EXPLORING NEARSHORING OPPORTUNITIES IN A LOW-COST COUNTRY

– A CASE STUDY OF NEARSHORING BETWEEN SWEDEN AND MOROCCO

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Title: Exploring Nearshoring Opportunities in a Low-cost Country – A Case Study of Nearshoring between Sweden and Morocco

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Abstract

The purpose of this study is to explore possibilities for textile companies in European high-cost countries to relocate production to low-cost countries in North Africa by performing a case study on Sweden and Morocco. The study will thereby contribute to increased understanding of nearshoring opportunities in low-cost countries.

Sweden is seen as an example of a European high-cost country and Morocco is seen as an example of a North African low-cost country. By investigating nearshoring from a European high-cost country to a North African low-cost country, the authors conclude the advantages and disadvantages of nearshoring.

Through a case study with a qualitative approach, observations and semi-structured interviews with industry professionals were conducted. The interviews were designed to investigate the advantages and disadvantages of relocation of production from both the production country perspective and from the outsourcing country perspective.

The authors identified disadvantages that include increased labor and production costs, financial assistance for environmental standards, human rights issues and bad supplier relationships. Despite challenges, nearshoring offers advantages like increased flexibility and potential sustainable development, enhancing brand image and potentially increasing revenue. The findings emphasize the need for future research on differentiating nearshoring from traditional offshoring, assessing the environmental implications of various sourcing locations, and exploring the supplier-customer relationship for successful nearshoring implementation.

Keywords: Sourcing strategies, Nearshoring, Textile industry, Production, Sustainability

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1. Introduction

This chapter aims to be informative to the reader as well as to give a background to the research area and the topic of the study, nearshoring. Thereafter, a research gap continues to explain the limits of the current literature on the subject. Lastly, the aim and research questions of the report will be posed.

1.1 Background

The textile industry is one of the largest and most significant industries globally (Singleton 2013), with a value of 994 billion USD in 2021 (Grand View Research n.d.). Yet, its enormous environmental footprint poses sustainability challenges for both low-cost and high-cost countries. Additionally, this challenge, spanning environmental, economic, and equity dimensions (Portney 2015), has become a main concern within the textile industry's complex value chain. Companies find themselves grappling with the everyday problem of harmonizing ethical production demands for the three major stakeholders: people, planet, and profit (Weele & Rozemeijer 2022).

In the 1980's and 1990's, outsourcing through offshoring became popular and many countries moved production to low-cost countries to obtain cost advantages gained from cheaper labor and production. This shift resulted in an improvement in the global welfare of low-cost countries (van Hassel et al. 2022 & Kvedaravičienė 2008). However, the unprecedented disruptions caused by the Covid-19 pandemic have prompted a reevaluation of supply chain strategies. As the textile industry grapples with the challenge of balancing cost efficiency, sustainability, and market responsiveness, *nearshoring* has emerged as a potential solution to navigate these complexities. The process entails the concentration of production activities in countries closer to the market, and has gained prominence. While *offshoring,* the practice of relocating business processes or services to foreign countries to obtain cost advantages (Van Weele & Rozemeijer 2022)*,* remains a prevalent practice in the textile and apparel industry, a *reshoring* trend has emerged due to the complications associated with offshoring, including higher production costs, quality issues, and delayed deliveries (Sardar, H. Lee & S. Memon 2016). Reshoring involves bringing previously offshored business activities back to the home country (Van Weele & Rozemeijer 2022). The years between 2020 and 2023 witnessed a distinctive growth in the adoption of nearshoring. This was fueled by widespread supply chain disruptions resulting from the Covid-19 pandemic and geopolitical tensions that shook the market's stability (Fernandez-Miguel et al., 2022; Buitrago R. & Barbosa C. 2021). Nearshoring, offering increased flexibility, responsiveness to demand uncertainties, and reduced transportation costs, has therefore become an opted strategy ensuring economic viability for the textile industry (Cagliano et al., 2012; Tam & Lung 2022). Ashby (2016) & Fernández-Miguel et al. (2022) additionally proposed that nearshoring contributes to a more sustainable supply chain by addressing environmental concerns, enhancing supply chain visibility and control, fostering collaboration and innovation and contributing to social and economic development in the country of operation.

Driven by high production costs, Swedish textile companies outsource the majority of their production. While Turkey, Italy, and Portugal are commonly chosen nearshoring destinations, a large portion of textile imports still originates from offshore countries like China and Bangladesh (Textile Infomedia 2022). The value of Sweden's textile imports from Morocco is modest at approximately 4 million USD, contrasted against the substantial 1144 million USD from China and 270 million USD from Turkey (Textile Infomedia 2022). Despite the significant production capacity and high value attributed to Morocco's manufacturing sector, which comprises 1,600 companies and provides direct employment to 189,000 individuals, this aspect is often overlooked (Amachraa & Quelin 2022). Bait, Marino Lauria & Schiraldi (2022) argue that Morocco stands as one of the optimal choices for a production country in Africa. Other fast fashion giants, such as Zara, are sourcing from the country (Tokatli 2008).

1.2 Problem Discussion

There is a need in investigating nearshoring opportunities which is underscored by the rapidly changing environment of the textile industry. Traditional production strategies are being redefined and the relentless pursuit of cost efficiency has historically driven textile companies towards offshore production in low-cost countries. However, this rapidly changing industry also faces scrutiny as disruptions in the supply chain, ethical considerations, and the realization that the true cost of offshoring extends beyond only financial considerations. An exploration is thereby needed for many entities, such as stakeholders, including textile companies, policymakers, and consumers, that seek a nuanced understanding of the several implications and benefits that comes with nearshoring. North Africa, housing several low-cost countries, holds untapped potential, while Europe, with its range of high-cost countries, is increasingly exploring nearshoring strategies. In this dynamic landscape, exploring nearshoring opportunities in North Africa, because of its position in relation to Europe, is needed. This region offers untapped potential and strategic solutions that align with evolving priorities such as sustainability and ethical production in the rapidly changing textile industry. As there is a lack of literature on the aforementioned subject, the authors found a relevant case for exploration.

1.3 Research Gap

Piatenesi & Arauzo-Carod (2019) analyzed backshoring, nearshoring and reshoring, concluding that little effort has been devoted to studying the specificity of individual industries, highlighting the need for further research. Furthermore, Pietrobelli & Seri (2023) argue that most existing literature on nearshoring primarily focuses on the perspective of nearshoring in developed countries, overlooking the opportunities and perspectives of nearshoring in low-cost countries. Slepniov et al., (2013) further assert that nearshoring locations for Scandinavian companies have untapped potential. There is limited research available on the subject, within the textile industry.

Additionally, the current research lacks a comprehensive exploration of the potential for textile companies in high-cost European countries to move production to low-cost countries in North Africa. This case study aims to fill this research gap by examining such relocation and highlighting the advantages and disadvantages involved. Furthermore, while previous research has delved into the perspectives and actions of outsourced companies, there remains a research gap from the viewpoints of both the potential purchasing company and the potential production country. Therefore, an exploration of the potential advantages and disadvantages from both perspectives adds insightful information to the objective.

1.4 Purpose & Research Questions

The purpose of the study is to explore possibilities for textile companies in European high-cost countries to relocate production to low-cost countries in North Africa, by performing a case study on Sweden and Morocco. Thereby, the study will contribute to an increased understanding of nearshoring opportunities in low-cost countries.

To address the purpose of the study, the authors have formulated the following two research questions:

- What are the possible advantages of relocating production to low-cost countries in North Africa?
- What are the possible disadvantages of relocating production to low-cost countries in North Africa?

2. Theoretical Framework

In this chapter, the authors will guide the reader through the topic of choice by describing the concepts and theories chosen to be used in the study. In order to build knowledge of the area around the topic, central concepts are discussed. Lastly, the main theory used to analyze the empirical data in the study is explained.

2.1 Central concepts

2.1.1 Nearshoring

Van Weele (2014) explains that, *sourcing* encompasses the complex process of identifying, selecting, contracting, and effectively managing the most optimal source of supply for the entire organization on a global scale. To gain a comprehensive understanding of sourcing theories, it is crucial to consider the three key factors that influence a company's approach to sourcing strategies. These factors include the actor responsible for performing the activity, the location where the activity takes place, and the decision-making process surrounding actors and locations. The factors are further defined through concepts such as outsourcing, where activities are delegated to third-party actors, and offshoring, which involves production in geographically distant and cost-effective countries (Grossman & Rossi-Hanberg 2008; Grossman & Rossi-Hanberg 2006).

Nearshoring occurs when an organization moves value-adding activities, such as production, closer to its country of operation (Bals, Kirchoff, & Foerstl 2016). The process is related to the concept of *backshoring* due to its similarities. However, the difference between nearshoring and backshoring is that organizations that engage in nearshoring do not fully relocate to their country of production, unlike backshoring. Instead, production is moved to a nearby country that benefits from both offshoring and backshoring. It is worth mentioning that nearshoring is not solely about moving production closer, it also entails changing suppliers (Ancarani et al., 2012).

