

# The Factors Affecting Inter-Organizational Relationship Success: A Study of Vietnamese Travel Companies and Thai Partners

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## Abstract

*This study examines the overall inter-organizational relationship (IOR) success between two groups of Vietnamese travel companies and Thai partners in order to increase the awareness and understanding of the current cooperation relationships among tour operators, managers of international travel companies, and the management boards of the tourism industry of the two countries. The quantitative approach was the major method used, with statistical techniques applied, including factor analysis, multiple regression analysis, and path analysis. The unit of analysis was at the corporate level, with the target population of all Vietnamese international travel companies having relationships with Thai travel partners. The returned sample (n=114) had a response rate of 51.8 percent. This study argues that in order to achieve overall IOR success, Vietnamese international travel companies and Thai partners should have a high frequency of interaction and a high level of commitment to their current relationships with partners in Vietnam or Thailand. In addition, it was also found that when each member sets up a relationship with its partner outside the country, the factors of marketing support, financial benefits, and business success were the main purposes and motivations for joining the IOR. These factors directly influence the overall success of the IOR. On the other hand, the factors of trust and communication in the IOR were not seen to directly affect overall IOR success but indirectly have small negative effects on overall IOR success through the intervening variables of the marketing support and business success of the IOR respectively.*

**Keywords:** *Inter-Organizational Relationship, Overall Inter-Organization Relationship Success, Path Analysis*

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### Introduction

All organizations have relationships with other organizations: suppliers, distributors, competitors, public organizations, governments, and other firms performing complementary activities. Scholars from a variety of disciplines are currently interested in different facets of these inter-organizational relationships (IORs). Indeed, IOR management is becoming a central research paradigm in the literature concerning marketing channels, organization theory, strategic management, economics, and organizational economic theory (Oliver, 1990; Gulati, 1995; Barringer and Harrison, 2000; Kothandaraman and Wilson, 2000; Brass et al., 2004; Cropper et al., 2008; Vincent, 2008; Evans and Forbes, 2009; Ellis and Ybem, 2010).

An inter-organizational relationship is defined as a structured process that is put in place to enable cooperation between companies. This relationship would ideally be of mutual benefit to its partners, aiming at enhancing the competitive position of its participants (Smith, Carroll, and Ashford, 1995), and in which resources, knowledge, and capabilities ought to be shared. These relationships may take several forms, including advertising, licensing, research and development, prototyping, consortia, forums, purchasing, and co-development.

The literature on IOR success has presented many good relationship practices and characteristics that partners have adopted to ensure success, including trust, commitment, recognized interdependence, levels of communication, shared decision making, and the distribution of ownership and control (Nooteboom, Berger, and Noorderhaven, 1997). Mohr and Spekman (1994) studied the characteristics of vertical partnership success between manufacturers and dealers. The results indicated that the primary characteristics of partnership success are: partnership attributes of commitment, coordination, trust, communication quality, participation, and conflict resolution techniques of joint problem solving.

In the travel and tourism industry, the relationships with other organizations seem to be crucial for travel companies. Travel company managers are finding that establishing an IOR is becoming more and more important if they are to gain a competitive advantage and consequently achieve their organizational goals in an open and globalized market. Within this framework, travel companies are increasingly forming permanent alliances or partnerships with other organizations such as airlines, car rental agencies, suppliers, hotels, and especially other travel companies within and outside their countries. In order to

measure the success of such relationships in the field of travel and tourism, Medina-Munoz and García-Falcón (2000) conducted a study on the success of a dyadic IOR between hotels and travel agencies in the U.S. and found that in order to achieve successful relationships, hotel companies should: 1) show more commitment to working with their partners, 2) have more trust in the partners, and 3) be less dependent on any one travel partner for their business.

This study is considered a further and more comprehensive examination of IOR success based on the previous work of Mohr and Spekman (1994) with the study of the characteristics of vertical partnership success and the work of Medina-Munoz and García-Falcón (2000) with the study of the determinants of the success of relationship. These two studies have shed light on understanding the factors affecting partnership success and measuring IOR success as a whole; however, the two models used to measure IOR success in these two studies are considered simple and lack several important factors that are not included in these models, such as the age of the IOR (suggested by Van De Ven and Ferry, 1980; Heide and John, 1990), formalization in the IOR (Bucklin and Sengupta, 1993), flexibility in the IOR (Gibson, Rutner, and Keller, 2002), the importance of the IOR (Hall et al., 1977), frequency of interaction (Mayhew, 1971; Hall, 1991), and organizational compatibility (Ruekert and Walker, 1987). Through this study, a more comprehensive model for measuring IOR success that includes the important factors suggested by previous researchers is investigated and tested in order to find out whether these factors directly or indirectly, through intervening variables, predict overall IOR success.

