

Asset Configuration, Knowledge Dependency, and relationship Safeguard: The Role of Commitment in Hierarchy Mechanism as Antecedent of Opportunism under Demand Uncertainty*

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Abstract

This study focuses on when firm decides to enter into international markets by engaging in an international joint venture (IJV) with a local partner. Investors are normally concern about benefits they will get from their investment, and how to protect or mitigate any opportunistic behavior from their partners. Opportunism is theoretically difficult to detect, especially when the IJV is under high demand uncertainty. By the time opportunism is recognized, it would be too late for these investors to recover from related loss and damage. This research proposes the model to measure opportunism by initiating commitment as an independent mediator and introducing the effect of demand uncertainty as a moderator. Moreover it tests 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.

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Introduction

Due to high difficulty of entry mode, many firms have come to rely on alliances with multiple partners as strategic necessities for entering new markets, sustaining competitive advantages, obtaining new skills, sharing risks and resources, as well as creating customer value (Inkpen and Beamish, 1997). These alliances are specifically designed to secure, maintain, or enhance a company's long-term competitive advantage, especially under demand uncertainty (Czinkota, 01998).

Under high market uncertainty resulting from either demand uncertainty or technological unpredictability, internalization of the supplier/distributor network through the IJV seems to be the optimum choice because the alternatives of engaging structure via wholly owned subsidiary or greenfield investment are too costly.

This is especially true when firms enter into foreign markets because these firms require higher degree of contribution and commitment from their local partners in order to mitigate any problems arising from "foreignness". Firms also need to achieve synergy in terms of utilization of resources, capabilities, and strengths (Dymsza, 1988), as well as minimize opportunism, which can easily occur in arm-length's relationships.

When the IJV faces with less pressure from demand uncertainty, the local firm that has already acquired sufficient knowledge from its foreign partner is now ready to separate the partnership. Opportunism could easily arise at this stage as one partner tries to take advantage of the other. This means the market mechanism (working by the routine submission of trading transactions to the market) is preferred to a hierarchy mechanism (working by internalizing functions of the supplier/distributor network).

At one level, decision-makers can accept a certain degree of opportunism, if the likely opportunism is not too great relative to the likely production advantages. Safeguards become an important tool in protecting or eliminating opportunism. Safeguards can be divided into two categories; i.e. legal and social. Legal or contractual safeguards are normally compulsory by law. However, it is difficult to write down or cover all concerned points in an agreement. Social safeguards or relational norms, as a result, can secure these loopholes. With proper social and/or legal safeguards, and if a certain amount of resource dependency among the partners exists, opportunism can be minimized.

Long-term commitment depends on the level of commitment among the partners (Allen and Meyer 1990). Some of the benefits of a long-term relationship are: it maintains solidarity and mutuality of interests, expedites conflict resolution, enhances adaptability to changing environments, and economizes learning costs.

From previous studies, the following factors have been identified as root causes of instability, and thus, lower commitment. They are: changes in partners' strategic missions, changes in the importance of the IJV to the parents (Harrigan and Newman, 1990), increases in the competitive rivalry between partners (Kogut, 1989), and changes in the foreign investment climate of the host country (Blodgett, 1992).

Most of the previous research on commitment and opportunism focused on the market mechanism relationship; i.e. supplier-manufacturer-distributor relationship. This paper, however, will conduct an empirical research on the hierarchy relationship (internalization) using IJV as a basis of study.

The main objectives of this study are to examine the strategy and structure compatibility cultivated the efficient alliance and to explore the leading indicators of opportunistic behavior of IJV partners. Leading

indicators of opportunistic behavior are easily measurable and easy to monitor. Commitment, the major criteria of IJV forming, is proposed to be such a leading indicator.