Nearshoring becomes a relevant choice when it is no longer optimal to move production facilities to the country of operations due to significant price differences (Ancarani et al., 2012). The advantages associated with nearshoring include reduced costs, less environmental impact, improved communication, and the creation of job opportunities in the selected country (Gadde & Jonsson 2019). Furthermore, nearshoring enables reduced time to market (Bals, Kirchoff, & Foerstl 2016), lower transportation expenses in shipping (Tam & Lung 2022), and increased flexibility and control within the business. Enhanced control allows organizations to manage and monitor the entire business chain more easily, enabling cost reduction and increased profit margins (Purolator 2022). Additionally, nearshoring improves communication between the company and its suppliers due to shorter geographical distances, fostering better collaboration and problem-solving for competitive advantages.

Increased flexibility achieved through nearshoring helps organizations respond quickly to changes in demand, with greater control over the supply chain. Production located closer to the home market reduces lead time and provides competitive advantages. Furthermore it contributes to lower transportation costs, environmental impact, and a reduced carbon footprint. Creating more jobs through nearshoring benefits the country's economy and retains existing laborers (Purolator 2022). In organizations, certain services requiring collaboration and continuous interactions with customers benefit from a neighboring country, decreasing cultural and proverbial skills needed for such collaboration. Additional factors simplifying operations include similarities in time zones, skilled labor, and geographical proximity. The closer the countries are located, the more similar the political structure might be to the organization's home market. In conclusion, the advantages of nearshoring encompass reduced geographical, cultural, and linguistic distances (TMS 2021).

Despite the mentioned advantages, there are also potential limitations that need to be considered. Even with nearshoring involving collaborating within closer proximity, differences in culture and language can still create communication difficulties and hinder cooperation. If the nearshoring country does not have the same level of infrastructure or technology, it can pose significant challenges in terms of data security, communication and access to specialized tools and resources. Furthermore, economic and political instability in the selected country must always be taken into account as it can create uncertainty and risks for companies operating under such circumstances. Working with actors in other countries may also involve potential risks in terms of data privacy, intellectual property and labor laws (Ellram, Tate & Petersen 2013).

Other considerations of moving production facilities closer to its country of operation include potentially high labor and production costs, lack of specialized skills, job losses overseas and disruption of the supply chain. When production is relocated to a nearshoring country, there is a potential for job losses in the current country where the production is taking place. Additionally, a lack of specialized skills may arise as some manufacturing processes require resources or expertise that may not exist in the nearshoring country. Reshoring can also lead to disruptions in the supply chain, requiring significant changes and investments (Remko & Dobrzykowski 2021).

2.1.2 Offshoring

The practice of offshoring has historically revealed itself to be both problematic and advantageous. The term works as a business strategy involving the relocation of various operational processes to geographically advantageous locations. Beyond cost-cutting, modern day offshoring is driven by factors such as reinventing core activities like accessing human talent and technology, enhancing speed to market, and capitalizing on location-specific advantages. The practice aims to maximize profit margins by using cheaper economies, particularly within manufacturing and production, which, in turn, contributes to cost reductions in consumer goods and services (Arraya 2021).

The advantages of offshoring are mainly cost savings as it allows businesses to take advantage of lower labor costs, resulting in potential savings (Farrell 2005). Offshoring also provides access to skilled workers with specialized expertise that may not be readily available domestically. This can be particularly beneficial in industries where specific skills are in high demand. Additionally, offshoring can lead to market expansion by enabling businesses to establish a presence in new markets and gain access to new customers. This has the potential to drive growth and increased revenue. Furthermore, offshoring to countries in different time zones can extend businesses' working hours, resulting in increased productivity and faster turnaround times (Owens 2013).

However, there are also disadvantages to offshoring, such as communication and language barriers. Operating in different countries can present challenges related to language barriers, cultural differences, and varying time zones (Johansson et al., 2019). Achieving effective communication and coordination can be difficult, leading to misunderstandings and delays. Another disadvantage is quality control, maintaining a consistent standard can be difficult when offshoring. Differences in work practices, standards and regulations may impact the overall quality of products or services (Colamatteo, Cassia & Sansone 2022). This can have a negative effect on stakeholders and customer satisfaction. Additionally, offshoring involves security and data protection risks. Varying data protection laws and regulations across countries can expose businesses to increased security risks, such as data breaches and intellectual property theft (Agrawal, Goswami & Chatterjee 2010).

2.1.3 Sustainable Supply Chain Management (SSCM)

The concept of sustainability, as articulated by the United Nations Brundtland Commission, underscores the imperative of meeting current needs without compromising the ability of future generations to fulfill their needs. Through the term, the Commission emphasizes the conservation of natural resources, the alleviation of poverty and inequality, and the promotion of responsible consumption and production patterns (United Nations Brundtland Commission 1987). *Supply Chain Management* (SCM) is a key element in operationalizing sustainability. Defined as the interconnected activities involved in planning, coordinating, and controlling the flow of materials and end products, SCM encompasses both input and output flows (Van Weele 2014). The strategic linkage of these activities has become crucial for gaining competitive advantages, especially in an era where product life cycles have shortened, and customer demands for timely goods have heightened (Hilletofth & Hilmola 2008). Understanding the complexity of companies' value chains is essential for informed decisions about production locations, particularly considering the growing reliance on outsourcing and international sourcing (Weele & Rozemeijer 2022).

In response to increasing pressure from both industries and consumers for a more sustainable value chain, traditional SCM strategies have reached a critical juncture (Jaegler & Sarkis 2014). The fundamental shift towards *Sustainable Supply Chain Management* (SSCM) has become imperative. The term includes incorporating elements such as green logistics, sustainable purchasing practices, and strategic nearshoring decisions to allow organizations not only to gain a competitive edge but also to actively contribute to sustainable development. These practices, when implemented, reduce environmental impacts, enhance resource efficiency, and promote sustainability throughout the supply chain, including fair working conditions (Teixeira et al., 2018). A further issue within SSCM is human rights issues, where, for instance, labor standards and worker rights are crucial topics (Danish Trade Union Development Agency 2023).

In conclusion, the adoption of green logistics, sustainable purchasing, and strategic nearshoring within SCM strategies enables organizations to balance economic considerations with social and environmental responsibilities, fostering SSCM. This requires active engagement and collaboration with various stakeholders, including suppliers, customers, governments, non-governmental organizations, and local communities. Transparency and traceability play pivotal roles in enabling SSCM, allowing supply chain actors to monitor and assess the environmental and social impact of their operations and products. Continual improvement is integral in SSCM implementation, as organizations must consistently identify areas for enhancement and set measurable targets to reduce their environmental and social impact over time. Embracing SSCM and making strategic nearshoring decisions enable organizations to optimize operations, contribute to a more sustainable future, and create long-term value for stakeholders (Carter & Rogers, 2008).

The authors will use SSCM to highlight how it, when strategically embedded in nearshoring strategies, can foster resilience, responsiveness, and long-term sustainability within global supply chain networks. Through a comprehensive exploration of the strategic dynamics, advantages, and disadvantages associated with SSCM, the concept is employed to gain a deeper understanding of sustainable practices within the evolving landscape of global supply chain management. The authors recognize the multifaceted nature of the term sustainability which encompasses social, economic and environmental dimensions. Recognizing the constraints that are affected by the study’s time limitations, the authors have chosen to exclusively analyze sustainability through the factors that emerged from the empirical data, with specific emphasis on SSCM-related aspects.

2.1.4 Central Concepts within SSCM

Based on the information provided in the preceding sections, wherein the advantages and disadvantages of nearshoring and offshoring and the complexity around SSCM have been elucidated, this study places significant emphasis on factors that are important while discussing the advantages and disadvantages around sourcing strategies. Three of the most pertinent factors that were elucidated in the study were lead time, flexibility and long-term relationships.

The geographical disparities inherent in the outsourcing strategies give rise to notable cultural and linguistic variations. Typically, the magnitude of these distinctions escalates with increasing geographical distance. Considering the interplay between the ordering company and the production facility located in the offshore country assumes paramount importance, especially in the context of cultural, linguistic and potentially value-based disparities (TMS 2021). It is crucial to underscore that offshoring represents an established methodology that presently faces a novel and emerging counterpart in the form of nearshoring. The existing presence of offshoring within the textile market warrants careful consideration, particularly in light of potential implications on decision-making regarding the adoption of nearshoring as an alternative approach. This is particularly relevant in cases where established relationships with factories in production countries hold sway. Companies value stability and reliability in the supply chain, thereby long-term relationships contribute to trust-building and quality-assurance in the supply chain (Prajogo & Olhager 2012).

Lead time refers to the amount of time it takes for a product or service to move through the entire supply chain, from the initial order or request to the final delivery. It encompasses various stages such as order processing, production, transportation, and any other activities involved in fulfilling a customer's demand. Lead time is a crucial concept in procurement and supply chain management as it directly impacts inventory levels, production planning, and customer satisfaction (Van Weele & Rozemeijer (2022). They further state that lead time is extensively discussed as a critical factor influencing the efficiency and effectiveness of supply chain operations. It is of utmost importance to understand and manage lead times to optimize inventory management, reduce stockouts, and enhance overall supply chain performance. It involves understanding different types of lead times, such as manufacturing, transportation, and order processing lead times, and employing strategies to minimize variability and improve the efficiency of the supply chain (Van Weele & Rozemeijer 2022).