### Objectives of the Study

- 1) To identify the determinants of IOR success between Vietnamese travel companies and Thai partners in both aspects of successful relationships: success in relationship performance satisfaction and success in mutual economic benefits
- 2) To measure overall IOR success through intervening variables: marketing support, business success, financial benefits, and relationship performance satisfaction with the IOR
- 3) To provide development suggestions based on the empirical research findings and the scientific framework of the research for enhancing cooperation in the field of travel and tourism between Vietnam and Thailand

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### Background of the Study

Vietnam and Thailand officially established diplomatic relations on August 6<sup>th</sup>, 1976. The first fifteen years after establishing this relationship was quite a difficult period, during which the two countries had to go through many ordeals with a lot of vicissitudes and changes caused by the situation of the world and region. Bilateral relations have been gradually consolidated and well developed since 1991, especially since Vietnam's admission to ASEAN in 1995. The two countries now frequently exchange delegations at both high and working levels to discuss development in the fields of politics, diplomacy, economics, and specialties between the two countries (Mofa, 2007).

In the field of travel and tourism, Vietnam-Thailand cooperation in tourism development between the two governments and cooperation between the state and private enterprises of both countries' airlines, have been significantly improved. As a result, the infrastructure for economic and tourism development has been built, for example the construction of a bridge linking the Thai East-West province of Mukdahan to Laos province of Savanakheth and the Dong Ha district of Quang Tri province (Vietnam). Road No. 9 (the East-West corridor to connect Vietnam to Thailand) and road No. 8 (connecting northeastern Thailand to Vietnam) have been opened to serve economic and tourism development between the three countries: Vietnam, Laos, and Thailand. There have been more and more flights launched to serve travelers between the two countries recently, especially the air routes of Air Asia, a low cost airline of Thailand, between main tourist attractions of Thailand and Vietnam.

Visitor flows between the two countries are also growing substantially due to bilateral visa-free access as well as increased transportation links, both by air as well as overland. Ongoing marketing programs, including the "Two Countries One Destination" campaign, have contributed to the growth of tourist arrivals of both countries. Vietnamese arrivals to Thailand in 2006 totaled 251,838, an increase of 28.85%, the fourth highest growth in the ASEAN region; the number of arrivals in 2007 was 254,252, and 337,000 arrivals in 2008. There were 350,000 Vietnamese arrivals to Thailand in 2009, an increase of 10% over 2008, and this number went beyond expectations and the target of some 300,000 arrivals from Vietnam for 2009. In 2010, the total number of Vietnamese tourist arrivals to Thailand rose to 401,188 arrivals, an increase of nearly 11% compared to 2009 (Department of tourism of Thailand, 2011).

Contrarily, the number of Thais travelling to Vietnam has also grown strongly. In 2006, the number of Thai visitors to Vietnam totaled 123,804, an increase of 42.6% over 2005. The number of arrivals in 2007 was 160,747, an increase of 29.8% over 2006. In 2008, there were 183,142 arrivals, an increase of 9.6% over 2007, and in 2009 there were only 152,633 arrivals from Thailand, a decrease of 18% over 2008 due to the political crisis, leading to several serious demonstrations which heavily affected the economy and especially the tourism industry of Thailand. In 2010, the total number of Thai tourist arrivals to Vietnam rose to 222,839 arrivals, an impressive increase of nearly 40% compared to the number of arrivals in 2009 (VNAT, 2011).

In order to serve the increasing numbers of tourists between the two countries visiting each other, there have been hundreds of Vietnamese and Thai travel companies setting up relationships and co-operation with each other for years for better competitive advantages, business benefits, and market expansion. Unfortunately, there has been no literature or research on the success of the relationships between these two groups of travel companies of the two countries. This study focuses on identifying the key determinants of IOR success between Vietnamese travel companies with Thai partners and measuring the success of the relationship as a whole through the direct and indirect effects of the key determinants.

## **Benefits of the Study**

While the formation of relationships with other organizations is often viewed as a panacea for any organization, unfortunately the academic literature has provided little guidance on how to better ensure the success of the IOR (Mohr and Spekman, 1994; Brass et al., 2004; Moody et al., 2005; Cropper et al., 2008). This study is the first to attempt to identify the key determinants of relationships in the field of travel management and especially of the relationship between Vietnamese travel companies with Thai partners that can make this relationship successful.

In addition, the findings should prove useful for the following reasons: first, they should help to improve the present understanding of the increasingly complex travel and tourism industry and to describe how travel companies operating in Vietnam relate with travel partners in Thailand. Second, the results of the study should provide tour operators, travel company managers of both countries (Vietnam and Thailand), and potential investors with important information with which to make strategic decisions. Third, the study should make important contributions to inter-organizational relation theory by searching for empirical

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evidence either supporting or rejecting the theoretical frameworks. Specifically, Mohr and Spekman's (1994) model of the characteristics of partnership success and Medina-Munoz and García-Falcón's model (2000) of the determinants of the success of relationship between hotels and travel agents were fully extended to a more comprehensive model to measure IOR success, and this new model will be tested in the new context of the travel and tourism industry.