Research Objectives

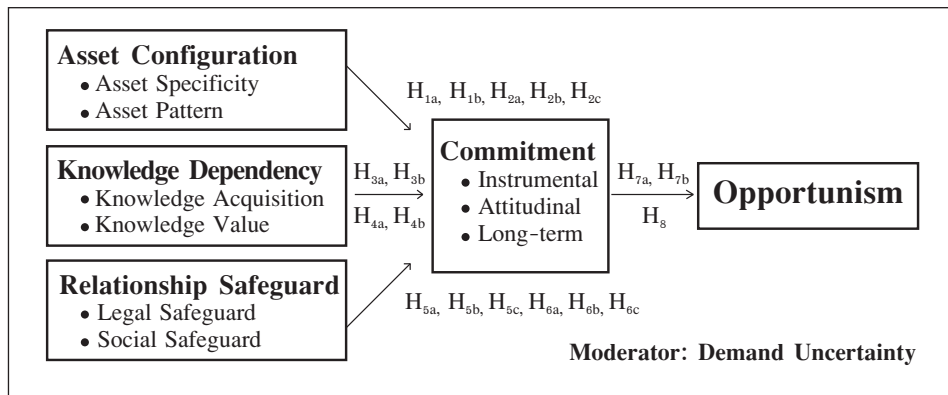
The objectives of this study is to identify: (a) the relationship between asset configuration (asset specificity and asset pattern), knowledge dependency (knowledge acquisition and knowledge value) and relationship safeguards (legal safeguard and social safeguard), and commitment, (b) the relationship between commitment and opportunism, (c) whether commitment is a proper antecedent of opportunism, and (d) whether the relationship changes under different level of demand uncertainty.

Research Hypotheses and Model

This study proposes that a relationship among the following key variables exist. Those variables are: antecedent variables (asset specificity, asset pattern, knowledge acquisition, knowledge value, legal safeguard, and social safeguard), mediating variable (commitment), moderating variable (demand uncertainty), and dependent variable (opportunism), based on the international business theories which are Transaction Cost Theory, Resource-Based Theory, Internalization Theory, Inter-Organizational Learning Theory, and Commitment Theory.

This research compares the impact that each variable has on the model, and the way that these variables interact. This model provides insights of how opportunism and commitment are related, and how commitment, as the mediator, affects the relationships between six independent variables and opportunism. A proposed research model for these relationships is presented in Figure 1.

Figure 1 Proposed Research Model



The Relationship between Asset Configuration and Commitment

Asset configuration is defined as a pattern of IJV establishment, justified by degrees of asset specificity (AS) and asset pattern (AP).

Asset Specificity

Asset specificity refers to the specific resources a firm invested when entering into an IJV relationship. It is considered to be specific if it is principally designed to fit the IJV and would be difficult to redeploy elsewhere outside of the relationship. The effect of demand uncertainty (high and low), as a moderator, on the relationship between asset configuration and commitment is studied here.

Unstable or unpredictable demand has an important impact on IJV relationships, as it changes the dependence structure, and thus commitment, between the partners. Low demand uncertainty refers to growth and mature periods of product life cycle, while high demand uncertainty refers to the introductory (embryonic) and declining stages (Harrigan, 1984; Bradley and Gannon, 2000). Researchers further indicate that firms will be more committed towards cooperation if they feel secured that things are as they appear (Turner, 1987; Ring and

Van de Ven, 1994). On the other hand, prior papers indicated that market change (i.e. high demand uncertainty) is a major cause of international cooperation failure in developing countries. Therefore, the following hypotheses are formulated:

- Hypothesis 1a: The degree of asset specificity invested by each partner is positively related to the level of commitment.
- Hypothesis 1b: The demand uncertainty will moderate the relationship between asset specificity invested by each partner, and commitment

Asset Pattern

Asset pattern refers to the degree of vertical integration of an IJV. Empirical evidence showed that type of uncertainty matters in determining the nature of vertical integration (Krickx, 2000).

