literature on intermediation and manufacturing location decisions. In the Methodology chapter of this overview, the research methodologies, data collection methods, data analysis methods and data sources are presented. In the Review of Results chapter, the main findings of the three individual essays are reviewed. The final chapter of this overview discusses the theoretical contribution, managerial implications, limitations and directions for future research.

Part II, the *Original essays*, presents the three essays on which this dissertation is based. All three essays have been presented in international conferences. Essay I has been written by the doctoral candidate alone, while the other two essays (i.e. Essays II and III) have been written with co-authors. This is in accordance with the rules and regulations stipulated by the Aalto University School of Business for doctoral dissertations.

Essay I “International Intermediaries: A Critical Review and Research Agenda” has been written by the doctoral candidate alone. A previous version of the essay was presented at the 28th International Purchasing and Supply Education Research Association (IPSER) Conference in Milan, Italy.

Essay II “Modern mediators: signalling capabilities of intermediaries in sourcing from China” has been written by the doctoral candidate jointly with Dr. Asta Salmi and Xiao Qin, M.Sc. A previous version of the essay was

presented in the OSCM Division Joint Junior Faculty and Doctoral Consortium at the 78th Academy of Management Annual Meeting in Chicago, USA.

Essay III “From China to the West: why manufacturing locates in developed economies” has been written together with Dr. Alessandro Ancarani, Dr. Carmela Di Mauro, and Dr. Weimu You. A previous version of the essay was presented at the 26th EurOMA Conference in Helsinki, Finland.

2. Theoretical background

This chapter provides an overview of the key concepts discussed in this dissertation. First, the concept of intermediation in international sourcing and trade is discussed. Next, the literature on manufacturing location motivations (i.e. offshoring, backshoring and Chinese OFDI) is reviewed.

2.1. Intermediation in international sourcing and trade

Intermediated sourcing has been defined as “the presence of a third party that interposes between the two ends of the transaction (supplier and buyer)” (Nassimbeni and Sartor, 2006, p.74), “where an intermediary consolidates demand from multiple firms and sources for each of these firms” (Belevina and Girotra, 2012, p.3). Historically, intermediaries are trading service providers (e.g. exporters, importers) that link manufacturers and buyers in different countries (Fung and Chen, 2010), and the role of intermediaries is generally acknowledged to be important in facilitating international trade (Ahn et al., 2011). In the process view of international sourcing, intermediaries are regarded as a temporary en route to direct investment (Monczka and Trent, 1991, 1992; Nassimbeni and Sartor, 2006). Monczka and Trent (1991) divide international procurement into four phases and suggest five global sourcing strategies according to those phases. In the second step of the global sourcing strategies, export agencies (intermediaries) are recognised, in addition to subsidiaries, as external resources for the company. Foreign-based intermediaries are considered useful due to their foreign presence and knowledge of foreign markets. However, an intermediary’s services may eventually become redundant when a firm’s global sourcing requirements exceed the support obtainable from the external agents (Monczka and Trent, 1992), or when the intermediary successfully increases the understanding and direct involvement between the buying firm and its supplier, leading to the “trader’s dilemma” phenomenon (Ellis, 2005). More recently, scholarly discussion began to challenge the dis-intermediation literature by highlighting intermediaries’ adaptive strategies and capabilities in supply chain risk management (Ellis, 2001; Fung and Chen, 2010; Vedel and Ellegaard, 2013). They argue that an intermediary is a value-creating actor and plays an increasingly significant role in many firms’ global supply chains.

2.2. Manufacturing location motivations: offshoring, backshoring and Chinese OFDI

Offshoring is “an abbreviation of ‘offshore resource using’, incorporating the aspects of (external) outsourcing or (internal) relocation of services (white collar jobs) as well as the hybrid option of establishing a joint venture in offshore locations” (Jahns et al., 2006, p.227). For the last three decades, the offshoring of manufacturing to low-cost locations has been a characteristic strategy (Fredriksson and Jonsson, 2009; da Silveira, 2014) for manufacturers operating in developed economies. Aided by increasing modularisation, developed economies firms have disaggregated standardised manufacturing activities from the rest of the value chain and relocated them to low-cost economies, while often keeping both the upstream R&D and downstream marketing activities at home (Mudambi, 2008). Numerous studies have examined companies’ offshoring motivations, among which, cost reduction was found to be the key motivational factor (Jensen and Pedersen, 2011; Canham and Hamilton, 2013; da Silveira, 2014). Access to foreign markets, producing in the proximity of the customer, and securing knowledge are other major drivers for companies’ offshoring initiatives (Dunning, 1998; Kinkel and Maloca, 2009). For the past several decades, China has been a major low-cost offshoring destination mainly due to cost factors (Fang et al., 2004; Zhang, 2006; Salmi, 2006).

Backshoring is “the relocation of value creation tasks from offshore locations to geographically closer locations such as domestic or nearshore countries” (Foerstl et al., 2016, p.495). Scholars have argued that the return of manufacturing was justified by evidence that offshoring had been built on false premises. In fact, the comparative cost advantages of low-cost locations are often offset by the “hidden costs of offshoring”, which include lower product quality, loss of labour skills, and weakened intellectual property protection (Larsen et al., 2013). The cost-advantages of some low-cost countries have decreased over years, due to increasing labour and transportation costs (Simchi-Levi et al., 2012). Other scholars contend that backshoring may not be economically viable in the long term (de Treville et al., 2017) due to the fact that offshoring has in some cases destroyed the supply base and skills required to carry out production in developed economies (Di Mauro et al., 2018; Pal et al., 2018).