### **Scope of the Study**

The delimitation of this study is that the analysis of the relationship focuses only on the success of the dyadic relationship between two groups of organizations – Vietnamese travel companies with Thai partners – while there are many more complicated relationships between all tourism organizations, including restaurants, transportation companies, airlines, tourist attractions, recreational companies, hotels, travel companies, etc. Further, even one travel company in Vietnam may have more than one relationship with other travel companies in Thailand and vice versa.

### **Factors Determining IOR Success**

Some research has examined constructs such as trust (Gabarro, 1987), commitment, recognized interdependence, and levels of communication that serve as antecedents to successful alliance formation (Nooteboom, Berger, and Noorderhaven, 1997). Mulford and Rogers' (1982) typology of collaborations includes cooperation, mutual adjustment, alliance, and corporate strategies. This study considers, theoretically, the following factors as determinants of IOR success: inter-organizational trust, commitment towards IOR, inter-organizational communication, IOR coordination, IOR participation, IOR conflict resolution, formalization in the IOR, flexibility in the IOR, importance of the IOR, frequency of interaction, organizational compatibility, and age of the IOR.

**Age of the IOR:** The age of the IOR refers to a period that would enable potential partners to judge their compatibilities and develop the necessary personal relationships to augment their general similarities (Van De Ven and Ferry, 1980; Ruekert and Walker, 1987; Bucklin and Sengupta, 1993).

**Commitment to the IOR:** Commitment to the IOR is defined as “an exchange partner believing that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it; that is, the committed party believes the relationship is worth working on to ensure that it endures indefinitely” (Morgan and Hunt, 1994).

**Communication in the IOR:** Communication in the IOR is defined as “the formal as well as informal sharing of meaningful and timely information between firms” (Anderson and Narus, 1990).

**Conflict resolution in the IOR:** Conflict is defined as disagreements between inter-organizational relation participants (Dwyer et al., 1987). Conflict resolution in the IOR includes the following techniques: joint problem solving (Thomas, 1976, Cumming, 1984), persuasion (Duetsch, 1969), domination (Mohr and Spekman, 1994), mediation (Anderson and Narus, 1990), internal resolution (Assael, 1969), and smoothing (Ruekert and Walker, 1987).

**Coordination of the IOR:** Coordination of the IOR is defined as the process by which participants in an inter-organizational relation seek to work together in a joint effort (Narus and Anderson, 1987; Morgan and Hunt, 1994) based on a set of tasks that each partner expects the other to perform (Mohr and Spekman, 1994). In addition, Mulford and Rogers (1982: 12) define inter-organizational coordination as “the process whereby two or more organizations create and/or use existing decision rules that have been established to deal collectively with their shared task environment.”

**Flexibility in the IOR:** Flexibility in the IOR refers to the extent to which partners respond to requests for changing circumstances (Gibson, Rutner and Keller, 2002).

**Formalization in the IOR:** Formalization in the IOR refers to the degree to which rules prescribing behavior are formulated, as well as the extent to which role responsibilities are prescribed (Scott, 1987; Dahlstrom and Nygaard, 1999).

**Frequency of interaction:** Frequency of interaction refers to the amount of contacts or exchanges between organizations, to be measured in relation to an organization’s total contact with others (Mayhew, 1971; Hall, 2005).

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**Importance of the IOR:** Importance of the IOR refers to the extent to which staff members of an organization perceive that the relationship is critical to the mission of the organization (Hall et al., 1977; Whetten and Sz wajkowski, 1978; Hall, 1991; Bucklin and Sengupta, 1993).

**Inter-dependence:** Inter-dependence refers to a partner's perception of its dependence relative to its partners' dependence on the relationship (Anderson and Narus, 1990).

**Organizational compatibility:** Organizational compatibility is considered as domain similarity and goal compatibility which have been found to enhance the effectiveness of inter-organizational dyads (Van De Ven and Ferry, 1980; Ruekert and Walker, 1987). Organizational compatibility reflects complementarity in goals and objectives, as well as similarity in operating philosophies and corporate culture (Bucklin and Sengupta, 1993).

**Participation in the IOR:** Participation in the IOR refers to partners in an IOR working together to plan all related activities (Mohr and Spekman, 1994), as well as taking part in major decisions (Devlin and Bleackley, 1988) and goal setting.

**Trust in the IOR:** Trust in the IOR is defined as the willingness to rely on an exchange partner in whom one has confidence (Morgan and Hunt, 1994).

### Intervening Factors of IOR Success

**Marketing support:** Marketing support refers to the support of all marketing activities directed toward establishing, developing, and maintaining successful relationships (Morgan and Hunt, 1994). This study hypothesizes that:

H<sub>1</sub>: There are different variances in marketing support in the IOR that can be explained by trust in the IOR, commitment, interdependence, coordination, communication, participation, conflict resolution, formalization in the IOR, flexibility in the IOR, importance of the IOR, and age of the IOR.

**Financial benefits:** Financial benefits refer to the actual economic value of the success of the relationship (Medina-Munoz and Garcia-Falcon, 2000). It is hypothesized that:



H<sub>2</sub>: There are different variances in financial benefits of the IOR that can be explained by trust in the IOR, commitment, interdependence, coordination, communication, participation, conflict resolution, formalization in the IOR, flexibility in the IOR, importance of the IOR, and frequency of interaction.