Under low demand uncertainty, differentiation among firms' products and services is not necessary (Chang and Zhou, 2004) When firms compete based on price constraint, in order to capture a high volume and secure high profitability, their strategies would focus more on cost leadership through product standardization than on differentiation (Hofer, 1975). With upstream movement, firms enter into a quasi-integration form or hierarchy mechanism with their suppliers (Harrigan, 1883a, b) which enables them to produce at lower costs. As a result, firms must utilize their available resources efficiently to achieve economies of scale, and thus, low cost leadership (Joshi and Stump, 1999).

Under high demand uncertainty, rapid fluctuations in demand conditions aggravate the levels of uncertainty because of difficulties in making an accurate prediction (Skarmeas and Katsikeas, 2002), especially in demand and product forecasting (Chang and Zhou, 2004).

Firms tend to utilize powerful strategies to secure access to revenue sources by producing differentiated goods and service as well as competing on the basis of non-price attributes (Pepall and Norman, 2001). Upstream integration is not a suitable firm structure to use in a high demand uncertainty situation, due to increasing volume information and coordination costs (Chang and Zhou, 2004).

As a result, under different level of demand uncertainty, firms need to formulate different business strategies and structures; i.e. cost leadership strategy and upstream vertical integration structure in low demand uncertainty; and differentiation strategy and downstream integration structure in high demand uncertainty situations. The suitable strategy-structure, thus, leads to a high level of commitment in partnership.

Non-matching strategy-structure, on the contrary, would result in lower commitment, partnership re-negotiation, and finally, relationship termination, especially when partners are faced with a changing pattern of demand uncertainty. The instrumental commitment may not be changed as the specific assets were invested and are nonredeployable. The attitudinal commitment, however, would be lower due to changes in values and objectives of partners, which, in turn, lead to lower cooperation and higher opportunism. Henceforth, the following hypotheses are proposed:

- Hypothesis 2a: The degree of asset pattern (integration) invested by each partner is positively related to the level of commitment.
- Hypothesis 2b: Under low level of demand uncertainty, IJV forming upstream integration will relatively have higher commitment than IJV forming downstream integration.

Hypothesis 2c: Under high level of demand uncertainty, IJV forming downstream integration will relatively have higher commitment than IJV forming upstream integration.

The Relationship between Knowledge Dependency and Commitment

Knowledge dependency refers to the level of knowledge a partner wants to learn from the other partner(s), which could be attributed in two aspects: knowledge acquisition (KA) and knowledge value (KV).

Knowledge Acquisition

By forming an IJV, firms may gain access to the embedded knowledge of other organizations. The level to which a partner could learn from the IJV and/or its partners, is defined as knowledge acquisition in this study.

IJVs are social communities using their relational structure and shared coding schemes to enhance transfer and communication of new skills and capabilities. Learning about the alliance partner is starting from partner selection, business and culture distant, goal congruence, resource complementary, and mechanism control (Lin et al., 1997). Doz (1996) stated that learning is the central to evaluation of an alliance. Normally, the partner that learns may have very different longevity objectives than the partner that provides the knowledge. Partner learning influences the extent of control that one firm can exert over its alliance (Geringer and Hebert, 1989). Partners that can learn quickly are able to acquire other partner skills, leading to less dependency but higher bargaining power (Inkpen and Beamish, 1997). Key factors that contribute to the ability of a firm to acquire knowledge include partner intention, top management commitment, and tolerance for information

redundancy (Inkpen, 1995). To establish an operational presence in other countries, a foreign firm must access local knowledge as a mean of overcoming market uncertainties (Stopford and Wells, 1972). IJV provides low-cost, fast access to new markets to foreign investors by borrowing a local partner's already-in-place local infrastructure and knowledge (Prahalad, and Hamel, 1990).

When a partner acquires sufficient knowledge from the other, such partner's view over another partner shifts from being complementary to being redundancy (Ring and Van de Ven, 1994), and may view the IJV as unnecessary or costly mechanism, leading to lower commitment, instability of IJV relationship, reducing dependency, and tendency to termination (Inkpen and Beamish, 1997; Khanna et al., 1998).