Nowadays, when uncertainty is more common, the ability to adapt to changes and be flexible is more important than ever. Flexibility opens up the possibility to react quickly to unforeseen events and to stay relevant in rapidly evolving changes. Supply chain flexibility refers to an organization's ability to adjust its operations, processes, and resources in a market shift or unforeseen events. By being more flexible, supply chains can adapt and respond more effectively to uncertainty and potential disruptions. However, to be flexible is not enough, it must also be a balance between the cost-risk-value management. While risk management involves identifying, assessing and mitigating potential risks, flexibility helps organizations adapt more easily to unexpected events. Thus, both cost-risk-value and flexibility in the supply chain are important tools to best meet unforeseen risks and events (Sreedevi & Saranga 2017).

2.2 The Cost-Risk-Value Theory

The cost-risk-value theory, that is depicted in Figure 1, is a concept that involves evaluating the trade-offs between the cost, risk and value associated with decision-making and particularly relevant when it comes to choosing sourcing strategy (Van Weele & Rozemeijer 2022). When organizations consider sourcing options for their supply chain, they need to consider the cost implications, assess the associated risks, and evaluate the generated value by each strategy. It is a framework used to assess the financial and non-financial implications of various options and make informed choices and find a balance between these factors. According to Van Weele & Rozemeijer (2022), cost refers to the financial expenses that are associated with managing risks. This includes direct costs, such as procurement or production expenses, as well as indirect costs associated with implementation or maintenance. Risk, on the other hand, encompasses the likelihood and impact of uncertainties and potential negative outcomes related to a decision. These risks may arise from factors such as market fluctuations, supplier reliability, technological advancements, or regulatory changes. The potential risks can lead to disruptions to supply chains, financial losses, and reputational damage. Van Weele & Rozemeijer (2022) emphasizes the importance of identifying, assessing, and managing these risks to minimize their potential impact on the decision.

Van Weele & Rozemeijer (2022), described that value refers to the benefits and added value that can be generated by a decision. They continue to highlight that this goes beyond the financial aspect and includes both tangible and intangible factors. Tangible benefits can be quantified such as increased revenue or cost savings. While intangible factors include improved customer satisfaction, enhanced brand reputation, or strategic advantages.

The cost-risk-value theory proposes that decisions should not only be based on cost considerations, it should also consider the associated risks and potential value that can arise from a certain decision. The decision that provides the greatest possible value relative to the costs and risks is moreover the most optimal decision. Although, managing risks can be expensive. On that account it is important for organizations to consider the costs, benefits and risk management. By evaluating and mitigating risks and considering the value generated, organizations can make more informed decisions and optimize their outcomes. Drawing upon this theoretical framework, it facilitates to balance the costs and benefits of different strategies and helps to ensure the most efficient use (Van Weele & Rozemeijer 2022).

The cost-risk-value theory is relevant to analyze the decision-making process behind transitioning from offshoring to nearshoring. By using this theory, the authors can also analyze data collected from the Textile Company and the Moroccan suppliers, in order to achieve the purpose of this thesis. This includes analyzing whether there are risks that are associated with current offshoring locations, including geopolitical risks, trade barriers and supply chain disruptions. The authors can also use the model considering the data collected from the Textile Company to identify the most important value drivers.

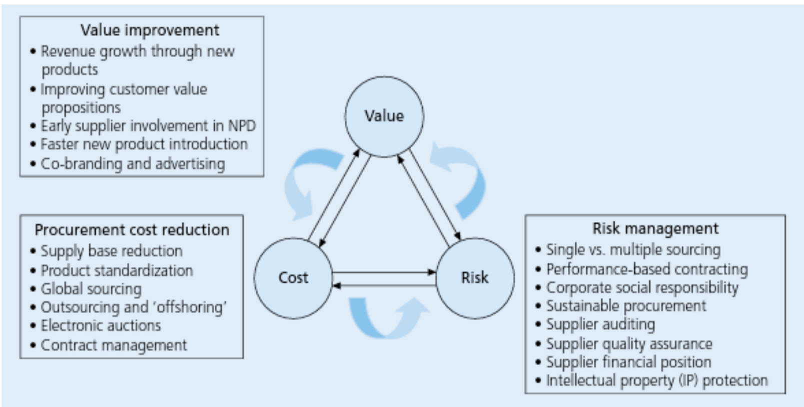

Figure 1: Managing the Purchasing Agenda: Balancing Cost-Risk-Value. (Van Weele & Rozemeijer 2022, p.54)

3. Method

This chapter gives a detailed overview of the methodology and discusses the motives of the method. Selection of the involved companies will also be covered in a table. Furthermore, it addresses reliability, validity, generalizability, and ethical considerations.

3.1 Methodology

To achieve the purpose of the study and answer the research questions, a case study was conducted. The study was based on qualitative research by performing semi-structured interviews on nearshoring. The chosen interview method was selected as it provides descriptive data and facilitates the authors to get a deeper understanding of the perspectives and experiences of companies, with regards to nearshoring (Bell, Bryman & Harley 2019).

3.2 Case Study

To get a deeper understanding of the subject, a case study was conducted. A case study is a research method that is used to investigate a particular phenomenon or explore complex issues (Bell, Bryman & Harley 2019). It involves a detailed examination of a specific case, which in this study explores the concept of nearshoring in the perspective of three different organizations. Case studies are often a combination of qualitative and quantitative data collection to gather rich and comprehensive information. In this case, a qualitative design was used, with semi-structured interviews and direct observations of the suppliers. Bell, Bryman & Harley (2019) highlight that case studies are often characterized by their holistic approach and the focus on the entirety of the case, rather than isolate specific variables.

3.3 Research Design & data Collection Method

To get in-depth insight into the subject, semi-structured interviews were conducted. Semi-structured interviews create more open and conductive interviews (Bell, Bryman & Harley 2019) and they enable the authors to discuss issues of relevance from the participant's perspectives. The main areas that were covered during the interviews were nearshoring, sustainability, information about the companies, and potential advantages and disadvantages for both parties by committing to a nearshoring initiative. The interviews helped the authors get a deeper understanding of sourcing requirements, production practices and standards for the two countries involved. With the collected data from the interviews, the authors could thus answer the research questions.

Additionally, a direct observational method was undertaken to observe the research participants more closely. This method allowed the authors to gather firsthand data, by observing interactions and behavior in real-time. The authors visited the two factories, where they received round tours, whereas in one of the factories, the authors stayed for three days. There they got the chance to speak to different people at the company, although there were some language barriers present. Due to the visits, the authors got the chance to observe the factories which allowed them to gain insights into the social, cultural, and environmental contexts that influence behaviors.

According to Bell, Bryman & Harley (2019), observational methods provide a high level of validity as it reduces the potential for recall biases or distortions that may occur when relying on self-reports or similar research. It also entails rich and detailed data, which enables researchers to capture detailed data and nuanced information about participants' behaviors, nonverbal cues, and contextual factors.

3.3 Selection

The interviews were conducted with three actors. Several other potential participants were contacted in order to make the saturation of the data greater, although because of language barriers and lack of response, more interviews could not be performed. Some suppliers were difficult to get in touch with as they did not have their own websites or any further contact details. This contributed to the difficulty of finding more participants for the case study and it caused the sample size of the study to be smaller than intended. However, the actors who did agree to participate were two textile suppliers in Morocco and one textile company in Sweden. More information regarding the companies can be found in Table 1-3. The selection of companies was driven by the size and popularity of the company. The Swedish company is a major clothing brand in the country and became a relevant choice because of its size. The two companies in Morocco were relevant choices since the authors had met the general managers at a workshop during the Fall of 2022. The meeting enabled them to visit the suppliers factories and the relationships formed gave future validity and trustworthiness between the parties. Both company managers showed interest in assisting with the research by taking part in interviews. This made the selection of companies an obvious choice, due to convenient sampling.

The involved participants in the interviews were the general managers of the textile suppliers. The interview with the Swedish Textile Company was conducted with the head of production and sourcing, who was located in the purchasing department in Bangladesh during the time. As previously mentioned, the semi-structured interviews gave access to personal experiences and opened up to shared thoughts and ideas regarding the subject matter. The collected data from the interviews generated helpful insights for the research.

The interviews with the two factories in Morocco took place in Casablanca. The authors got the possibility to visit the factories and interact with other employees. The interviews were conducted at the headquarters of both of the companies, during office hours. The interview with the Textile Company was conducted online through Zoom due to the geographical distance. Before the interviews took place, an interview guide was prepared, as seen in the Appendix. The guide served to counter the risk of getting stuck and was structured with relevant questions for the study. It also had room for follow-up questions if the participant had something to add. Two of the interviews were recorded, as the participants approved to be recorded. By recording the interview the risk to not include everything was minimized.