The recent phenomenon of Chinese OFDI in advanced economies is reshaping the global business landscape in many ways (Deng et al., 2017). However, the motivations behind such operations remain unclear. Extant literature suggests that Chinese OFDI to developed economies is mainly driven by the search for strategic resources, such as sophisticated technology and marketing know-how (Deng, 2007; 2012). Additionally, Buckley et al. (2008) point out that while knowledge acquisition has become increasingly important for Chinese MNEs, much of Chinese investment in some developed economies is also resource seeking, in addition to the appeal of developed economies’ markets (Child and Rodrigues, 2005).

3. Methodology

This chapter reports on the methodological approach chosen for each of the three individual essays. A summary of the research methods, research objects, methods used for data collection and analysis, and the data sources is presented in Table 2.

Table 2. Research methods used in the individual essays.

Essay	Research methods	Research objects	Methods for data collection and analysis	Data sources
I	Systematic literature review	Previous literature on international intermediaries (ProQuest, Ebsco, and ScienceDirect databases)	Database search, initial analysis based on title and/or abstract, final selection based on full-text reading; thematic content analysis	12 search strings used, a total of 855 articles found, 219 articles selected based on initial analysis, 86 articles selected for final review
II	Interviews; content analysis	Intermediaries involved in international sourcing/trading	Semi-structured interviews; content analysis of archival data; interpretive thematic analysis (including within-respondent and cross-respondent analysis)	22 semi-structured interviews (with 13 intermediaries, 2 buyers, 1 supplier, and 1 industry expert); 131 webpages; 73 pages of company reports and presentations; 11 pages of news articles
III	Content analysis; cluster analysis	Single decision/project to move (back home/offshore) activities from China to country in high-cost environment	Secondary data extracted from newspaper and magazine sources; thematic content analysis; exploratory factor analysis; cluster analysis; canonical discriminant analysis	Chinese manufacturers' greenfield investments (155 cases) and backshoring initiatives from China (308 cases)

The following sections will discuss the data collection methods, data analysis methods, and data sources used in each essay in more detail.

3.1. Systematic literature review of international intermediaries

Despite being an important link in numerous supply chains, intermediaries have attracted remarkably limited research interest (Ellis, 2003; Vedel and Ellegaard, 2013). Meanwhile, the semantics within this research field are neither straightforward nor consistent (Geersbro and Vedel, 2008; Rosenbloom and Andras, 2008). The lack of a consensus and sufficient research on the concept and value of intermediaries has resulted in disconnected and fragmented research findings, which potentially hinders advancement in this

research area. Thus, a systematic literature review was performed in Essay I to synthesise the conceptual developments and provide a more integrated understanding of both upstream and downstream supply chain intermediaries whose activities extend across national borders.

The review was based on the methodology proposed by Rousseau et al. (2008), Tranfield et al. (2003), and Kauppi et al. (2018) to ensure rigorous and transparent research process and to produce replicable results. The literature review method is explained in more detail in Essay I. A total of 86 articles was selected for in-depth thematic content analysis (Krippendorff, 2004). All the articles were coded and classified based on a set of criteria that was defined a priori (deductive category building) (Müller-Seitz, 2012; Sartor et al., 2014). The criteria were then adjusted during the coding process (inductive category refinement) by reviewing research on this topic and refining the focus of this review (Müller-Seitz, 2012; Sartor et al., 2014). Three key themes emerged during the content analysis process: (1) what intermediaries are, (2) when to use intermediaries, and (3) how intermediaries work. The articles were then categorised and analysed accordingly.

3.2. Interviews and content analysis relating to modern intermediators' role in Chinese sourcing

In order to gain an in-depth understanding of the potentially proactive role of intermediaries in sourcing from China, and as the pre-existing knowledge on this contemporary phenomenon was limited, the authors adopted a qualitative approach that emphasises depth and exploration (Ellram, 1996; Eisenhardt et al., 2016). The respondents were selected on the basis of a theoretical sampling method (Glaser and Strauss, 1967; Eisenhardt and Graebner, 2007). The study focused on Chinese intermediaries involved in global sourcing and on Nordic intermediaries sourcing from China, in order to provide an international setting. To demonstrate the diversity of the predicted outcomes (Patton, 2002; Poulis et al., 2013), the authors selected companies that vary in terms of size, industry, ownership type, product ownership, and channel focus. The resulting sample (using code names to disguise identities) and interviews can be found in Essay II in Part II of this dissertation.

Both primary and secondary data (i.e. interviews, company websites, company documents, and news articles) was used to gain a comprehensive view of the companies and to triangulate the data (Yin, 2009). Primary data was collected by conducting 22 semi-structured interviews (one to four hours per interview) with 17 respondents (six Western intermediaries, seven Chinese intermediaries, one supplier, two buyers and one industry expert). The authors employed the assumption that the interviewees are “knowledgeable agents” and are able to refer more or less accurately to past experiences, without denying the constructive role of human memory (Gioia et al., 2013; Brinkmann and Steinar, 2015). Due to the explorative nature of the study, an interview protocol was created to keep interactions focused, yet allowing individual perspectives and experiences to emerge (Patton, 2002).