**Business success:** Business success refers to a quantitative measure of the mutual financial benefits that participants achieve from the relationship (Narus and Anderson, 1987; Johnston and Lawrence, 1988).

H<sub>3</sub>: There are different variances in business success of the IOR that can be explained by trust in the IOR, commitment, interdependence, coordination, communication, participation, conflict resolution, formalization in the IOR, flexibility in the IOR, and importance of the IOR.

H<sub>4</sub>: There are different variances in business success of the IOR that can be explained by marketing support in the IOR, and financial benefits of the IOR.

**Relationship performance satisfaction:** Relationship performance satisfaction refers to the organization's positive experience as regards its partner's ability to obey rules and to fulfill performance expectations (Anderson and Narus, 1990; Biong, 1993).

H<sub>5</sub>: There are different variances in relationship performance satisfaction that can be explained by trust in the IOR, commitment, interdependence, coordination, communication, participation, conflict resolution, formalization in the IOR, flexibility in the IOR, importance of the IOR, and organizational compatibility.

H<sub>6</sub>: There are different variances in relationship performance satisfaction with the IOR that can be explained by marketing support in the IOR, and financial benefits of the IOR.

### Inter-Organizational Relationship Success

According to Medina-Munoz and García-Falcón (2000), IOR success refers to the overall evaluation of the relationship. It can thus be defined as the generation of satisfaction by the parties involved in it as a result of the achievement of performance expectations. However, there are two distinct approaches to the concept of IOR success. One approach (Van de Ven and Ferry, 1980; Anderson, 1990) associates the term IOR success with participants' overall satisfaction with the relationship. Satisfaction refers, in this case, to an organization's positive experience as regards its partner's ability to obey rules and to fulfill

performance expectations (Anderson and Narus, 1990; Biong, 1993). A second approach (Narus and Anderson, 1987; Johnston and Lawrence, 1988) defines IOR success as a quantitative measure of the mutual benefit that participants reap from the relationship. Specifically, an IOR is considered to be successful according to how fully its objectives have been satisfied.

This study takes both approaches to explain the concept of IOR success and adopts different success measures for the dyadic relationship between Vietnamese travel companies and Thai partners. The IOR success in this study refers to the overall positive satisfaction of participants with IOR performance (Anderson and Narus, 1990; Biong, 1993; Medina-Munoz and Garc a-Falc n, 2000) and the mutual economic benefits that participants achieve from the relationship (Narus and Anderson, 1987; Mohr and Spekman, 1994). A comprehensive examination of the models and measuring approaches of IOR presented previously, together with other studies related to the determining factors for the successful IOR, lead to the identification of the important factors that contribute to a successful IOR.

In this study, the success of the inter-organization relationships between Vietnamese and Thai travel companies are hypothesized to be directly and indirectly affected by trust, commitment, interdependence, coordination, communication, participation, conflict resolution, formalization, flexibility, importance of IOR, age of the IOR, organizational compatibility, frequency of interaction, marketing support, financial benefits, business success, and relationship performance satisfaction with the IOR.

In order to fully test the main hypothesis of the research, sub-hypotheses related to the dependent variable of overall IOR success will be tested.

H<sub>7</sub>: There are different variances in overall IOR success that can be explained by trust in the IOR, commitment, interdependence, coordination, communication, participation, conflict resolution, formalization in the IOR, flexibility in the IOR, importance of the IOR, organizational compatibility, frequency of interaction, and age of the IOR.

H<sub>8</sub>: There are different variances in overall IOR success that can be explained by marketing support in the IOR, financial benefits of the IOR, business success of the IOR, and relationship performance satisfaction with the IOR.

H<sub>9</sub>: The factors of marketing support, financial benefits, business success, relationship performance satisfaction with the IOR, and other independent variables directly and indirectly affect overall IOR success.