Table 1. Information on the Textile Company

	Textile Company
Head Office	Gothenburg, Sweden
Interviewee	Head of Production & Sourcing
Number of employees	4300 employees
Business Type	Fashion Brand
Segment	Womenswear, Childrenswear & Lingerie
Manufacturing Countries	Bangladesh, China, Germany, India, Italy, Latvia, Lithuania, Pakistan, Poland, Portugal, Spain, Sri Lanka, Sweden, Turkey, Vietnam

Table 2. Information on Moroccan Supplier 1

	Supplier 1
Head Office	Casablanca, Morocco
Interviewee	General Manager
Number of employees	186 employees
Business Type	Textile Supplier
Segment	Knitwear for Menswear, Womenswear & Childrenswear
Material Suppliers	Around 20

Table 3. Information on Moroccan Supplier 2

	Supplier 2
Head Office	Casablanca, Morocco
Interviewee	General Manager
Number of employees	303 employees
Business Type	Textile Supplier
Segment	Menswear, Womenswear & Childrenswear
Material Suppliers	Around 100

3.4 Data Analysis Method

To analyze the collected data from the interviews, a thematic analysis was done. In this type of method, interviews are transcribed and then coded to find relevant key themes or concepts (Bell, Bryman & Harley 2019). The method was relevant since the participants shared personal experiences and stories which needed to be organized and structured before being analyzed. The collected data was sorted into themes to, more easily, structure the content and facilitate further analysis of the collected data. The main theme chosen was nearshoring, in accordance with the study's aim. This theme presented several key sub-themes that later emerged from the data: cost, risk, value, long-term relationships with suppliers, lead time and sustainability. All themes and sub-themes have support in the theoretical frame of reference and have been important arguments for the current research questions.

3.5 Reflection of Methodology

According to Bell, Bryman & Harley (2019), case studies are useful when researchers aim to gain in-depth insights into a particular context. In this case, the authors wanted to explore the concept of nearshoring and apply it to two countries. The case study allowed the authors to immerse into the subject and provide detailed descriptions and explanations. However, the generalizability can be limited when using a case study, this is something that had to be considered. However, it was found that the findings can still contribute to further research on the subject/or similar subjects.

According to Bell, Bryman & Harley (2019), qualitative interviews allow for more in-depth and detailed insights into participants' experiences, perceptions, and attitudes towards a topic. Additionally, it can allow a deeper understanding of social and cultural contexts (Bell, Bryman & Harley 2019). They are also more flexible by letting the researcher adjust questions or follow-up on interesting responses in real-time. The reason for choosing semi-structured interviews was to allow room for more developed answers if further thoughts or questions arose.

However, qualitative interviews can be more time-consuming and resource-intensive compared to quantitative interviews, and the open-ended nature of the questions can make it more difficult to compare responses across participants. It may also be more subjective and rely more heavily on the researcher's interpretation of the data, which can lead to questions about the validity and reliability of the data and it is also a risk of not getting a sufficiently diverse view of the situation (Bell, Bryman & Harley 2019).

3.6 Reliability and Validity

According to Bell, Bryman & Harley (2019), reliability refers to the consistency and stability of measurements or observations over time, meaning that the same or similar results can be achieved with repeated measurements. It is a description of how well the data collection worked, where knowledge is produced in a reliable way. To achieve reliability for this study, a structured interview guide was created. The interview guide was developed with predetermined questions to ensure consistency in the questions asked. This means that the questions were asked in the same order to the two Morocco suppliers. Since the Swedish fashion company acted as a sole actor in the study, other questions were posed that had relevance towards the buyer perspective. These questions were also assured to be reliable so that they could be asked if another equivalent company should have participated. Furthermore, the collected data from all the interviews were interpreted, coded and analyzed in the same way, to ensure reliability. Another argument for reliability was that similar themes did emerge based on coding of all the interviews.

Validity refers to the extent to which a measure or test actually measures what it is intended to do, which is internal validity, and if the findings can be generalized, which is external validity (Bell, Bryman & Harley 2019). To clarify if the information was interpreted correctly, well-designed interview guides and follow up questions were created which contributed to ensuring internal validity. Due to a rather limited number of participants and the limitation to specific geographical locations, the results of this study are difficult to generalize. Additionally, the participants were of similar economic background which further minimizes the generalizability of the study. However, future research can complement this study and enhance generalizability by expanding on the number of interviews and companies.

3.7 Ethical Considerations

According to Bell, Bryman & Harley (2019), all types of business research need to consider ethical issues, with no exception to the chosen method. Although semi-structured interviews prevent ethical considerations by obtaining informed consent, maintaining privacy and confidentiality, promoting voluntary participation, showing respect and sensitivity towards participants, and handling data ethically, some things need to be considered. Ethical transgressions that refer to violations or breaches of ethical standards and principles, is a risk for this study. This risk is something that can occur if the participants in the interviews were not fully informed about the study. It can also occur if the participants have different amounts of knowledge about the research (Bell, Bryman & Harley 2019).

The four main areas of ethical principles were constantly followed. The first thing to consider was whether participants in the interviews would be harmed (Bell, Bryman & Harley 2019). To prevent the ethical transgression, the authors ensured that the participants were treated with respect and integrity. The risk was also mitigated by asking the participants if they wanted to remain anonymous and informing them that they had every right to refuse to answer questions.

Another concern can be the lack of informed consent (Bell, Bryman & Harley 2019). The participants were therefore fully informed about what kind of information that was going to be shared in the study and consented to this. Additionally, the participants were contacted in advance and were given the choice to participate voluntarily. The third concern that needed to be considered was if there could be an invasion of privacy (Bell, Bryman & Harley 2019). To ensure that the participants' privacy was considered, they were asked whether or not they wished to remain anonymous.

The last risk that was taken into account was fraud. The risk was prevented by creating a good and positive relationship with the participants, by starting the interview by talking casually about other subjects that were unrelated to the interview. To further minimize the risk of fraud, the questions were behavior-based and focused on specific behaviors and experiences that were relevant to the subject. If there were any unclear answers or responses, the interviewer reformulated the question or asked it again to prevent any misunderstandings. The authors had also done research on the companies and asked relevant questions. This prevented the responses from being inconsistent with the already published information available.

4. Empirical Findings

This chapter introduces the data that the authors recorded during the interviews. Organized around the key themes central to the study, the data aims to enhance the reader's analytical comprehension, providing a structured and insightful exploration of the research findings around nearshoring.

4.1 Logistics & Customer Relationships

4.1.1 The Textile Company

The Textile Company is a medium- to large-sized company where ordering quantities can reach numbers as high as 40 to 50 thousand pieces on a delivery over a six-month timeframe. When sourcing from Bangladesh, the delivery timeline typically spans 10-12 weeks before arriving in Gothenburg. The company, however, is actively shifting its focus towards nearshoring in order to diversify its sourcing approach. This strategic change allows for the relocation of some of their production away from Asia.

The reason that the company has been so Asia-driven in the past, even though their head market is situated in Europe, is profitability, price levels and long-term relationships with their suppliers. The company points out that it benefits from duty advantages in Bangladesh, contributing significantly to their overall profitability. Additionally, it expresses a commitment to their responsibility for the well-being of the workers it collaborates with in Asia, emphasizing the importance of maintaining those business relationships.

4.1.2 Supplier 1

Supplier 1 was created in 1975 in Casablanca, Morocco, and specializes in creating knitwear in all kinds of materials. It has a production capacity of one million pieces per year and a lead time of eight weeks. It currently exports to, rated from most exported to least, Germany, France, Spain, England, Egypt, and Portugal. The suppliers also started working with the home market in Morocco after the Covid-19 pandemic. The company is flexible about order quantity and can manage orders of 50 to 200,000 pieces, though their highest order yet has been 50,000 pieces. The company works with around 20 material suppliers overall. Most of them are located in Turkey, Spain and Italy, though two suppliers are from Morocco. The supplier considered Turkey as their largest competitor.

The supplier deals with three customer types: The first involves customers providing existing samples for replication. In the second approach, customers contribute a mood board and work closely with the supplier to craft a customized sample. Lastly, the third customer chooses from the supplier's collection without specific preferences. Typically, the initial customer type comprises returning clients who encountered issues with previous suppliers in more economical countries. All orders are shipped via truck.

> Usually this happens when the customer has already bought something from, for example, China but they have found some problems with the suppliers. Some

customers have also moved their production to cheaper countries but after a while they always come back because they have found some problem with the cheaper supplier.

The supplier explained that it is important for them to have long-term relationships with their buyers. The reason for this is because it takes around six to twelve months to fully understand the company's core value and their needs, which is important in order to satisfy their production needs and standards. Large textile companies have asked to be supplied by them, though the supplier feels negative towards this as the large companies often look for short-term business. However, the supplier said that it would, in general, not mind working with either small, medium or large-sized companies.

4.1.3 Supplier 2

Supplier 2 was established in 1997 and has their factories in Casablanca, Morocco. The company produces apparel in the field of knitting for national and international brands of clothing. Supplier 2 also has their own brand, where it designs and produce the products. The supplier has a team of 303 employees and it has a production capacity of approximately 1,2 million units per year.