Although those factors may be associated with instability, market/demand uncertainty is considered a significant factor moderating the relationship between cooperation and IJV outcome. The demand uncertainty affects the point of view of cooperation in two folds. First, it enhances the aspiration of learning, and thus, continuance commitment. Second, in some case, it affects the cost of acquiring knowledge; i.e. the acquisition of knowledge under market mechanism may cheaper than using hierarchy. Therefore, the following hypotheses are proposed:

- Hypothesis 3a: The level of knowledge acquisition of each partner is negatively related to the level of commitment.
- Hypothesis 3b: The demand uncertainty will moderate the relationship between the knowledge acquisition of each partner and the level of commitment.

Knowledge Value

Knowledge value concerns a partner's assessment on value of knowledge not yet learnt or acquired by that partner. This is not related to the amount of knowledge unlearnt, but depended on how important that knowledge is in the view of such partner.

A firm involved in an IJV can choose what resources and how much it can devote to gain the other's knowledge. Substantial knowledge acquisition by one partner over time can erode value of the knowledge contributed by other partner, leading to break down of interests and commitment on relationship between the partners (Hamel, 1991).

In the dynamic market arena, alliance partnership changes over time, and learning occurs throughout the evolutionary process. Then the dynamics of learning and partner interactions also continuously change over the course of time. A foreign partner's valuation of local knowledge is influenced by both strategic factors and the strength of the partner relationship. Valuation of local knowledge involves two stages. The first stage occurs prior to a formation of an IJV when foreign partner considers the value associated with gaining access to a potential partner's local knowledge, which, if satisfied, may result in an IJV establishment.

The second stage occurs after the IJV formation. If a foreign partner places high strategic value on access to and acquisition of local knowledge, shifts in relationship attitude (willingness to exchange) become more likely, because it is likely that the foreign partner will not be content with access alone (Inkpen and Beamish, 1997). In contrast, when the foreign partner gains access to local knowledge for such period of time, the question for the foreign partner now becomes whether the already accessed knowledge is already satisfied its expectation, or whether the remaining unlearnt knowledge is valuable to continue the relationship.

When demand uncertainty increases, and IJV faces new threats and opportunities, it is more important for partners to share more valuable resources, cooperation, commitment, capability and so on. Increased cooperation between foreign and local partners would help neutralizing external hazard and overall commitment (Luo and Seung, 2004). In summary, demand uncertainty creates the dependency and commitment atmosphere among partners, and directly affects change in value of knowledge. Hence,

Hypothesis 4a: The level of knowledge value of partner is positively related to the level of commitment.

Hypothesis 4b: The demand uncertainty will moderate the relationship between the knowledge value of partner and the level of commitment.

The Relationship between Relationship Safeguard and Commitment

Relationship safeguard means protection tools imposed between partners of an IJV, in order to preserve interests of partners and bond them together. It was theoretically divided into two forms.

First is legal safeguard (LS), like incentive structures, monitoring mechanisms, and contractual provisions. It is written as contracts or agreements regulated between the partners. Second is social safeguard (SS), like reputations, norms, interpersonal trust, and other internal process. It is presented as unofficial verbal agreements, and psychological practices (Achrol and Gundluch, 1999).

An IJV is initially established with complementary of the pools of idiosyncratic assets. Normally, legal safeguard, through IJV agreements, has prominently played a key role in protecting resource contributions of partners, especially for partners with less bargaining power (Klein, 1995; 1996), prolonging satisfaction and deterring unwanted situation,

including opportunistic behavior. Contracts, to a certain extent, may be able to prevent opportunism (Bucklin and Sengpta, 1993), but are recognized to be incomplete, because not all the states of the world could be covered and written down (Taysen, 2002).