### Conceptual Framework for Measuring Overall IOR Success

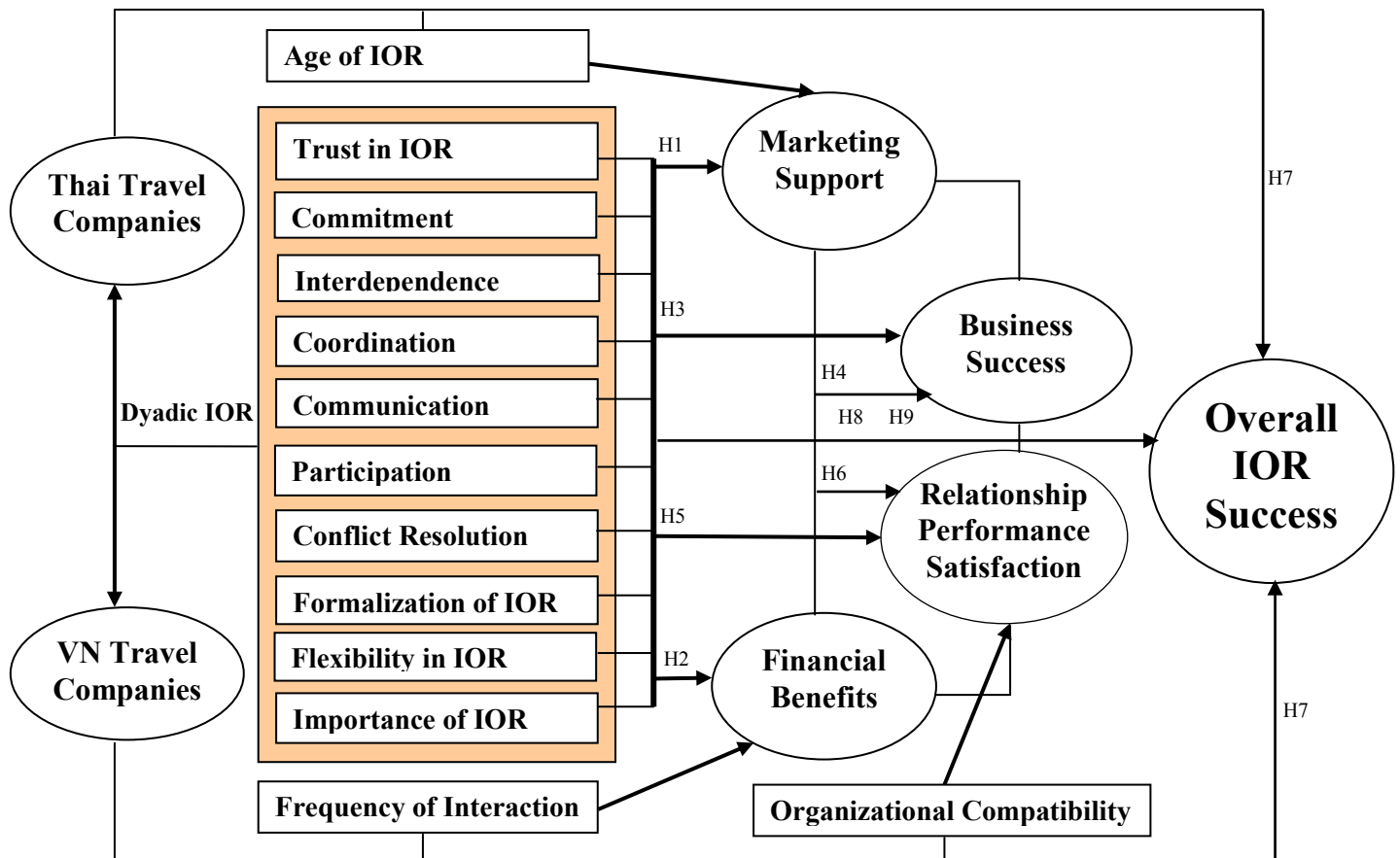


Figure 1: Conceptual Framework

### Methodology

This study mainly focuses on IOR success considering the relationships of factors affecting IOR success. For this reason, the quantitative approach was the major method applied to this study. This means that this research is based on survey research in which data are collected from the sample selected from the target population. The quantitative analysis of this research was conducted using SPSS program version 15.0 with important statistical techniques applied, including factor analysis, multiple regression analysis, and path analysis for the analysis of the findings of the research.

### **Unit of Analysis, Population, and Sample Size**

The unit of analysis for this study is at the corporate level, with the target population of all international travel companies of Vietnam having relationships with Thai travel companies. This number of Vietnamese travel companies was obtained from a list provided by the office of Tourism Authority of Thailand (TAT) in Ho Chi Minh City, which consists of 237 companies. Due to the small number of travel companies, this study uses the entire population as the sample for the research. In order to make sure that the expected number of returned questionnaires was obtained, the researcher decided to send the survey questionnaires to all travel companies on the list except the 17 travel companies in Ho Chi Minh City that the researcher had interviewed for the pretest procedure of the research. As a result, the number of international travel companies that remained to which the final questionnaires were sent was 220 companies ( $237 - 17 = 220$ ).

### **Questionnaire Design**

Most questions were formulated as statements on a five-point Likert-scale, ranging from 1 as "strongly disagree" and 5 as "strongly agree". Six steps were adopted in elaborating the questionnaire. For the first step, the researcher reviewed the empirical literature related to the IOR. An initial draft questionnaire was completed based on the literature review.

For the second step, the initial draft questionnaire was then reviewed by the researcher's colleagues in order to obtain contributing comments on wording, corrections of sentences and statements, format, and scale construct during the preliminary qualitative phase. Then the questionnaire was read by a former expert in tourism marketing and development at TAT in Bangkok, and two lecturers in the field of tourism, for further comments. All contributing suggestions and comments for the draft questionnaire from colleagues, experts, and academic experts in the field of tourism were carefully considered and adjustments were made in order to produce a good survey instrument for the research. After that, the questionnaire was once again carefully reviewed and approved by the supervisor of the research for the final version of the questionnaire.