The supplier produces in an agile method where the general company strategy is fast-fashion with a focus on sustainability. It considered suppliers in Turkey as their largest competitors. Supplier 2's work process with a new customer starts with understanding the buyer's target of the collection. For instance, what prices, colors, finishes, materials and what kind of quality is necessary for the products. Thereafter it is important to know the buyers season preference, knitting structure, knitting gauge and also where they come from. As a third, the supplier completes the offer with the buyer and the collaboration is commenced. The supplier highlighted that it works for the customer and not the other way around, and it is important for both parties to match, in terms of design and mindset. Additionally, the supplier looks for long-term relationships with their buyers as it states that it wants to invest in the customer.

When the customers have ordered, the lead time from the point of ordering, to a completed and delivered product is between five to seven weeks. The orders are either shipped by truck and/or boat. The supplier offers orders of minimum 500 pieces to 60,000 pieces, although it specifies that if an order of 100,000 pieces were made then that could be managed. The supplier currently exports to Spain, Italy, Germany, UK, USA and France, where the most export goes to France and the least goes to Italy. The supplier has around 100 material suppliers, of which 20 are used frequently. Out of these 20 suppliers, the most common ones are from Turkey and Morocco. Supplier 2 highlighted that Moroccan suppliers are best at acrylics, cotton blends and 100% cotton. However, it explains that all accessories are sourced from China.

4.2 Nearshoring & Sustainability

4.2.1 The Textile Company

The Textile Company has an office in Turkey with their own establishment and team. As Turkey is located relatively close to Morocco, this can potentially indicate that a collaboration between the two parties works more efficiently. Consequently, the company is contemplating the possibility of production in Morocco, recognizing it as a suitable nearshoring country. Additionally, the company described that it is considering sourcing from Portugal, depending on what product is needed.

Having already shortlisted around five or six suppliers in Morocco, the Textile Company is actively engaging in discussions regarding potential business ventures. Additionally, it described that 25% of their future business should be in, or close to Europe in the future and that the percentage will be distributed between the countries of Morocco, Turkey and other nearshoring locations. However, the Textile Company claimed that it rarely searches for new suppliers since it seeks long-term relationships. Though now seems to be the time for change as, because of their new sourcing strategy, it is searching for new suppliers in, or close to, Europe. However, emphasizing the importance of shared goals, the company insists that aligning with suppliers on common objectives is a prerequisite for introducing them into their supply chain.

The Textile Company describes that the shipping costs of the products were quite minimal before the Covid-19 pandemic. However, after the pandemic, the disruptions in the supply chain led to an increase of overall freight costs. The exact costs of the companies products varies, although the Textile Company highlighted that it saw that there will be both tangible and intangible cost gains from nearshoring.

> Most European countries don't have their own textile hub so they are all importing their material and that is a big deterrent in nearshoring. So that adds to the timeline. The whole purpose of nearshoring is defeated if you're importing fabric and waiting for 30 days.

The Textile Company described that many nearshoring countries do not have their own textile hub within their country and has to source raw material from other countries. This creates yet another juncture in the supply chain which can add to the lead time and thereby deters one of the largest advantages of nearshoring, quicker lead time.

The company upholds sustainability standards, encompassing key aspects such as chemicals, water usage, and gender equality. Regular annual audits are conducted to ensure that suppliers meet these criteria. In their sustainability report, the Textile Company identified a four percent non-compliance issue in the environmental category, attributing it to a combination of environmental concerns, with energy sources being the predominant factor.

Highlighting the advantages of nearshoring, the company underscores the proximity to consumer markets for increased flexibility and a reduced carbon footprint by producing closer to the home market. While acknowledging the difficulty in foreseeing all risks associated with nearshoring, the Textile Company identifies two major concerns based on past experiences in textile production – human rights issues and the potential for high prices are perceived as significant risks.

4.2.2 Supplier 1

The supplier's high season is featured during winter and their low season is during summer as the company creates knitwear. It argued that their main strategy and target is quality, although environmental sustainability is an upcoming dilemma that is starting to become part of the current agenda. The company has certificates such as Better Cotton Initiative (BCI) and Oeko Tex which audits the factory every three years. Although, it explained that there are only a few clients who are concerned about the environmental effects of production at the moment. The supplier highlighted that the government in Morocco does not give it any incentives towards becoming more environmentally sustainable, which makes it hard to finance such transitions. However, the supplier manages its waste according to standard and it uses special filters to filter out their fuel usage. The supplier also described that knitwear, in general, do not use that much water in production and make the water management not as necessary. Additionally, if a customer would ask for yarn with sustainable certificates, that would be arranged. The supplier does not have any plans on working more with environmental sustainability in the future, but if a customer would ask for it, it is happy to oblige. Although, the supplier stated that water treatment is something it would need financial help with if a customer would ask for it, as it is very expensive.

The supplier is looking to supply the countries of Scandinavia in the future. It had not heard of nearshoring but was positive towards the initiative when it was described. Supplying Scandinavia is seen as a business opportunity to make profit, since the region generally consists of cold countries and requires lots of knitted clothing. It also believed that Scandinavia would suit them well since it had worked for more than 25 years with Germany and shares the German mindset, which it felt is similar to the mindset in Scandinavia. The supplier shared their view on Moroccan production.

> I don't see any cons with producing in Morocco more than, if you work with a bad supplier then the relationship will be bad. But that is something that can happen anywhere.

The supplier highlighted that there should not be any cons for a European buyer to produce in Morocco as lead times are faster and there is more flexibility than Asia, since they are a nearshore country. Although, the supplier pointed out that there can always be side effects to reshoring if you end up with a bad supplier.

4.2.3 Supplier 2

Supplier 2 explained that it stays up to date with technical innovations and industry trends by regularly going to fairs and catwalks, but also through communicating with the manufacturers of industry machines. The company wants to create sustainable fast-fashion and currently has many certificates of sustainability. These are ICS, Sedex, SMETA, Global Recycled Standard, BCI, RCS, Organic 100 content standard and lastly, BSCI. Their largest environmental problem is, presently, waste management, water management and sustainable energy sources. These are processes that the supplier wants to work with in the future to become more environmentally proficient. In order for the supplier to work towards this, it will need to change buildings so it can focus on water management and solar energy. This is something that, initially, will be expensive but it will also be more profitable towards the end. Additionally, according to Supplier 2, the government of Morocco offers financial incentives towards processes or new technologies to promote sustainable production in the country.

The supplier believed that in the future, the best market for Supplier 2 is Morocco, as it is the most profitable there. Moreover, the factory did not especially plan on producing garments for any other countries in the future but wants to keep focusing on Morocco. The supplier had not heard of the term nearshoring but was positive towards it when it was explained. It is open to producing for Swedish buyers as it likes the Swedish mindset. The supplier explained that, in fashion, the mindset includes comfortable, easy and sustainable garments and it claims to share that way of thinking. The supplier believed that Swedish buyers could help guide production in Morocco towards more sustainable ways of producing.

> Sustainability is quite a new thing in Morocco. So we need leaders that push us to think in a different way. As Sweden has a lot more experience within sustainability and this can push Morocco towards being more sustainable.

Supplier 2 explained that it is open to work towards higher sustainability standards in order to be able to produce for a European country like Sweden. Although, it would need some support, such as financial and informational support, to be able to achieve the final goal. The supplier saw both advantages and disadvantages with nearshoring between Sweden and Morocco. It is, first off, beneficial to be close to the market. Secondly, it believed that the Moroccan market is more flexible than Asia and Turkey. The price was seen as a challenge as it is slightly more expensive to produce in Morocco. However, this price difference is around one to two Euros. The supplier did not see any specific cultural barriers, the question was more about the different levels of sustainability needed to satisfy both parties.

5. Analysis & Discussion

This chapter will analyze the empirical findings in order to discuss the advantages and disadvantages of nearshoring in a low cost country in North Africa. The factors identified will be analyzed through the thesis by applying the cost-risk-value theory in order to determine whether it would be beneficial for textile companies in European high-cost countries to relocate production to low-cost countries in North Africa.

5.1 Cost - Risk - Value

5.1.1 Balancing Costs, Sustainability & Human Rights Issues

Supplier 1 described that there should not be any disadvantage with relocating production to Morocco. The Textile Company explained that it sees both tangible and intangible cost gains from nearshoring in the supply chain, through freight. When production is located closer to the market, companies can benefit from lower transportation expenses, as shorter distances result in reduced shipping and logistics costs. This cost-saving aspect is particularly beneficial for companies that previously relied on offshore production, where long shipping distances and associated expenses are incurred (Tam & Lung 2022).

The Textile Company emphasized that it continues to manufacture a significant portion of its products in Asia due to the cost advantages associated with offshoring. Prices in Asia remain considerably more competitive than those in Europe and nearby countries. Additionally, the company benefits from tariff advantages in Bangladesh, where a substantial portion of their production is localized. This advantage is deemed significant for maintaining profitability. Furthermore, the company underscored that nearshoring is only as lucrative as offshoring when products are sold at their full price. According to the authors, this statement implies that products must be sold at the company's existing full price, which is determined by the costs linked to offshoring, in order to maintain profitability. However, the company has not explicitly addressed the potential for price increases with a shift to nearshoring.