Social safeguard or norms are a unique class of governance mechanism that serves to prescribe commitment and proscribe opportunism in exchange relationship (Macneil, 1980; Morgan and Hunt, 1994). The distinguishing characteristic of social safeguard as a governance mechanism is that, unlike markets and hierarchies, it is an endogenous form of control. Behavior in social safeguard-based relationships is controlled not through incentives (as in market governance) or fiat (as in hierarchical governance), but internalization and moral control (Larson, 1992). Commitment is regulated through a system of mutual and self-regulation (Macneil 1980; Gundlach et al., 1995), which is considered important mechanisms for regulating long-term relational exchanges, increasing commitment, and, thus reducing opportunism.

When an IJV confronts with high demand uncertainty, demand for its own product fluctuates. Manufacturers find it more difficult to plan and schedule its production and subsequently its volume of raw materials requirements. To cope with this, manufacturers prefer market mechanism to hierarchy one, as it provides flexibility that comes with arm's-length dealing with multiple suppliers, without being tied to one. IJV does not provide firms with such flexibility, as once enter into the relationship; partners have to stick with each other until terminated. In this situation, partners' commitment to IJV is lower, and they are forced to stay together by legal contracts only, which would lead to higher opportunism and lower IJV performance.

However, Williamson (1993) suggests that though with contractual

incompleteness, mal-adaptation problems, such as all gaps, omissions, errors, etc., can be cured, if the parties promise to disclose all relevant information, and behave cooperatively, i.e. implementing social safeguard.

Hence, the following hypotheses are proposed:

- Hypothesis 5a: The level of legal safeguard is negatively related to the level of commitment.
- Hypothesis 5b: Under low demand uncertainty, partners applying legal safeguard will have higher commitment than that applying social safeguard.
- Hypothesis 5c: The demand uncertainty will moderate the relationship between the legal safeguard and the level of commitment.
- Hypothesis 6a: The level of social safeguard is positively related to the level of commitment.
- Hypothesis 6b: Under high demand uncertainty, partners applying social safeguard will have higher commitment than that applying legal safeguard.
- Hypothesis 6c: The demand uncertainty will moderate the relationship between the social safeguard and the level of commitment.

The Relationship between Commitment and Opportunism

Commitment plays a central role in successful long-term relationship of IJV. It involves a willingness to sacrifice in short term for long-term benefits (Dwyer et al., 1987). Commitment is associated with motivation and involvement (Mowday et al., 1982), positive affect and loyalty (Kanter, 1972), and performance and obedience to organizational policies (Angle and Perry, 1981). It leads to development of social norms of governance, which are important mechanisms for mitigating opportunism (Macneil, 1980).

Commitment can provide both benefits (reliable, long-term exchange) and liabilities (increased vulnerability to opportunism). The stronger the normative climate of the relationship, the greater the long-term commitment of the parties (Gundlach et al., 1995). When partners have different levels of commitment, there would be conflict, dissatisfaction, and opportunistic tendencies. A more committed party may become vulnerable to opportunism, whereas a less committed partner may be tempted to exploit its advantage, especially under adverse market conditions (Bacharach and Lawler, 1981; Shell, 1991; Anderson and Weitz, 1992; Gundlach et al., 1995; Ross et al., 1997; Achrol and Gundlach, 1999). As per Beamish and Banks (1987), commitment lessens opportunism.

Opportunism occurs when one party forces to renegotiate the original agreement in order to take advantage over other party's commitment (Butler and Baysinger, 1983). Opportunism enhances opportunism and retaliatory behavior (Bacharach and Lawler, 1980; 1981). With lower level of trust, partners will limit or withdraw their commitments over the time. Thus, the following hypothesis is proposed:

Hypothesis 7a: The level of commitment is negatively related to the level of opportunism.

Demand uncertainty is proposed to be a significant factor moderating the relationship between commitment and opportunistic behavior. When demand uncertainty increases, and firms face with new threats and opportunities, it is more important for the partners to increase cooperation and commitment to neutralize external hazards (Luo and Seung, 2004). Partners tend to commit more, in order to reduce errors and deficiencies, and to enhance the business performance, resulting in lower opportunism.