Three rounds of interviews were conducted for data collection purposes. The first round of interviews took place in 2015, followed by a second round in 2017 to enrich the data. In 2018, seven Chinese intermediaries and one Chinese industry expert were interviewed in the third round of data collection. By this time, incremental learning was minimal, indicating that the theoretical saturation had been achieved (Glaser and Strauss, 1967). Details of the interview questions are presented in Appendix 3 of Essay II in Part II of this dissertation. All interviews were electronically recorded with the permission of the interviewees. These interviews were then transcribed verbatim, and translated (when needed) into English by the first author. Analysis of the data was carried out jointly on the basis of these English interview transcripts. The coding and data analysis followed an interpretive analysis approach. The first step involved a within-respondent analysis, primarily using the interview data and supported by secondary data. Specific attention was paid to intermediaries' proactive role in an Agency Triad and to the entrepreneurial strategies that contribute to their value. The second analytical step consisted of a cross-respondent analysis. In this process, all the codes derived from the within-respondent analysis were compared and categorised across all respondents in order to identify patterns.

3.3. Content analysis and cluster analysis of Chinese manufacturers' greenfield investments in developed developed (offshoring), and of Western manufacturers' initiatives to transfer manufacturing away from China (backshoring)

In Essay III, in order to compare and contrast the initiatives of companies headquartered in developed economies to backshore manufacturing from China on the one hand, and Chinese OFDI initiatives to developed economies on the other hand, two independent databases were used, while adopting homogeneous procedures for gathering and categorising the data. 308 backshoring cases and 155 offshoring cases from China directed to Europe and North America were extracted from press sources. The use of secondary data is justified by the fact that the phenomena of Chinese offshoring to high-cost environments and Western companies' backshoring from China is ongoing and unfolding. Therefore, newspaper articles can provide a timely and pertinent research source (Yeung et al., 2016) to capture the essence of these contemporary events in a longitudinal context.

To ensure that the researchers used aligned inclusion and exclusion criteria for all cases, pre-testing with twenty sources was carried out for both databases. The unit of analysis was the single decision/project to move (back home/offshore) activities from China to countries in high-cost environments. The authors counted two cases if a company both backshored production from two different host countries and moved production from China to two different developed host countries. In order to isolate location from the governance and entry mode, the samples used in the study include only insourcing relocations for backshoring companies in their own facilities (Gray et al., 2013) and the

greenfield investments of Chinese companies. The agreed criteria were then applied to the entire sample.

To identify the various motivational factors influencing firms' manufacturing backshoring and OFDI decisions, a content-analysis method inspired by Krippendorff (2004) was applied to analyse the data. As the process of extracting motivational factors from large blocks of text and classifying them is necessarily interpretative, the researchers took care to avoid misinterpretation by first reviewing each case and categorising their observed motivations independently, and then cross-validating the results. If the results differed, the researchers would review the source article together, discuss it, and reach an agreed decision.

Next, a principal components Exploratory Factor Analysis (EFA) was performed to discover the structure of the identified motivational factors and build aggregated motivations. Varimax rotation was employed to generate interpretable scores and factor loadings. Then, two-step cluster analysis was used to create a taxonomy of companies, following previous empirical research on competitive priorities and manufacturing strategies (Miller and Roth, 1994; Frohlich and Dixon, 2001; Zhao et al., 2002; Zhao et al., 2006). Canonical discriminant analysis was further applied to identify the dimensions defining the clusters. Finally, the resulting clusters and dimensions of the two databases were compared and contrasted.

4. Review of results

This chapter presents briefly the main findings of each of the three individual essays. First, the results of reviewing the extant literature on international sourcing intermediaries are discussed. Second, findings on the signalling capabilities of intermediaries in sourcing from China are reviewed. Finally, a review of the results concerning the competitive priorities of manufacturing offshoring and backshoring from China to developed economies is presented.

4.1. A critical review and research agenda for international intermediaries (Essay I)

The aim of Essay I was to conceptualise intermediaries and their utilisation in global sourcing and international trade. The study reviewed and framed the debate on the intriguing topic of intermediation, identified research gaps, and proposed a number of avenues for future research. The review indicates that the literature to date has been limited and scattered. To fully comprehend the phenomenon of intermediation, numerous theoretical and empirical areas remain to be investigated. Specifically, a theoretically grounded research agenda (see Table 3) was proposed for each of the three themes identified: (1) What do intermediaries currently offer? (2) When should intermediaries be preferred? and (3) How do intermediaries remain valuable? The study shows that the role of intermediaries should be considered in a bigger picture, where intermediated exchanges exist not only in dyadic relationships, but also in triads or even in broader webs of networks. To do so, it is recommended that researchers take more longitudinal and qualitative perspectives, in order to understand the dynamic and complex context in which intermediary relationships are embedded.

Table 3. Key findings and future research avenues by theme.