For the third step, the questionnaire was translated into Vietnamese (by the researcher) and reviewed by two professors in the school of international tourism management of Hong Bang University International to make sure that the translation was of good quality and understandable in Vietnamese.

For the fourth step, the questionnaire was pretested with a group of 17 international travel companies having relationships with Thai travel partners in Ho Chi Minh City to determine the reliability of the measurement. The responses from the pretest were reviewed and analyzed. The reliability of the measures was tested with Cronbach's alpha coefficients ranging mostly all above .80. Only the measure of interdependence of IOR has Cronbach's alpha value of .679 which is also considered acceptable. These results of the reliability analysis of the pretest showed that all of the dependent and independent variables of this study had very good internal consistency.

For the fifth step, in order to avoid the "halo effect", nearly half of the statements in the questionnaire were reverse-worded. Finally, for the sixth step, the questionnaire was completed and ready to be sent to the target informants of the research.

### **Data Collection**

The primary data were collected through the survey questionnaires, which were sent to 220 Vietnamese international travel companies having relationships with Thai travel partners. The questionnaire, enclosed with a postage paid pre-addressed return envelope, was filled in by a representative of each travel company. The survey instrument had a cover page issued by the office of TAT in Ho Chi Minh City which introduced the project and asked for assistance and cooperation from travel companies in providing appropriate information for the research.

### **Factor Analysis**

Two exploratory factory analyses, which used the principal component extraction method and varimax rotation of 28 items of the group of dependent variables related to overall IOR success and 89 items of the group of independent variables related to the factors affecting overall IOR success, were conducted on the returned sample of 114 Vietnamese international travel companies which had a relationship with partners in Thailand. Prior to running the analysis with the SPSS, the data were screened by examining the descriptive statistics on each item, inter-item correlations, and possible univariate and multivariate assumption violations. From this initial assessment, all variables were found to be continuous, variable pairs appeared to be bivariate normally distributed, and all cases were independent of one another. For this study, the factor analysis procedure was applied twice; once for the group of dependent variables, including 5 variables, and again for the group of independent variables, including 12 variables. Consequently, the sample size ( $n=114$ ) was

considered reliable for the factor analysis with a ratio of 23 cases per variable for the dependent variable and 9.5 cases per variable for the independent variable. The Kaiser-Meyer-Olkin measure of sampling adequacy was .786 for the dependent variables and .703 for the independent variables (according to Pallant, 2005, to be significant, the value has to be .60 or above), indicating that the present data were suitable for principal components analysis. Similarly, Bartlett's test of sphericity (Bartlett, 1954) was significant ( $p < .001$ ), indicating sufficient correlation between the variables to proceed with the analysis.

Using the Kaiser-Guttman's retention criterion of Eigenvalues greater than 1.0, a five-factor solution provided the clearest extraction for the group of dependent variables, including 28 items (Guttman, 1954; Kaiser, 1974). The five factors accounted for 60.1% of the total variance. Communalities were fairly high for each of the 28 items, with a range of .406 to .841. In addition, a twelve factor solution was conducted for the group of independent variables consisting of 89 items. The twelve factors accounted for 69.7% of the total variance. Communality estimates ranged from .478 to .876

For the dependent variable group, factor 1 explains 23.5 percent, factor 2 explains 19 percent, factor 3 explains 7.3 percent, factor 4 explains 5.8 percent, and factor 5 explains 4.5 percent of the total variance. Cronbach's coefficient alpha ranged from .707 to .909 among the four factors, indicating good subscale reliability.

**Table 1: Summary of Dependent Variables with Reliability Coefficients**

Given Names		Number of Items	Alpha
Factor 1	Relationship Performance Satisfaction (REPESA)	10	.909
Factor 2	Overall IOR Success (OVIORSUC)	7	.808
Factor 3	Marketing Support of the IOR (MARSUP)	3	.716
Factor 4	Business Success of the IOR (BUSUCIOR)	3	.717
Factor 5	Financial Benefits of the IOR (FIBENIOR)	5	.707

For the independent variable group, factor 1 explains 24.2 percent, factor 2 explains 16.3 percent, factor 3 explains 4.4 percent, factor 4 explains 4.4 percent, factor 5 explains 3.6 percent, factor 6 explains 3 percent, factor 7 explains 3 percent of variances, factor 8 explains 2.4 percent, factor 9 explains 2.4 percent, factor 10 explains 2.2 percent, factor 11 explains 2 percent, and factor 12 explain 1.8 percent of variance. All items of the variable "importance of IOR" were separately merged into other factors so the number of independent

variables retained for further analysis consisted of eleven variables (as illustrated in table 2). The Cronbach's coefficient alpha of these factors ranged from .639 to .971 among the eleven factors and were retained for further analysis, indicating good subscale reliability. According to Pallant (2005), ideally, the Cronbach alpha coefficient of a scale should be above .7. However, with scales with fewer than ten items, Cronbach alpha values are quite sensitive and it is common to find quite low Cronbach values (e.g. .5). As shown in table 2, factor 10, which consists of 4 items, has a Cronbach value of .639. This factor was considered acceptable for further analysis.

