CITY UNIVERSITY OF HONG KONG

香港城市大學

Integrated Corporate Governance Strategies

—A Case of Successful Integration and Organizational Innovation Practices in the Optoelectronics Arena

整合式治理策略

—整合與組織創新在光電領域的成功應用案例

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Abstract

The Liquid Crystal Display (LCD) is one of the most important inventions in the 20th century, and it is broadly used in all kinds of electronic appliances. In the LCD panel industry, fluctuations in panel price and inventory cause what is known as the “Liquid Crystal Cycle”. Panel makers struggle with the Liquid Crystal Cycle by absorbing losses or merging with other companies as a result of a lack of organizational innovation and capacity flexibility. However, some companies succeed through “integrated corporate governance”.

In this research, the co-opetitive industry of optoelectronics is analyzed, in which panel demand and supply conditions fluctuate. In a LCD panel shortage, customers cannot buy enough panels even though they would be willing to pay more, and conversely, during periods of panel oversupply, suppliers’ inventories are too large. The above-mentioned predicament was especially obvious during the financial-tsunami of 2008. Some panel companies made handsome profits in that turbulent time, and it was evident that the various outcomes of companies were tied to differing business models. The most successful business strategies of the top panel suppliers are analyzed in this study and TCE theory is used as the foundation for this research: *The nature of the firm* (Ronald H. Coase, 1937), *Markets and Hierarchies: Analysis and Antitrust Implications* (Oliver E. Williamson, 1975), *The Economic Institutions of Capitalism* (Oliver E. Williamson, 1985), and *The Mechanisms of Governance* (Oliver E. Williamson, 1996). Under three panel transaction models:

Buy/Sell & Control Buy, outsourcing, and in-house manufacturing, the contractual strategies of these panel suppliers were examined to determine both the similarities and the differences in the business models. For instance, some suppliers use brand strategy to leverage panel transactions, and some improve their positions by vertical and lateral integration to change their business models from project based to account based. As organizations, some companies change their corporate governance to satisfy employee desires and to cope with the challenges of highly concentrated manufacturing areas.

This research identified seven key successful factors of panel makers. Using case studies, “integration” (Oliver E. Williamson, 1985, page 52-102) and “organizational innovation” (Oliver E. Williamson, 1975, page 132-136; 1996, page 222-225) were combined to construct the underpinnings of this research. This research identified empirical evidence supporting and developing organizational innovation and "a three-level schema". The research also illustrated some possible solutions to avoid antitrust issues.