Theme	Key findings	Future research avenues: potential research questions	Suggested theoretical lenses for future study
What are intermediaries?		What do intermediaries currently offer?	
	Lack of consensus on intermediaries' profile (e.g. definition, activity, typology), causing inconsistent semantics and confusion in both research and practice	Update definition of intermediaries and comprehensive examinations of their profile: What kind of services/activities do intermediaries currently offer? What are the resources required for such offerings and how have they been utilised? Should intermediaries make more services available or should they focus on a few services and try to improve their quality? What is the effect of trust and commitment on intermediaries' service offerings?	(Extended) resource-based view (e.g. rare, valuable, inimitable and non-substitutable resources that intermediaries can utilise to provide competitive services) Interorganisational relationship theory (e.g. relational perspective on intermediaries' service-offering behaviour)
	Studies have investigated intermediaries' taxonomy and evolutionary models, but with limited generalisability beyond specific location and time	More generic models of intermediary typology and evolution: What types of intermediaries can be identified and how have they evolved over time?	Transaction cost economics (e.g. intermediaries' ability to minimise clients' transaction costs) Agency theory (e.g. intermediaries' ability to solve principal-agent conflicts) Resource based view (e.g. intermediaries' ability to acquire and deploy unique resources) (In general, integration of classic theories and elements of other complementary perspectives with longitudinal research designs)
When to use intermediaries?		When should intermediaries be preferred?	
	Majority of the studies examine the 'make or buy' decision, focusing on conditions (e.g. firm, product, and market characteristics) under which direct or indirect exchange mode should be selected	Investigation of other possible factors (e.g. organisational, relationship, market factors) influencing mode choice: How does the sourcing market's institutional environment influence intermediaries' operations and firms' choice of intermediaries?	Institutional theory (e.g. institutional impact on mode choice)

How do intermediaries work and develop?	Disintermediation (e.g. drivers and deterrents) and the impact of the internet on intermediaries' survival	<p><i>Analysis of intermediaries' survival and possible contingent factors with a focus on a longitudinal approach:</i></p> <p>Will intermediaries survive as information asymmetries across countries are rapidly reduced through the internet and e-commerce?</p> <p>What actions can intermediaries take to remain valuable?</p>	<p><i>Agency theory</i> (e.g. intermediaries' role in reducing information asymmetries between suppliers and buyers located in different countries; dynamics of Agency Triad) <i>Matching concept</i> (e.g. contingent factors affecting intermediaries' role on a global and macro level)</p>
	Intermediaries' role (both general and specific): most research applies a static perspective, assuming that the role of intermediaries will remain unchanged over time	<p><i>Analysis of intermediaries' role based on a dynamic and longitudinal perspective:</i></p> <p>What kind of role do contemporary intermediaries play? Has this role changed over time? If yes, how has it changed? What are the contingent factors affecting such changes?</p>	<p><i>Role theory</i> (e.g. intermediaries' adaptive function and boundary-spanning behaviour) <i>Structural hole theory</i>, <i>Social network theory</i> (e.g. intermediaries' unique tertius position at the intersection of player relations; how intermediaries' social capital is employed within social networks) <i>Position-and-role framework</i> (e.g. stability and change dimensions of intermediaries' role on a micro level)</p>
	Intermediaries proactively respond and adapt to modern industrial developments in order to remain relevant Intermediaries' supply chain management capabilities and other resources seem to impact the strategies and performance of them and their clients (e.g. SMEs) positively	<p><i>More research on intermediaries' proactive behaviour in creating value and ensuring survival:</i></p> <p>How do intermediaries create new value chains? What measures do they enact to sustain their place in mediated exchanges? How effective are intermediaries in influencing SMEs' export behaviour and performance? How do intermediaries help SMEs learn about their own productivity?</p>	<p><i>Entrepreneurial strategy</i> (e.g. individual's role in intermediaries' development; intermediaries' entrepreneurial strategies to create value) (<i>Extended</i>) <i>resource-based view</i> (e.g. rare, valuable, inimitable and non-substitutable resources that intermediaries can utilise to create competitive advantages)</p>

4.2. Signalling capabilities of intermediaries in sourcing from China (Essay II)

Essay II aims at empirically analysing intermediaries and their utilisation in global sourcing and international trade by analysing their signalling capabilities in an international and cross-cultural (Sino-Western) contemporary setting. Through the lens of agency theory, the paper identified four distinct signalling capabilities that are employed by intermediaries to reduce agency problems (i.e. goal incongruence and information asymmetry) between suppliers and buyers located in different countries. The results suggest that intermediaries' pre-contractual signals (matchmaking ability and level of transparency) and post-contractual signals (local presence and guidance ability) positively influence buyer awareness of the supplier's compatibility, true quality, and daily operations. In addition, intermediaries' guidance ability can also increase the supplier's awareness of the buyer's objectives. Finally, both buyer and supplier awareness positively impact the goal congruence between the buyer and the supplier. Table 4 presents the pre-contractual and post-contractual agency problems and the corresponding intermediaries' signals.

The study results provide further support for the existence of an alternative type of information asymmetry – agent awareness. Furthermore, the results reveal that intermediaries could assume proactive and dual roles (both principal and agent) in a triadic principal-agent relationship. In particular, the findings indicate that, rather than losing their position in supply chains, intermediaries are able to actively develop capabilities that meet the changing needs of their customers.