There are additional reasons why demand uncertainty could generate the proposed moderating effect on the relationship between commitment and opportunism. First, if higher demand uncertainty increases the room for error then it may open the room for opportunistic behavior. Secondly, increased demand uncertainty may make it more likely that a party can act opportunistically without being caught (Williamson, 1985). Third, increased demand uncertainty may make a firm more likely to find itself in a situation where the gains from defection outweigh the gains from cooperation even if the defection is obvious and elicits a negative response from the other parties (Luo and Seung, 2004). Thus, the following hypothesis is proposed:

Hypothesis 7b: The demand uncertainty will moderate the relationship between the commitment and the opportunism

The Mediating Role of Commitment

When IJV established, tangible asset preliminarily contributed by each partner is considered as a tool to measure instrumental commitment. Whilst intangible asset such as managerial knowledge is seemingly used to cultivate attitudinal and long term commitment. The mutually equipped safeguard is generally executed to govern continuing relationship as each partner's behavior is dynamic in exchange.

The effectively governed relationship is characterized by high levels of commitment and low levels of opportunism. This study attempts to extend a model that integrates insight from prior market mechanism frameworks to identify commitment as the mediating process through which six independent variables affect the consequence variables; opportunism.

From managerial perspective, increased partner commitment and

reduced partner opportunism are commonly desirable outcomes. Firm can foster these behaviors by encouraging partners to implement counter-opportunism strategies which are plausibly adopted from impacts of independent variables through mediator. However, since there is a lag between the time these antecedent (independent) variables are established and the time those desired outcome occur, partner can selectively assess the interim effectiveness of these strategies (Joshi and Stump, 1999).

In this context, commitment is seem as central because it leads to such important outcome as increased asset configuration (Heide and John, 1988; Morgan and Hunt, 1994), increased knowledge dependency (Hamel, 1991; Inkpen and Beamish, 1997), and increased relationship safeguard (Macneil, 1980; Morgan and Hunt, 1994; Nicolai et. al., 2000).

Partners identify commitment among exchange parties as key process to achieve subsequent opportunism (Morgan and Hunt, 1994). Developing and testing process explanations that connect independent variables to outcomes is valuable because they provide intermediate markers for final consequence. Therefore, the following hypothesis is proposed:

Hypothesis 8: Commitment mediates the relationships between independent variables; asset specificity, asset pattern, knowledge acquisition, knowledge value, legal safeguard and social safeguard; and consequence variable; opportunism.

Research Methodology

Research Design

Research instrument is self-administered questionnaire. Mailing lists are those manufacturing IJVs in Thailand obtained from the list of

IJV in Factory Directory in Thailand Volume 6; 2005. Sampling selection employs a systematic sampling based on two criteria (i) each IJV must be formed with at least one Thai partner and one foreign partner, (ii) both parties must hold more than 25 per cent of total equity shares. Respondents are representative of either local partner or foreign partner who highly involves business policy. Respondents complete and return questionnaire by posted return mail by March 10, 2005.

Instrument Development

Questionnaire was invented from careful scrutiny of the literatures and measures used in previous research. It was also ensured to cover the relevant items by conducting personal in-depth interviews and pilot test. It is composed in plain English with non-professional language to avoid any jargon. In final stage, expert is seriously consulted to identify and remove confusing or unclear expressions from the questionnaire, which is, then, tested and refined to ensure its clarity and measurability. The questionnaire is designed to take no more than 25 minutes to complete. Respondent as the representative of both Thai and foreign partners is asked to provide information and perception of both partners.

Data Analysis: Technique and Criteria

Data obtained from the questionnaire survey is analyzed using the SPSS. The processes of data analysis before implementing the statistical method to test the hypotheses are screening and editing the data, test of non response bias, purify the measures (reliability and validity), and tests of assumptions underlying statistic tools. Multiple Regression Analysis (MRA) is used for model and hypotheses testing with a criterion for significant level of 95-percent confidential.