From a business economics perspective, the company's statement indirectly suggests a need for price increases on products when transitioning to nearshoring. The alternative to this would be for the company to maintain its pricing despite increasing costs, leading to reduced profit margins. Therefore, facing difficulty in offering discounts, greater demands would be placed on the company to anticipate market needs, ensuring that, in the absence of sales, it does not incur high costs. In the event of unsold inventory, the alternatives would either be selling the goods at a loss or covering storage expenses.

One of the key advantages of nearshoring, as described by Supplier 1 and 2, is increased flexibility and responsiveness to demand uncertainty by being closer to the market. This type of agility in the supply chain can lead to reduced lead times and faster time-to-market, which will allow companies to meet customer demands more effectively (Cagliano et al., 2012; Tam & Lung 2022). The Textile Company agrees and emphasizes that proximity to the consumer's market increases flexibility in the supply chain. Possibly, a price increase may not need to occur with the same profit margins as offshoring, as the company would have better capabilities to adjust its production volumes based on sales volume or market estimates.

The prospect of being unable to offer product discounts may be viewed positively from a sustainability standpoint. By not offering discounts and sales it can contribute to sustainability by discouraging overconsumption and promote a more mindful approach to purchasing clothes. When products are sold at their full price, it reduces the incentive for consumers to buy more than they need and impulsive purchases. This would, in turn reduce waste caused by impulsive purchases and the overconsumption of clothing. Additionally, maintaining regular prices can encourage a shift towards higher-quality and longer-lasting garments which promotes a more sustainable and ethical textile industry.

However, the question arises as to whether such an advantage outweighs the drawbacks associated with producing at significantly reduced profit margins. This likely varies depending on the company. Concerning larger textile enterprises with established offshoring practices, it can be assumed that a cost increase as mentioned by the Textile Company, implies raising prices with the aim of enhancing profit margins. A different assessment could apply to smaller companies lacking established offshoring methods and consumer expectations for low prices. Brand image is also a significant factor. For instance, if a company already has a well-known brand associated with low prices, it becomes challenging for the company to justify a price increase to its customers. Transiting to nearshoring in this scenario would require the production costs to approach those associated with offshoring. Alternatively, a price increase can be justified in relation to consumer expectations.

In summary, the authors argue that the statement made by the Textile Company in this context implies that a shift to nearshoring will result in price increases for goods. Consumers must be prepared to pay a higher price for the product, as lower prices would not cover the increased production costs. The disadvantage of having to sell at the low full price set during offshoring arises because consumer behavior is often characterized by shorter product life cycles (Hilletofth & Hilmola 2008) and frequent sales. Coping with current market trends of rapid changes and promotions requires companies to take active measures. This could involve reducing nearshoring costs or justifying a price increase under these circumstances.

However, for a high-cost European company seeking cost efficiency, outsourcing to a northern african country, such as Morocco, could present a strategic solution. As mentioned before, Morocco may offer competitive advantage in terms of other factors. Despite higher production costs compared to competing production countries, a European company could potentially reduce its shipping costs by nearshoring in a North African country. This, in turn, could mitigate the overall cost increase resulting from higher production costs.

Supplier 2 emphasized that it is slightly more expensive to produce in Morocco compared to their competitor Turkey, although the price difference is approximately one Euro per piece of clothing. The production prices are also higher in Morocco compared to Asia with around two Euro per piece of clothing. However, nearshoring could still contribute to economic viability. Companies can achieve cost savings by using the lower labor costs in low-cost countries rather than using their own country for production. Cagliano et al. (2012) argues that this cost advantage can help enhance profitability and competitiveness in the market.

Considering a scenario where a company aims to produce in a high-cost European country, a nearshoring option in Northern Africa proves to be profitable in terms of labor costs. However, as mentioned earlier, labor costs in a country like Morocco would entail higher expenses compared to both Turkey and the typical offshoring destinations like Asia. Similar to the discussion above on costs and savings achieved through the Textile Company's offshoring, the results of this study suggests that moving production to a low-cost country in Northern Africa would be more expensive for the high-cost European country.

Due to the direct cost increases that would follow a switch to nearshoring in low cost countries in North Africa, from for example Turkey or offshoring countries, the question arises whether any advantages can be found to such a decision. Applying the Cost-Risk-Value theory, these increased costs could, however, signify expenses aimed at enhancing certain values within the company or minimizing risks. Thus, the question is whether nearshoring in a low-cost country in North Africa entails elevated values and/or reduced risks for a high-cost European country.

Initially, the direct benefits that follow from a North African Country's geographical location in relation to Europe should be emphasized. Particularly concerning the supply chain, the geographic position generally implies lower risk of interruptions or delays in deliveries. However, it is important to note that a risk associated with transitioning to nearshoring is that supply chains in, for example, Morocco may not be as established as those in traditional offshoring destinations, potentially neutralizing the advantage of the geographical location to some extent. Still, regarding exceptional circumstances, such as pandemics or armed conflicts, the geographic placement seems to be an advantage in minimizing the risk of delays or interruptions in the supply chain, which could outweigh increased production costs.

The same applies to the environmental sustainability advantages associated with a geographically closer production country. Not only does it result in lower emissions and consequently reduced shipping costs, but companies can also leverage this in their marketing efforts to establish a more sustainable brand, potentially generating value within the company, such as expanding the customer base. With the increasing environmental awareness, such an initiative may lead to increased future revenue as more consumers opt to patronize sustainable companies.

Without a deeper look into the requirements set by the supplier and Textile Company when selecting a new partner, it is difficult to foresee the suitability of Moroccan suppliers producing for Swedish companies. It is worth considering that Morocco is presently a relatively small player, globally, in the textile industry, and investments might be necessary to enhance production quality. While such investments involve increased short-term costs, they could potentially serve as drivers to reduce expenses for production and shipping in the future.

Supplier 2 stated that it sees risks with sustainability. Waste management, water management and clean energy are highlighted as the three major sustainable implications for the supplier at the moment. Within the Cost-Risk-Value theory it is emphasized that there is importance in identifying, assessing and managing such risks in order to minimize a potential negative impact on the buyer. Supplier 2 explains that it needs to invest more in sustainability and it seems apparent that Morocco has to keep implementing more changes in the industry to work towards a sustainable environment. Both suppliers expect help and support to meet sustainability standards from the Textile Company. This places a significant financial responsibility on the Textile Company which could represent higher costs. However, if the company is willing to finance this, it can lead to long term benefits such as enhanced sustainability and increased customer satisfaction which generates both value and potential to increase revenues.

A potential risk with nearshoring is human rights issues. The Textile Company highlights that this is one of the main issues it has faced in the industry. However, it could not foresee any other tangible risks with moving production to Morocco. Because of these risks, companies must be vigilant in ensuring that labor standards and worker rights are upheld in the nearshoring countries they choose. Ethical sourcing and responsible supply chain management become important to avoid exploitation of labor and ensure fair working conditions (Teixeira et al., 2018). If wages do not meet the current standards, this could lead to serious consequences, including damage to the company's reputation. As awareness of ethics is growing in the supply chain, there is a higher chance of scrutiny from stakeholders like customers, investors, and interest groups. This can greatly impact the company's brand image and long-term sustainability, potentially leading to issues like loss of sales.

According to a report from the Danish Trade Union Development Agency (2023), Morocco seems to be taking some important steps towards addressing wage concerns. On the other hand, it is difficult to apply this data to specific industries and bears further investigation. The responsibility demonstrated by Morocco in addressing these concerns is noteworthy, but the specific impact on various sectors remains unclear.

In the nearshoring case, the risks are somewhat minimized as the Textile Company already has a well-established brand and it prioritizes maintaining high standards. As this is a time where human rights issues are a growing concern, it is especially crucial to consider the ethical factors. Therefore, ignoring these factors would be unwise for a European Country, sourcing within North Africa, as it could risk damaging the company's reputation. This is a main risk associated with changing a sourcing strategy or engaging with a new supplier.

5.1.2 Long-term Relationships & Lead Time

One common aspect highlighted by the Textile Company, Supplier 1 and 2 is the emphasis on establishing long-term relationships. The Textile Company states that it rarely searches for new suppliers and prioritizes maintaining long-term partnerships. This preference is driven by shared goals and values, particularly regarding sustainability. Both suppliers also emphasize the importance of long-term relationships, highlighting the need for a deep understanding of the customer's business and production requirements. This suggests that all companies value stability and reliability in their supply chains. A long-term partnership can, according to Prajogo & Olhager (2012), contribute to building trust and ensuring consistent quality and delivery. For the Textile Company, its long-lived relationship with their Asian suppliers for almost 20 years attests to the importance they attribute to keeping connections. Additionally, the Textile Company explained the importance for it to continue this business as it feels responsible for the factories and workers there. This contributes to the fact that a long-term relationship extends beyond mere business transactions; it reflects a sense of responsibility toward the factories and workers involved in the production process.