Table 4. Agency problems and intermediaries' corresponding signals identified in Essay II.

Pre-contractual problems	Pre-contractual signals
<ul style="list-style-type: none"> Lack of information (principal unawareness) about suppliers' compatibility (e.g. size) 	<ul style="list-style-type: none"> Matchmaking ability <ul style="list-style-type: none"> -Solid understanding of customer's needs and supplier's production capacity -Translating the needs -Broad supply network -Consolidating orders
<ul style="list-style-type: none"> Lack of information (principal unawareness) about suppliers' true quality (trustworthiness) 	<ul style="list-style-type: none"> Level of transparency <ul style="list-style-type: none"> -Trust builder -CSR requirement
Post-contractual problems	Post-contractual signals
<ul style="list-style-type: none"> Lack of information (principal unawareness) about production process <ul style="list-style-type: none"> -Information asymmetry caused by distance 	<ul style="list-style-type: none"> Local presence <ul style="list-style-type: none"> -Combination of supplier and buyer proximity -Local employees
<ul style="list-style-type: none"> Lack of information (principal and agent unawareness) about supplier/buyer's objectives <ul style="list-style-type: none"> -Information asymmetry caused by misinterpretation in communication 	<ul style="list-style-type: none"> Guidance ability <ul style="list-style-type: none"> -Guiding and mutual learning -Long-term relationship

4.3. Competitive priorities of offshoring and backshoring manufacturing from China to developed economies (Essay III)

Essay III aims to understand the manufacturing strategies underscoring firms' decisions to relocate from emerging to developed economies by comparing the competitive priorities of Chinese manufacturers offshoring to developed economies with the priorities of Western firms backshoring from China. The results show both similarities and differences. In particular, the search for brand recognition related to country-of-origin effects and the need to connect with advanced innovation ecosystems appear to characterise both Western backshoring activities and Chinese offshoring activities. On the other hand, the results suggest that quality is more important for the competitiveness of the backshoring firms than it is for the Chinese firms, which still rely heavily on cost advantages. The findings highlight why manufacturing in Western countries may expand as a result of both repatriations and of foreign direct investment by large economies such as China, and point to potential areas of policy intervention.

Three types of competitive priorities-based manufacturing strategies were identified in each sample (see Table 5). For the backshoring firms, brand recognition aspects of the product were important in forming a *premium price production strategy*, which identified the backshoring clusters for which local know-how in the home country and the “made in” label were an important element, at the expense of costs. A *value chain integration strategy* has also been adopted by backshoring firms for which innovation, delivery and quality are important, at the expense of costs. This strategy may capture backshoring initiatives for which a geographical concentration of the value chain is important, i.e. it represents backshoring motivated by an R&D-production coupling and a production-market coupling (Ketokivi et al., 2017). Finally, a *cost-quality balance strategy* is valued by firms for which backshoring fulfils a need to produce innovative and high-quality goods in a setting where cost-based competition is strong. Sectors such as automotive exhibit this combination of priorities in which a highly competitive environment is not only innovation-based, but also continually pushes margins down, and therefore requires attention to costs.

For Chinese OFDI, a *country of origin-focused strategy* identifies production that needs to locate in the West in order to convince Western consumers of its quality equivalence with Western companies. However, these Chinese products also continue to compete on costs and innovation, at the expense of responsiveness. This combination of priorities is evident in the Chinese food and beverage industry. For example, the production of milk powder in Australia would eliminate the “made-in-China” effect, while taking advantage of advanced local technology, even though it sacrifices the convenience of producing in the proximity of Chinese consumers. Conversely, a *transitional value chain upgrading strategy* identifies Chinese companies that compete on costs and innovation, but do not pursue brand recognition in the West. This strategy represents clusters that may be experiencing the process of global value

chain upgrading from own equipment manufacturing (OEM) to original design manufacturing (ODM) before reaching the own brand manufacturing (OBM) stage, emphasising a shift from a labour-intensive-based to an innovation-based strategy with limited attention to brand recognition (Eng and Spickett-Jones, 2009; Jean, 2014). Finally, the remainder of the Chinese companies are moving to developed economies in order to pursue responsiveness strategies. They are likely to adopt customisation or offer after-sales services to Western customers.

Table 5. Taxonomies of manufacturing strategies of backshoring companies and Chinese OFDI to developed economies in Essay III.

Competitive priorities Manufacturing strategies	Brand recognition	Costs	Responsive-ness	Innovation	Delivery	Quality	Know-how
Backshoring companies							
Premium price production	+	-					+
Value chain integration		-		+	+	+	
Cost-quality balance		+	-	+		+	
Chinese OFDI							
Country of origin-focused	+	+	-	+	/	/	/
Transitional value chain upgrading	-	+		+	/	/	/
Responsiveness			+		/	/	/
Note:							
<ul style="list-style-type: none"> • “+” indicates the competitive priority being emphasised in the corresponding manufacturing strategy; • “-” indicates the competitive priority being sacrificed in the corresponding manufacturing strategy; • Four competitive priorities were identified in the Chinese OFDI sample (i.e. Brand recognition, Costs, Responsiveness, Innovation). Thus the priorities of Delivery, Quality and Know-how do not apply to this sample and are crossed out by diagonal lines. 							