Data Analyses and Results

Questionnaires were mailed to IJVs addressing top representatives of both Thai and major foreign partner who know well about IJV. Of all 1,043 sets of questionnaires (172 sets were mailed to both Thai and foreigner representatives in same IJVs) sent, 160 or 15.3 percent were returned and 114 or 10.9 % were usable. 31.3%, 33.0%, and 21.3% of the usable questionnaires were answered by the first tier management, the second tier executives, and assigned managers respectively, while 14.4% were unidentified.

The results of hypothesis testing are showed in table 1.

Table 1 Summary of Hypothesis Testing

Hypothesis	Statement	Result
H1a:	The degree of asset specificity invested by each partner is positively related to the level of commitment.	Support
H1b:	The demand uncertainty will moderate the relationship between the asset specificity invested by each partner and the commitment.	Not Support
H2a:	The degree of asset pattern (integration) invested by each partner is positively related to the level of commitment.	Support
H2b:	Under the low level of demand uncertainty, IJV forming upstream integration will relatively have higher commitment than IJV forming downstream integration.	Not Support
H2c:	Under the high level of demand uncertainty, IJV forming downstream integration will relatively have higher commitment than IJV forming upstream integration.	Support
H3a:	The level of knowledge acquisition of each partner is negatively related to the level of commitment.	Support
H3b:	The demand uncertainty will moderate the relationship between the knowledge acquisition of each partner and the level of commitment.	Support

Table 1 Summary of Hypothesis Testing (Continued)

Hypothesis	Statement	Result
H4a:	The level of knowledge value of partner is positively related to the level of commitment.	Support
H4b:	The demand uncertainty will moderate the relationship between the knowledge value of partner and the level of commitment.	Not Support
H5a:	The level of legal safeguard is negatively related to the level of commitment.	Not Support
H5b:	Under low demand uncertainty, partners applying legal safeguard will have higher commitment than that applying social safeguard.	Not Support
H5c:	The demand uncertainty will moderate the relationship between the legal safeguard and the level of commitment	Support
H6a:	The level of social safeguard is positively related to the level of commitment.	Support
H6b:	Under high demand uncertainty, partners applying social safeguard will have higher commitment than that applying legal safeguard.	Support
H6c:	The demand uncertainty will moderate the relationship between the social safeguard and the level of commitment	Not Support
H7a:	The level of commitment is negatively related to the level of opportunism.	Support
H7b:	The demand uncertainty will moderate the relationship between the commitment and the opportunism	Support
H8:	The commitment mediates the relationships between independent variables; asset specificity, asset pattern, knowledge acquisition, knowledge value, legal safeguard and social safeguard; and consequence variable; opportunism.	Not Support

Research results reveal that there are moderating effects on three relationships; i.e. between knowledge acquisition and commitment, legal safeguard and commitment, and commitment and opportunism. These relationships in an IJV would be changed significantly when the IJV is faced with the volatility of demand uncertainty. This research further

studies the degrees of demand uncertainty affecting these relationships, or “turning point” of the relationship (see next section for details).

For the mediating role of commitment, the result shows positive relationship between knowledge acquisition and opportunism having commitment as the full mediator in overall sample, and negative relationship between social safeguard and opportunism having commitment as the partial mediator in overall sample and as the full mediator under high demand uncertainty. Further investigation on the high demand uncertainty revealed negative relationship between knowledge value and opportunism; and positive relationship between legal safeguard and opportunism having commitment as the full mediator.

Discussion, Conclusion and Implication

This research introduces the moderating effect of demand uncertainty on causal relationships and the mediating role of commitment between the six independent variables and opportunism which can be summarized as follows.

For the moderating role of demand uncertainty on relationships between the six independent variables and commitment, the results are as follows: in overall sample, asset specificity, asset pattern, knowledge value and social safeguard have positive relationships with commitment. Knowledge acquisition has negative relationship with commitment, whilst legal safeguard is insignificantly related to commitment. Under high demand uncertainty, it is also found that only knowledge value and social safeguard have positive relationships with commitment, while legal safeguard and commitment has negative relationship. Under low demand uncertainty, asset specificity, asset pattern, and social safeguard have positively significant relationships with commitment, whereas

knowledge acquisition is negatively related to commitment.