However, establishing new relationships with suppliers poses potential risk. The Textile Company and Supplier 1 both agree that companies may face difficulties in finding reliable and capable suppliers in nearshoring countries, as they need to build new partnerships and assess the supplier's ability to meet their production requirements and standards. The Textile Company describes that establishing trust and ensuring a shared vision of sustainability and quality standards between the company and the new suppliers are critical factors for successful nearshoring initiatives. It is not only the Textile Company that sees risk with new relationships. Supplier 1 also emphasized the importance of creating long-term relationships since there is a prominent time layer to understanding a new company's core value and needs. These are important factors to consider in order to fully satisfy the company's production requirements.

The complexities of long-term relationships within nearshoring are multifaceted. While it fosters stability and mutual trust, ensuring the delivery of high-quality products, the necessity to respond quickly to market fluctuations compels companies to form new relationships. This unexplored area highlights the importance for companies to think carefully when exploring new areas as an effect of building new and long-lasting relationships in nearshoring.

Lead time was another theme that was frequently raised during the interviews, unveiling insights into the pertinent world of nearshoring. The Textile Company provided a nuanced perspective on how the lead time differentiates from market to market. For instance, the shipping time for orders originating from Bangladesh to reach Gothenburg spans a considerable 10 to 12 weeks. In contrast, Supplier 1 and Supplier 2 offered valuable insights on how the lead time differs, depending on what styles are needed and how large the order quantity is. Although, both suppliers hold an average lead time of between five to eight weeks. The difference in lead time between Bangladesh and Morocco stands out as an important advantage in favor of nearshoring, where the proximity of production locations facilitates faster lead times.

A distinctive challenge highlighted by the Textile Company was that many suppliers in and around Europe lack a textile hub within their borders. This absence of a hub introduces the complexity of importation of materials from other countries which further introduce a logistical intricacy in the form of shipping processes. However, the insights gathered from Supplier 1 and 2 shows that the suppliers have strategically navigated the issue. By using a large network of material suppliers, spanning countries like Turkey, Spain, Italy and their own home country, Morocco, the suppliers ensure that they have a wide arrange of material suppliers. This indicates that they have an established network of suppliers to choose from, which reduces the suppliers dependency on one single source. In turn, this would mean that they have the possibility to stand against potential disruptions in the supply chain due to geopolitical issues in specific regions. Additionally, with a wide arrange of material suppliers, can the supplier offer the buying company a variety of materials to choose from, which contributes to flexibility. This enables the supplier to be better adapted towards market demand fluctuations.

On the other hand, the use of material suppliers in other countries gives an extra complex layer through the shipping process. The geographical range of material suppliers may enhance the variety and quality of materials, however it also elongates the lead time due to shipping logistics. Careful consideration of the nearshoring initiative is therefore needed to foresee whether the process actually advantages the company or deters the process of nearshoring.

5.1.3 Sustainable Supply Chain Management

For the Textile Company sustainability emerges as a key aspect in the process of supplier selection. It places importance on environmental sustainability standards encompassing aspects such as chemical management, water management and other sustainability issues concerning, for instance, gender equality. The Textile Company identified energy source as the largest non-compliance issue amongst their suppliers, which has a pivotal role in sustainable energy practices in the textile industry. Tackling this environmental sustainability challenge holds the potential for substantial enhancements in the supply chain.

Supplier 1's primary focus is the quality of its garments, however, it described that environmental sustainability is emerging as a growing concern. Both Supplier 1 and Supplier 2 work with certifications, like Better Cotton Initiative, BCI and Oeko Tex, and demonstrate an initial commitment to environmental sustainability standards. Supplier 2 identifies waste and water management and sustainable energy as its key environmental challenges. Supplier 1 faces challenges in pursuing environmental sustainability due to a lack of government incentives and financial constraints. Supplier 1 and 2 clearly disagreed about the financial incentives offered by the government in order to stimulate sustainable production within the country. Supplier 1 describes that there is no funding to be received, whereas Supplier 2 highlights that there actually is funding towards the sustainable goals in the industry. A possible explanation for the divergent responses regarding incentives for sustainable development may be a potential language barrier leading to the misinterpretation of the inquiry. Despite the authors' efforts to rephrase the question for clarity, the responses persisted unchanged. Alternatively, the explanation for the divergent responses could be ascribed to one respondent's established proficiency in sustainability incentives, indicating a higher level of knowledge of the subject. This distinction arises from the observation that one supplier remained more current in adopting new technologies and securing sustainability certifications, whereas the other supplier displayed a comparatively lesser degree of commitment, and only implemented changes when requests arose.

To better understand the varying responses, the authors found a sustainable development report spanning two decades in Morocco. This report documented the allocation of both private and public funding towards the establishment of a green economy (Department of Environment 2012). The report outlined events from 1992 to 2012, though it lacked specificity regarding the nature of the funding. Despite divergent responses, antecedent research suggests that Supplier 2's assertion is likely accurate, indicating the continued availability of grants. It is imperative to note, however, that the cited source is dated, and the authors cannot ensure the present-day validity of the provided information.

As mentioned above, all three parties prioritize long-term relationships and the Textile Company emphasizes the importance of sharing common goals and values with the supplier. When the shared goals and values of the purchasing company and the supplier are harmonized in the realm of sustainability, it can emerge as a significant advantage. It could not only promote the development of a more environmentally friendly supply chain, facilitated by the proximity between the buying company and the supplier, but also foster a more sustainable production.

In conclusion, the perspective highlights a complex landscape where sustainability is evolving, influenced by customer demands, regional opportunities, and governmental support. The willingness to adapt to customers requests and the recognition of potential challenges in a shift to nearshoring needs to be evaluated thoroughly, and it is required that both parties align with sustainability goals in order for it to become an advantage.

5.2 Advantages & Disadvantages with Nearshoring

The framework used in this thesis is mainly based on a theoretical model in economics, concepts regarding SSCM, and a comparison between nearshoring and offshoring. The cost-risk-value theory and central concepts are useful for a further discussion on the subject and the comparison between nearshoring and offshoring is crucial to initially distinguish the factors to which the theory and concepts are to be applied.

Initially, it can be stated that nearshoring and offshoring have emerged as prominent strategies for companies seeking to optimize their supply chain. The process of nearshoring involves relocating production or services to nearby countries or regions, while offshoring refers to the relocation of operations to distant countries, often characterized with having lower labor costs. Both strategies offer unique advantages and challenges that need to be evaluated.

Offshoring often provides a cost advantage due to lower labor and operational expenses. However, hidden costs such as transportation, communication, and infrastructure may offset these initial savings. Nearshoring may involve higher labor and production costs but offers benefits such as reduced transportation costs, shorter lead times, and improved communication due to proximity. While well-established collaborations in Asia traditionally support ongoing offshoring practices, it is crucial to consider uncontrollable external factors, such as the disruptions caused by the Covid-19 pandemic. This presents a driver to explore new production countries to minimize the risk of delay and external disruptions in the supply chain. Production closer to Europe can therefore be seen as value-creating, despite higher initial costs, making opportunities in North Africa a relevant alternative. The consideration of Morocco as a production country by the Textile Company may be due to an established textile production with established contacts for importing textiles and accessories, even in the absence of textile hubs in the country. It minimizes the risk of increased lead time and possibly increases control for the Textile Company. The argument based on lead time and supply chain risks stems from a cost perspective. To some extent, the relocation of production can also be about improving sustainability aspects. However, the empirical findings suggest that costs have primary significance. While higher costs are typically viewed negatively short term, they can lead to long-term advantages, in terms of creating value. For instance, investing in committed sustainability initiatives may initially be expensive, but it can ultimately strengthen a company's brand image, resulting in positive outcomes for the company. The main fact supporting the prioritization of cost is that the Textile Company's idea of production in Morocco resurfaced in the aftermath of the Covid-19 pandemic, the significant delays it caused, and the substantial losses companies in general suffered due to delays during that period. It should also be emphasized that there is now an economic value in improving the company's perception of sustainability and applying it in practice. A move to Morocco, which according to the Textile Company roughly cuts their lead time in half, can generate value in terms of reduced emissions. Thus, even increased actual costs can be compensated through better PR (*Public Relations*), resulting from the company becoming "greener."

Offshoring introduces risks associated with cultural differences, political instability, and supply chain disruptions caused by long distances. Nearshoring, on the contrary, mitigates some of these risks by operating within closer proximity, resulting in better control, faster response times, and reduced exposure to geopolitical uncertainties. The suppliers in this study argue that a shift in production to Morocco might eliminate these risks. However, it is worth mentioning that the suppliers' perspective on this matter must be criticized from a commercial perspective. While there are geographical advantages, significant cultural differences between Morocco and Sweden are evident. Necessarily, the proximity to Europe does not itself imply a smaller cultural gap between Sweden and the production country. Although these aspects do not directly impact production or other parts of the supply chain.

In general, value creation is a crucial factor in purchasing decisions. While cost reduction is often a primary focus, organizations must also evaluate the non-financial value generated. For instance, nearshoring can increase value through improved customer service, product quality, and innovation due to increased collaboration and better adaptation to local markets. The results do not directly allow the authors to draw concrete conclusions about how suppliers or the Textile Company perceive customer service in these respects. However, indirectly, it can be observed from the suppliers that they believe they provide their customers with good customer service and intend to stay updated in terms of innovation. Although suppliers consider themselves to have high product quality, this cannot be discussed within the scope of this thesis as there is no comparative material from a factory in an offshoring country. However, further studies on differences in innovation and product quality could be of interest to further illuminate value creation factors. On the other hand, offshoring can provide access to specialized expertise and larger labor pools, enabling economies of scale and promoting global market expansion. It appears that offshoring countries still are ahead in terms of innovation and workforce, likely due to their significant market share.