5. Discussion and conclusions

The final chapter of Part I presents the main theoretical and practical contributions of this dissertation, followed by a discussion on the limitations of the study and suggestions for potential future research avenues.

5.1. Theoretical contribution

This dissertation as a whole contributes to the research fields of operations management and international business by providing an improved overall understanding of how competitive and comparative advantages can be achieved in distant countries through intermediation and manufacturing locations. The extant research has mainly focused on the role of advanced operation modes in entering distant markets, bypassing an analysis of intermediaries' roles in value chains (Monczka and Trent, 1992). In addition, being chiefly based on regional or macroeconomic perspectives, most studies focus on the locational advantages of the host countries (Dunning, 1998), rather than analysing strategic motivations at the firm level. This dissertation addresses these gaps and contributes new knowledge by challenging some of the fundamental assumptions regarding the securing of advantages in distant locations. The results show that a direct link does not necessarily transfer information more efficiently and that the country hosting a manufacturing site is not the only locational factor that matters. The findings suggest that advantages can be gained in distant countries by recognising intermediaries' signalling capabilities and by aligning firms' manufacturing strategies and location decisions.

Specifically, this dissertation first conceptualises and then creates a thorough understanding of intermediaries and their utilisation in global sourcing and international trade by systematically reviewing the extant literature, identifying research gaps, and providing suggestions for future research avenues. The analysis and consolidation of extant knowledge conducted in Essay I contributes to intermediary conceptual clarity, which is fundamental to the systematic advancement of research in this area. The findings suggest that the role of intermediaries should be considered in a bigger picture where intermediated exchanges exist not only in dyadic relationships, but also in triads or even broader webs of networks. Therefore, in order to deepen an understanding of the dynamic and complex context in which intermediary relationships are embedded, Essay II empirically examines intermediaries in an Agency Triad by identifying their signalling capabilities and linking it with the solution of agency problems (i.e. goal incongruence and information asymmetry). As the existing

literature takes a principal-centric and dyadic view in agency models, this research is one of the few to show that intermediaries could assume proactive and dual roles (as both principal and agent) in a triadic principal-agent relationship. The results outlined in Essay II contribute to the scientific debate on the usefulness of intermediaries by pinpointing the proactive capabilities of intermediaries that meet the changing needs of customers. Further, as the synthesis of literature in Essay I suggests, the majority of relationship-related intermediary studies focus on formal control-based governance mechanisms to curb intermediary opportunism in dyadic exporter-intermediary relationships. The triadic perspective taken in Essay II helps to uncover the informational role, such as guidance and trust building, that intermediaries play in reducing problems in an Agency Triad, thus highlighting the effectiveness of informal relational governance mechanisms. Finally, Essay III enhances understanding of the manufacturing strategies underlying the location of manufacturing operations in developed economies. It does this by performing a comparative analysis via the lens of competitive priorities (Ward et al., 1998) and suggesting the existence of important similarities. By highlighting the similarities and differences between Chinese firms and domestic firms, the research findings enrich our understanding of the “home” country role in manufacturing location strategies, vis à vis the host country role (Wan et al., 2019). By pointing to the existence of multiple motivations that influence the location decisions of manufacturing in developed economies, the findings link the extant literature on the trade-offs vs. complementarity of different competitive capabilities to these contributions on manufacturing location. Thus, they shed new light on the logic behind both backshoring and the international expansion of Chinese firms.

This dissertation furthermore provides new insights into the possibility of obtaining advantages in distant countries by adopting a dynamic perspective which acknowledges that changing trends in the global business and manufacturing environment have an impact on firms’ intermediation strategies and location decisions. In Essay I, in addition to synthesising extant literature on intermediaries, an agenda for future research directions has been provided, with an emphasis on the specificity of contemporary intermediaries and their future outlook, rather than what intermediaries have done and how they have functioned historically. In Essay II, a research context in which intermediaries may lose their place in global sourcing due to reduced information asymmetries was derived from the observation that China has become increasingly connected to the global economy and that information technology has reshaped the way in which business is conducted. In Essay III, the research idea of comparatively analysing competitive priorities underlying backshoring and Chinese OFDI to developed economies originated from the observation that a shift in strategic priorities within manufacturing is taking place (i.e. from low-cost production to value creation), which calls for a realignment of manufacturing locations with strategies.

Moreover, the findings of this dissertation highlight the importance of institutional contexts in affecting business operations between geographically and psychically distant countries. As evidenced in Essay II, despite the

development of the internet and its influence on information asymmetries, uncertainty prevails between culturally and geographically distant countries, which poses informational conflicts between buyers and suppliers located in different countries. Therefore, intermediaries are able to reduce information asymmetries by guiding their Chinese suppliers to act according to European requirements in order to reach the desired outcome. This finding on intermediaries' guidance ability responds to the call in Essay I that future research should investigate informal governance mechanisms (e.g. norm-based bi-directional information exchange and cultural factors) that have been associated with improved intermediary performance. The results outlined in Essay III show that, given the diversity of formal and informal institutions, Chinese and Western companies have different combinations of manufacturing capabilities when they locate their plants in Western countries. Thus, this dissertation indicates that the differences in institutional contexts play a crucial antecedent role in firms' intermediation strategies and manufacturing location decisions.