**Table 2: Summary of Independent Variables with Reliability Coefficients**

Given Names		Number of Items	Alpha
Factor 1	Trust in the IOR (TRUSTIOR)	23	.971
Factor 2	Participation in the IOR (PARTIOR)	10	.887
Factor 3	Commitment to the IOR (COMITOR)	12	.887
Factor 4	Frequency of Interaction (FREINTER)	5	.729
Factor 5	Conflict Resolution in the IOR (CORESIOR)	3	.824
Factor 6	Organizational Compatibility (ORCOMPAT)	3	.793
Factor 7	Formalization in the IOR (FORMIOR)	7	.712
Factor 8	Interdependence of the IOR (INTERIOR)	2	.844
Factor 9	Communication in the IOR (COMUNIOR)	2	.715
Factor 10	Flexibility in the IOR (FLEXIOR)	4	.639
Factor 11	Coordination of the IOR (COORDIOR)	2	.708

The rationale used in naming these four factors was guided in part by the recommendations of Comrey and Lee (1992), where sorted factor weights in excess of .65 were used to "drive" the process of labeling and interpreting each factor. The present five-factor model and twelve factor model of this study were deemed the best solution because of their conceptual clarity and ease of interpretability.

## Results and Discussion

### Profile of International Travel Companies Involved in the Study

This section focuses on the international travel companies profile of the respondents which formed an overall sample  $n=114$ . Descriptive statistics were run with a frequency procedure on the primary data. This confirmed that nearly 70% of the respondents answering the questionnaires of this research were directors of travel companies, accounting for 36 percent, and the chief of marketing and market development department, accounting for 33.3 percent. Two other smaller groups were the second chief of marketing and market development department, accounting for 7.9 percent, and finally, the staff in charge of marketing and market development, accounting for 22.8 percent of the sample size.

In terms of location of the international travel companies, the whole country (Vietnam) was geographically divided into three main regions, including the southern region, the middle region, and the northern region of Vietnam. More than half of the sample was located in the southern region of Vietnam (58.8 percent). The reason was that this region contains Ho Chi Minh City, the largest and most populated city of Vietnam, with thousands of domestic and international tourist companies. The second group came from the northern region, accounting for 28.1 percent, and the third group included fifteen companies (13.2 percent) from the middle region of Vietnam participating in providing information and sending the filled questionnaires back to the TAT office in Ho Chi Minh City.

The majority of travel companies are small ones and employ fewer than 50 staff members; more than half of the sample size of this research (55.3 percent) employ from 1 to 20 employees, 22.2 percent has a staff from 21 to 40 persons, about 10 percent of the companies fall into the medium size group with 8.8 percent of the companies employing from 41 to 60 people, 6 companies employing from 61 to 80 staff members, accounting for 5.3 percent, 4 companies employing from 81 to 100 employees and accounting 3.5 percent, and 2 companies employing from 101 to 120 people, accounting for 1.8 percent.

Concerning the age of the international travel companies, the tourism industry of Vietnam is considered new, so the high percentage (more than 75 percent) of young companies (less than 10 years of age) is not a big surprise; 43 companies accounting for 37.7 percent of the total sample size were established within 5 years, 38 companies had been formed for 6 to 10 years, accounting for 33.3 percent, 14 percent of the companies are 11 to 15 years of age, 10.5 percent of the companies have been established for 16 to 20 years, and finally, 5 companies, accounting for about 3.6 percent, are older than 20 years.



In line with the age of the international travel companies, the frequency procedure showed that more than 88 percent of them have established relationships with Thai partners for less than 10 years; 57.9 percent of the companies have had relationships with Thai partners for 1 to 5 years, 30.7 percent have formed an IOR with their Thai partners for 6 to 10 years, and only about 11 percent of the total number of travel companies have had relationships with their Thai partners for more than 10 years.

### **Factors Affecting Overall IOR Success**

In order to assess the significance of the relationships stated in the hypotheses, a series of eight separate standard/simultaneous multiple regression analyses were employed for each endogenous variable; namely, MARSUP, FIBENIOR, BUSUCIOR (2 multiple regression analyses), REPESA (2 multiple regression analyses), and OVIORSUC (2 multiple regression analyses). The results of these multiple regressions were integrated to form a path model of overall IOR success, shown in Figure 2. The result of the standard multiple regression analysis showed that REPESA failed to achieve practical or statistical significance. This result indicates that REPESA has no direct effect on OVIORSUC, so the variable of REPESA was removed from the path model of this research.

The path analysis was performed to find out the direct and indirect effects of the independent variables on the dependent variable of this research. The variables which were retained and used for the path model of this research are as follows:

<b>Dependent variable:</b>	<b>OVIORSUC</b>
<i>(Intervening variables):</i>	<b>MARSUP, FIBENIOR, BUSUCIOR</b>
<b>Independent variables:</b>	TRUSTIOR, COMITOR, COMUNIOR, and FREINTER

The total effect of one variable on OVIORSUC can be divided into direct effects and indirect effects. The direct effect of an independent variable on the dependent variable of OVIORSUC is a standardized regression coefficient (beta) and is considered as a path coefficient in the path model.