Besides the above finding, this research discovers some important conclusions that the degree and pattern of such relationships are shifted based on the effect of moderator; demand uncertainty. The first finding shows that the degree of negative impact of knowledge acquisition on commitment is softening when demand uncertainty increases. In addition the pattern of relationship is altered from significant negative direction when (low) demand uncertainty scored below 5.37 to insignificant positive direction when (high) demand uncertainty ranked above 5.37. The score of 5.37 from 7.0 in this case is considered as a turning point. This suggests that one could improve its partner's commitment by simply inputting more knowledge into the IJV for its partner to keep learning and committing. This strategy should not be difficult to implement, especially in high demand uncertainty. In short, the increase of demand uncertainty acts as a buffer against the negative effect of knowledge on commitment.

The second outcome is that the degree of negative impact of legal safeguard on commitment is strengthening when demand uncertainty increases. The pattern of relationship is changed from significant negative direction to insignificant positive direction when demand uncertainty is altered from high level to low level with the turning point of 3.82. This implies that one should not implement more rigid or strict agreements with its partner when the IJV operates in a fluctuating environment because it probably creates the inflexibility and distrust between partners. On the other hand, the relationship is found to reverse to positive, though insignificantly, when the IJV is under low demand uncertainty. As a result, the low demand uncertainty plays as a buffer mode against the negative effect of legal safeguard on commitment. This provides insight for management whether imposing more rigid

legal contract is worth to trade-off between the advantage of the protection of opportunism and disadvantage of creation of distrust between partners.

The third outcome is on the relationship of commitment and opportunism. The degree of negative impact of commitment on opportunism is weakening when demand uncertainty increases. However, it is found that the relationship will be in a reverse direction, from negative to positive - though not significant, when the IJV is under high demand uncertainty, having 6.64 (out of 7.0) as a turning point. This roughly indicates that partner of IJV operating under very high demand uncertainty exhibits favorable commitment but it occasionally behaves opportunism.

Practically, the turning points of the relationships suggested in this research can be used as management tools to monitor and protect partners from opportunistic behavior.

For mediating role of commitment on relationships between the six independent variables and opportunism, this study finds that in overall sample commitment acts as the fully and partially mediator on knowledge acquisition-opportunism relationship, and social safeguard-opportunism relationship, respectively. While under high demand uncertainty, commitment also fully mediates knowledge value-opportunism relationship, legal safeguard-opportunism relationship, and social safeguard-opportunism relationship.

The full or partial mediation effects imply that commitment could be fully or partially used to be the antecedent of opportunism. In other word, the relationships between the independent variables and opportunism are indirectly linked; i.e occurred through the mediated effect of commitment only.

Opportunism, by nature, is difficult to identify, especially when

under high demand uncertainty. The benefits of these research findings are that if (a) one under overall data set changes the levels of knowledge acquisition or social safeguard and (b) one under high demand uncertainty changes the levels of knowledge value, legal safeguard or social safeguard, commitment would change accordingly, and would finally affect opportunism. There is, however, a lag time between the change of commitment and the occurrence of opportunism. Knowing this mechanism, one could apply the research results to protect or mitigate the development of opportunism since the beginning stage, by implementing counter-opportunism strategies, which would enable the firm to eliminate or minimize loss effectively.

As a result, when commitment of a partner changes, due to alteration in its judgment over knowledge acquisition, knowledge value, legal safeguard, or social, one could assume that its partner would or will act opportunistically, so it must move quickly and smartly to avoid the occurrence of opportunism by the partner, or to alleviate potential loss and damage. Such moves include reorganization, reshuffle, renegotiation, or even divestment, which should be done before the damage occurs and before the situation becomes out of control, to ensure maximum disposal benefits.

Finally, the implications 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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