Finally, yet importantly, by studying different yet interconnected international operations phenomena (i.e. global sourcing, intermediation, offshoring, backshoring, OFDI) through theoretical lenses grounded in both international business and operations management traditions, this dissertation contributes to the cross-fertilisation between the two research disciplines. Although both IB and OM research has investigated these research topics in association with governance modes ("make", "hybrid" and "buy") and location choices ("domestic", "nearshore" and "offshore"), the two research streams on these issues remain separate, as they have adopted different perspectives and have drawn on different sets of theories. In terms of governance modes (i.e. global sourcing and intermediation in the context of this dissertation), while IB research typically compares the conditions and performance under various governance options (whether direct or intermediated exchange should be preferred) (e.g. Ahn et al., 2011), OM research considers intermediaries as a link in firms' global supply chains (e.g. Vedel and Ellegaard, 2013). Both research streams view intermediation as a temporary strategy, whether in the process models of a firm's internationalisation or global sourcing, and that they will eventually be replaced by more advanced operation modes. In Essay I and Essay II, perspectives from the two research streams are brought together by focusing on intermediaries' role in triadic relationships and beyond in an international and cross-cultural context, combining the "supply chain thinking" manifested in OM research and the recognition of a variety of institutions affecting supply chains as proposed by IB scholars. Regarding location choices, while IB research emphasises the institutional context and advantages tied to specific geographical locations (Buckley and Casson, 1976; Dunning, 1998), OM research highlights transaction costs associated with production in foreign contexts compared with the home country (McIvor, 2013) and firms' strategic capabilities or inability to develop such competitive advantages when operating in offshore locations (Canham and Hamilton, 2013). Both research streams have interpreted bundles of motivations or strategic intentions underscoring

location initiatives as indicators of firms' competitive priorities (Hood et al., 1994; Fratocchi et al., 2016; Johansson et al., 2018). Therefore, in Essay III, the comparative analysis of the competitive priorities underlying backshoring companies and Chinese manufacturers offshoring in high-cost countries establishes common ground between IB and OM research on location decisions by integrating the role of firms' manufacturing strategies and motives with the attractiveness of developed economies. In doing so, OM research can benefit from improved contextualization (Wieland et al., 2020), and IB research can benefit from the perspective of the *de-jure* firm (i.e. the focal firm).

Overall, this dissertation sheds important light on how firms can effectively achieve competitive and comparative advantages through the utilisation of intermediation and manufacturing location strategies. The findings of this dissertation show that in order to enhance the advancement of extant knowledge, some of the widespread beliefs in practice and in academia should be challenged, and special attention should be paid to counter-intuitive phenomena. Specifically, the study results suggest that intermediaries are value-creating actors rather than a dying breed as indicated in some of the previous literature. The findings also show that firms' initiatives to relocate to developed economies are not only strategic-asset seeking, but also involve combinations of competitive priorities that are specific to firms from different home countries. In the course of exploration, contextualisation as well as the integration of research disciplines has proven to be fruitful in understanding research phenomena that is at the intersection of multiple research traditions.

5.2. Managerial implications

In addition to the above-discussed theoretical contributions, this dissertation also provides important managerial implications. Specifically, this dissertation offers valuable insights for intermediaries, for firms that may employ intermediation strategies, and for firms that plan to locate/relocate manufacturing activities to high-cost countries.

For intermediaries and their potential customers

Essays I and II have important implications for management on how to utilise intermediation strategies in global sourcing and international trade. Based on the thematic findings from Essay I, managers should be better informed on intermediaries' profile, how they work, and under what conditions should intermediated strategies be considered. Direct sourcing and intermediated sourcing are the two basic global sourcing strategies that supply chain managers should consider (Nassimbeni and Sartor, 2007). While sourcing directly and cutting out the middleman may seem appealing, the findings of this dissertation indicate that sourcing through intermediaries can bring a wide range of extra values to customers. Sourcing managers need to first carefully consider their sourcing objectives and how much of their resources they are willing to spare, before deciding the sourcing strategy. When sourcing from culturally and

geographically distant countries such as China, potential agency problems caused by information asymmetry between suppliers and buyers must be taken into consideration. Companies without sufficient resources to invest in solving such problems themselves are urged to reach out to trustworthy partners with expertise in bridging information gaps. The engagement of an intermediary is thus a viable option. The four signalling capabilities (i.e. matchmaking, transparency, local presence and guidance) identified in Essay II can be used by intermediaries to show potential customers that they possess the desired characteristics. Buyers and suppliers can also use such signals to search for and select qualified intermediaries. Intermediaries should present the customers with signals that are easily observable. For example, an intermediary with headquarters located in the West and local employees in the sourcing destination, sends an effective signal that it is able to transfer information efficiently.