Integrating sustainability into the supply chain is necessary in the current era. Organizations are increasingly expected to prioritize environmental responsibility and human rights issues. Both nearshoring and offshoring strategies have sustainability consequences. Nearshoring can contribute to reduced carbon emissions, improved energy efficiency, and support for human rights issues. However, offshoring must address issues related to social and environmental effects, such as working conditions, waste management, and ethical procurement practices. This raises the question why companies have not chosen nearshoring earlier. The emerging pattern suggests that costs have been the determining factor. Previously, it was not considered economically advantageous to relocate established and predictable production to start over, especially considering the importance that the Textile Company emphasizes on maintaining long-term relationships with its suppliers.

The potential for profit in countries closer to Europe is becoming more topical, and the significance of a sustainability profile is being recognized in consumer decision-making. According to the author's assessments, this can lead to smaller price differences. Referring to what has been stated above about the Covid-19 pandemic as the triggering factor for a possible relocation, there may also be other motivations behind nearshoring, which, according to the authors, could be to achieve a sustainable supply chain/management.

In summary, by considering the multiple dimensions within nearshoring, organizations can optimize their supply chain while making significant contributions to sustainable development as well as creating value-adding processes for the company. The increasing labor costs that come with nearshoring can be balanced by value-adding, such as sustainable advancements and risk minimizing, such as supply chain disruptions being neutralized by flexibility. According to the cost-risk-value theory, it is possible that a North African, low-cost country could be a relevant sourcing option for a European high-cost country.

6. Conclusion

The disadvantages of nearshoring include challenges related to cost factors such as elevated labor- and production costs as the cause of a shift from established offshoring practices. Additionally, financial assistance, required by suppliers to meet environmental production standards, could increase initial costs for the company. Long-term relationships may influence a sourcing country's decision towards sourcing. This can be seen as a disadvantage as most companies value a long-term relationship and nearshoring entails using a new supplier. However, the elevated production costs can be offset by the enhanced flexibility associated with nearshoring, along with the ability to more readily adapt to market demands.

The advantages of nearshoring, like sustainability aspects, can not be overlooked. Choosing a production country in a North African country like Morocco can lead to environmental sustainability advantages, such as reduced transportation, lower environmental impact, and a more sustainable production process, meeting increasing demands for sustainability practices. Furthermore, this can advantage a company's brand image, potentially leading to greater revenue.

In conclusion, nearshoring offers advantages like increased flexibility and potential sustainable development that can add value for the company. Yet, the initiative comes with risks or disadvantages related to increased labor and production costs, financial assistance for environmental standards, human rights issues and bad supplier relationships. The decision-making process, when nearshoring, should carefully evaluate the cost, risk, and value factors and weigh the three factors against each other in order to find out if nearshoring is a relevant strategy. These findings contribute to a broader understanding of the advantages and disadvantages of high-cost, European textile companies exploring nearshoring initiatives in low-cost countries in North Africa, providing insights for decision-making processes in similar contexts globally. The insights gained from this study can inform decision-making processes and assist other European countries in similar contexts in making informed choices when selecting production locations.

7. Future Research

This study will contribute to an increased understanding of nearshoring opportunities in low-cost countries. Future research could aim to further develop understanding about several different areas. First of all, future research could be made between nearshoring and traditional offshore production in terms of cost, risk and value. This study has primarily focused on nearshoring as an alternative to offshoring but more intricate research should be made upon the exact advantages and disadvantages between different sourcing locations. Additionally, the study emphasized the importance of sustainability and environmental considerations within the textile industry. However, an assessment of sustainability practices in the different countries should be made more intricately as to discuss the differences more precisely. For example, this could involve analysis of water consumption, waste management, energy usage and carbon footprint.

Further research should also explore the relationship between supplier and buyer in order to contribute to successful implementation of supplier-buyer relationships in the context of nearshoring. There are potentials in exploring different strategies for communication-enhancement, trust-building and how these impact supply chain stability. Lastly, a case study of the same nature and structure should be made in the future with a larger group of suppliers and buyers to enhance the findings of this study.

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9. Figure Reference

Figure 1

Van Weele, A. & Rozemeijer, F. (2022). *Procurement and supply chain management.* Andover: Cengage Learning.

10. Appendix

10.1 Textile Company Interview Guide

Introduction

1. Are you okay being recorded?
2. Are you okay with us publishing your name?
3. What is your role/job title in the company?
4. How long have you worked for the company?
5. How long have you worked in your current role?

Questions about ordering:

1. How large are your usual ordering quantities? Can you give an example on a low order number and a high order number when it comes to quantities?
2. How far in advance do you usually order?
3. How much of your costs goes towards shipping and freight?

Questions about Sourcing:

1. What is your general sourcing-strategy?
2. Is there something in your sourcing strategy that you would like to change?
3. We've understood that you don't have any in-house production. Why is that?
4. Have you heard about the concept of nearshoring?
5. How does the company feel about the concept and have you ever considered it in your sourcing strategy?
6. Why is most of your production situated in Asia instead of in Europe, as your business is situated in Europe?
7. Have you ever considered Morocco as a production country? *Why yes/no?*
8. Is Morocco a country you could consider producing in the future? *Why or why not?*

Questions about Suppliers:

1. Are you often in search of new suppliers or do you generally use the same ones?
2. When choosing your suppliers, which is the most important factor to take into account? For example: Price, Quality, Sustainability?
3. When choosing suppliers, what are your environmental sustainability standards?
4. *How do you perform your factory audits, and how often?*
5. *Are there the same amount of audits per supplier?*
6. Which suppliers are at the top of the environmental list and in which countries are they situated?
7. What are your current production costs, and have you analyzed the potential cost savings of nearshoring?*(What are the quality standards you are looking for, and how does nearshoring impact the quality of the products?)*
8. If you are familiar with the concept nearshoring, what are the potential risks you see with it? And how do you plan to mitigate them?
9. How can developing countries benefit environmentally from producing for a Swedish textile company?
10. What are the environmental impacts of your current supply chain, and how might nearshoring address these concerns?

11. In your sustainability report it says that you have decreased your emissions by 58%. This number was the same in 2021 as in 2022. Why has it not decreased even more during those years? What are your future plans in decreasing the emissions even more in the buying department?
12. Out of your non-compliance criteria that is written in your sustainability report, environment is 4% of the issue, what are the exact issues here?

Finish:
1. Is there anything you would like to add or say?

10.2 Moroccan Suppliers Interview Guide

Introduction
1. Are you okay being recorded?
2. Are you okay with us publishing your name?
3. What is your role/job title in the company?
4. How long have you worked for the company?
5. How long have you worked in your current role?
6. How many employees work at the company?
7. How old is the company?
8. What is the company's general business strategy? Where is the most focus, in sustainability, price, quality, etc? Would you say your work process is lean or agile?
9. Are there any particular types of garments or textiles that your company specializes in producing?
10. How do you stay up-to-date with industry trends and advancements in technology?
11. What does your work process look like from start to finish with a customer?

Questions about ordering:
1. How much production capacity do you have?
2. How large are your usual ordering quantities? Can you give an example on a low order number and a high order number when it comes to quantities?
3. How far in advance do your customers usually order?
4. What is the lead time?

Questions about Nearshoring:
1. Have you heard about the concept of nearshoring? What is your general thought about it?
2. Which countries do you export to at the moment? And which do you export most and least to?
3. Which countries are you looking to produce garments for in the future?
4. Are there any in close proximity?
5. How many suppliers do you have of materials?
6. Are there any incentives or benefits offered by the Moroccan government to encourage nearshoring?
7. Have you ever considered Sweden as an export country?
8. What would it mean for you as a company and for Morocco as a country if you were able to produce for a Swedish textile company?

9. In your words, what are some pros and cons for a European buyer to produce in Morocco?
10. Are there any challenges you anticipate in terms of cultural differences, language barriers, or legal requirements when working with a Swedish textile company?
11. Which country do you consider to be your largest competitor?

Questions about Sustainability:

1. What are your environmental sustainability standards?
2. What are your largest environmental issues at the moment?
3. What is the problem with waste management?
4. How will you work with environmental concerns in the future?
5. How can developing countries benefit environmentally from producing for a Swedish textile company?
6. What differentiates you as a supplier compared to a supplier from Asia for a customer based in Europe?
7. From where do you purchase your materials?
8. *When you are looking for customers, what do you focus on?*
9. Are you looking for long or short term relationships with your buyers?

Questions about Logistics:

1. How do you usually ship?
2. How would nearshoring impact your company's supply chain, particularly with regard to transportation and logistics?
3. Do you have the capacity to comply with additional certifications if there will be such expectations from the buyer? If not, what kind of support would you expect?

Final:

1. Is there anything you would like to add or say?

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