ASSET CONFIGURATION, KNOWLEDGE DEPENDENCY, AND RELATIONSHIP SAFEGUARD: THE ROLE OF COMMITMENT IN HIERARCHY MECHANISM AS ANTECEDENT OF OPPORTUNISM UNDER DEMAND UNCERTAINTY

By

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ABSTRACT

Title of Dissertation : Asset Configuration, Knowledge Dependency, and Hierarchy Mechanism as Antecedent of Opportunism under Demand Uncertainty

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This study focuses on issues a firm will face when it decides to enter into international markets by engaging in an international joint venture (IJV) with a local partner. Investors are concerned about the benefits it will get from the investment, and how to protect itself from or mitigate any opportunistic behavior from its partner.

Opportunism is difficult to detect, especially when the IJV is under high demand uncertainty. By the time opportunism is recognized, it would be too late for the other partners to recover from related loss and damage. Commitment and opportunism are highly negatively correlated. This research also introduces the relationships between independent variables; i.e. asset configuration (asset specificity and asset pattern), knowledge dependency (knowledge acquisition and knowledge value), and relationship safeguard (legal safeguard and social safeguard) and commitment, and relationship between commitment and opportunism. Moreover it proposes that the model be tested by initiating commitment as an independent mediator, and also introducing demand uncertainty as a moderator of these relationships.

The research model is based on several international business theories, including Transaction Cost Analysis, Resource-based Theory, Internalization Theory, Inter-organizational Learning Theory, and Commitment Theory. The primary finding demonstrates that investment of an idiosyncratic asset in an IJV is positively related to the commitment by that partner. In practice, IJVs take the form of vertically integrated or horizontally expanded ventures. Only vertical integration is included in this study. The higher the degree of integration of the partner is, the stronger the commitment of that partner will be. In addition, this report presents the effect of the
environment, strategy and structure congruence on the level of the partner’s commitment in the IJV.

One of the objectives of a partner in an IJV is to acquire knowledge from its other partners. This research proposes that commitment of one partner will be lower when that partner acquires more knowledge from the IJV or other partners than when it does not. On the other hand, a partner's commitment will be higher if it highly values the unlearned knowledge.

Historically, the basic method that had been used to mitigate the opportunism of each partner was to use written agreements or social safeguards between the partners. This study has been revealed that the implementation of more rigid legal contracts is insignificantly associated to commitment of partners and, on the contrary, close and synchronous social relationships significantly enhance such commitment. It is also proposed that the above relationships change when the IJV is confronted with different volatility of demand uncertainty.

From studying the mediating role of commitment, this research finds that knowledge acquisition is positively related to opportunism, having commitment as the full mediator in overall sample. Social safeguard and opportunism also reveal a negative relationship, having commitment as the partial mediator in overall sample, and the full mediator under high demand uncertainty. Knowledge value and opportunism show negative relationships, and legal safeguard and opportunism show positive relationships under high demand uncertainty, when commitment is the full mediator.

Further studies of the moderating effect on the relationship have shown that there are moderating effects for the relationships between knowledge acquisition and commitment, legal safeguard and commitment, and commitment and opportunism. The relationships in an IJV change significantly when the IJV is under high and low demand uncertainties. The turning points of these relationships that are suggested in this research can be used as management tools to monitor and protect partners from opportunistic behavior.

The contributions of this study may assist scholars and policy makers to improve commitment as well as detect opportunistic behavior in advance. Moreover, when an IJV faces uncertainty in the business environment, rebalancing its strategy and structure will enhance commitment and eventually mitigate or deter opportunism.
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Sompote Valyasevi
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