For firms locating/relocating manufacturing to high-cost countries

Firms that plan to locate/relocate manufacturing activities to high-cost countries should benefit from this dissertation by aligning their location decisions with their competitive strategies. The study results suggest that manufacturing investment in developed economies is driven by one main manufacturing strategy—the acquisition of a “made in” effect or technological innovation. However, Chinese and backshoring firms combine a focus on branding and innovation, but with different competitive priorities. Therefore, for Chinese companies planning to offshore manufacturing to high-cost countries, the capabilities provided by innovation and brand image must be complemented by cost-related factors. For backshoring firms relocating their previously offshored manufacturing activities away from China, innovation and brand image must be complemented by quality and the ability to deliver. In addition, manufacturers planning to locate/relocate in developed economies should be aware of the potential trade-offs between competitive capabilities. Backshoring companies should be informed that their competitive priorities of quality and innovation when repatriating from China is at the expense of cost. Similarly, Chinese companies that invest in developed economies in order to achieve brand recognition and innovation while guarding cost-effectiveness, should consider that this may be at the cost of customer proximity when their main markets are located in emerging countries.

5.3. Limitations and future research avenues

This dissertation has several limitations that should be acknowledged. First, the empirical data of this dissertation focuses on Chinese and Western firms to provide a research context of business operations taking place between distant countries. Specifically, Essay II focuses on Chinese intermediaries involved in global sourcing and Nordic intermediaries sourcing from China; Essay III compares the competitive priorities of firms headquartered in China and

Western countries. Despite the fact that the Sino-Nordic context showcases the geographical and psychic distance between countries, and despite the political and economic relevance of the phenomena of Chinese OFDI and Western firms' backshoring to developed economies, the results may not be directly applicable to other national contexts due to institutional, cultural and resource-based differences among countries. Other cross-country and cross-cultural studies are therefore encouraged, in order to examine the generalisability of the findings from this research.

Relatedly, the empirical data in Essay III does not distinguish between the various types of Chinese and Western firms. As previous research indicates that state ownership impacts Chinese firms' internationalisation behaviour (Anderson and Sutherland, 2015), future research should collect a larger sample of Chinese firms in order to separate private firms from state-owned enterprises. Further, the sample used in the study includes only greenfield investments by Chinese companies to ensure comparability of the two databases. As the majority of Chinese OFDI is directed at M&As (Chen and Young, 2010), future comparative research of competitive priorities, including Chinese cross-border M&As in developed economies, is desirable. Moreover, as Wan et al. (2019) showed, the home country matters, and backshoring firms are a highly heterogeneous group. Further research comparing manufacturing strategies between Chinese firms and backshoring firms from specific Western countries such as the US would increase the validity of such comparisons and provide a more nuanced understanding of the competitive priorities among firms from developed economies.

The limited period of data collection in Essay II and the cross-sectional design of data in Essay III has not made it possible to establish whether intermediaries' roles and firms' competitive priorities have changed over time. Longitudinal studies using survey or case study methods are required to clarify this issue. Future research should explicitly recognise the dynamic nature of intermediation and manufacturing strategies, as intermediary organisations are constantly evolving and firms are shifting their competitive priorities. In particular, for studies examining governance mechanisms between intermediaries and the surrounding actors (e.g. suppliers, buyers), a longitudinal approach may help to generate a dynamic perspective of the effectiveness of both formal and informal relationship mechanisms in different settings. Furthermore, longitudinal research designs would overcome the limitations regarding causal inference inherent in cross-sectional research, and are thus imperative for empirical tests of cause-effect hypotheses.

Although a systematic procedure was applied to extract information, the use of secondary data in this dissertation entails heterogeneity in the details of case descriptions. Potential noise might be introduced when firms, media, or governments pursue their different agenda and exert influence on final reports. Besides their interest in reputation and public image, firms might also be cautious about disclosing details of their strategic decisions publicly, especially when they are related to competitive advantage. Thus, in-depth primary data from a selected number of cases could triangulate information and yield rich

insights into the motivations and trade-offs underlying firms' manufacturing location decisions. Additionally, as news reports seldom offer outcome measures, this dissertation was not able to provide analyses and implications regarding the effect of different competitive priorities on firms' actual performance. In order to further investigate "right-shoring" decisions, future research should examine the relationship between firms' intended strategies and realised strategies (Mintzberg, 1978) with, for example, the firms' financial performance as a reference point.

Another limitation is related to the qualitative analysis of a limited set of in-depth interviews conducted in Essay II. Even though the authors increased the external validity of the results by adopting heterogeneous sampling of intermediaries in different sizes, industries and countries, additional large-scale quantitative studies should be conducted to test the identified relationships empirically across broader populations. In addition, despite efforts taken to actively control the data collection procedure, long chains of respondents were not able to be initiated. Future studies including more voices from intermediaries' suppliers and buyers may generate new insights.

Finally, as the systematic literature review conducted in this dissertation only included academic journal articles, there might be insightful perspectives that have been overlooked. Although scientific/peer-reviewed articles are considered to be "validated knowledge and are likely to have the highest impact on the field" (Deng, 2012, p.409), grey literature (e.g. conference papers, government reports, consultancy reports) may contain information that is not captured in scientific articles (Sartor et al., 2014). Future literature reviews on intermediaries could possibly include grey literature, especially practitioner-oriented articles, to limit publication bias (Scargle, 2000) and to gain a more comprehensive understanding of the topic (Rothstein and Hopewell, 2009).

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