### Indirect Effects of Overall IOR Success

#### Marketing Support in the IOR

Hypothesis 1 was tested and the result shows that the marketing support in the IOR is mainly affected by two important predictors: trust in the IOR ( $\beta = -.376, p < .005$ ) and commitment to the IOR ( $\beta = .317, p < .05$ ). These two factors directly affect the intervening variable of marketing support in the IOR and then marketing support in the IOR directly causes an effect on overall IOR success with ( $\beta = 0.311, p < .001$ ). Therefore, through the intervening variable of marketing support in the IOR, the factors of trust in the IOR and commitment to the IOR create indirect effects on overall IOR success at (-.117) and (.098) respectively.

These findings indicate that the existence of commitment to the relationship has a significant positive effect on both marketing support and overall IOR success. Thus this study argues that as commitment to the IOR is present in a greater amount, the marketing support in the IOR and overall IOR success are likely to be greater. This result is consistent with Mohr and Spekman (1994), Anderson and Narus (1990), and Medina-Munoz and García-Falcón (2000).

#### Financial Benefits of the IOR

Hypothesis 2 was tested and the result shows that 40 percent of the variance in the financial benefits of the IOR can be explained by the independent variables. These benefits are mainly affected by only a single important predictor: frequency of interaction, with ( $\beta = .214, p < .05$ ). The factor of frequency of interaction directly impacts the financial benefits of the IOR with ( $\beta = .247, p < .05$ ) and simultaneously the variable of financial benefits of the IOR directly impacts overall IOR success. It can be concluded that through the intervening variable of the financial benefits of the IOR, the factor of frequency of interaction creates an indirect effect on overall IOR success at (.053).

#### Business Success of the IOR

In order to explore the direct effects of the independent variables on the variable of business success of the IOR, a standard multiple regression analysis was conducted to test hypothesis 3 of this study and the result shows that 35.2 percent of the variance in the business success of the IOR can be explained by the independent variables

as a whole. In addition, it also shows that the business success of the IOR is mainly affected by three important predictors; namely, commitment to the IOR ( $\beta = -.262, p < .05$ ), trust in the IOR ( $\beta = .293, p < .01$ ), and communication in the IOR ( $\beta = .573, p < .005$ ).

Another standard multiple regression analysis was conducted to test hypothesis 4 and the result indicates that 24.4 percent of variance in the business success of the IOR can be explained by marketing support in the IOR and the financial benefits of the IOR. In addition, the result also shows that the business success of the IOR is mainly affected by only a single predictor: financial benefits of the IOR ( $\beta = .481, p < .0005$ ).

According to the testing results of hypothesis 3 and 4, the factors of commitment to the IOR, trust in the IOR, communication in the IOR, and the financial benefits of the IOR have direct effects on the variable of business success of the IOR with ( $\beta = -.262, p < .05$ ), ( $\beta = .293, p < .01$ ), ( $\beta = .573, p < .005$ ), and ( $\beta = .481, p < .0005$ ) respectively. In addition, simultaneously the business success of the IOR directly impacts overall IOR success. Consequently, through the intervening variable of business success, the factors of commitment to the IOR, trust in the IOR, communication in the IOR, and the financial benefits of the IOR create indirect effects on overall IOR success with the magnitudes of (.109), (.056), (-.050), and (.091) respectively.

### **Relationship Performance Satisfaction with the IOR**

As with the variable of the business success of the IOR, a standard multiple regression analysis was also conducted to test hypothesis 5 of this study and the result shows that 81.1 percent of the variance in relationship performance satisfaction with the IOR can be explained by the independent variables. In addition, the relationship performance satisfaction with the IOR is mainly affected by two important predictors: trust in the IOR ( $\beta = .835, p < .0005$ ) and conflict resolution in the IOR ( $\beta = .182, p < .0005$ ).

Another standard multiple regression analysis was conducted to test hypothesis 6 and the result indicates that only 2.9 percent of variance in relationship performance satisfaction with the IOR can be explained by marketing support in the IOR and the financial benefits of the IOR as a whole. In addition, the relationship performance satisfaction with the IOR is not affected by either marketing support in the IOR or by the financial benefits of the IOR.

From the testing results of hypothesis 5 and 6, it can be concluded that the factors of trust in the IOR and conflict resolution in the IOR have direct effects on the variable of relationship performance satisfaction with the IOR with ( $\beta=.835, p<.0005$ ) and ( $\beta=.182, p<.0005$ ) respectively. However, the result shows that there is no direct effect of relationship performance satisfaction with the IOR on overall IOR success. This means that through the intervening variable of relationship performance satisfaction with the IOR, none of the independent variables creates an indirect effect on overall IOR success.

#### Path Diagram of Overall IOR Success

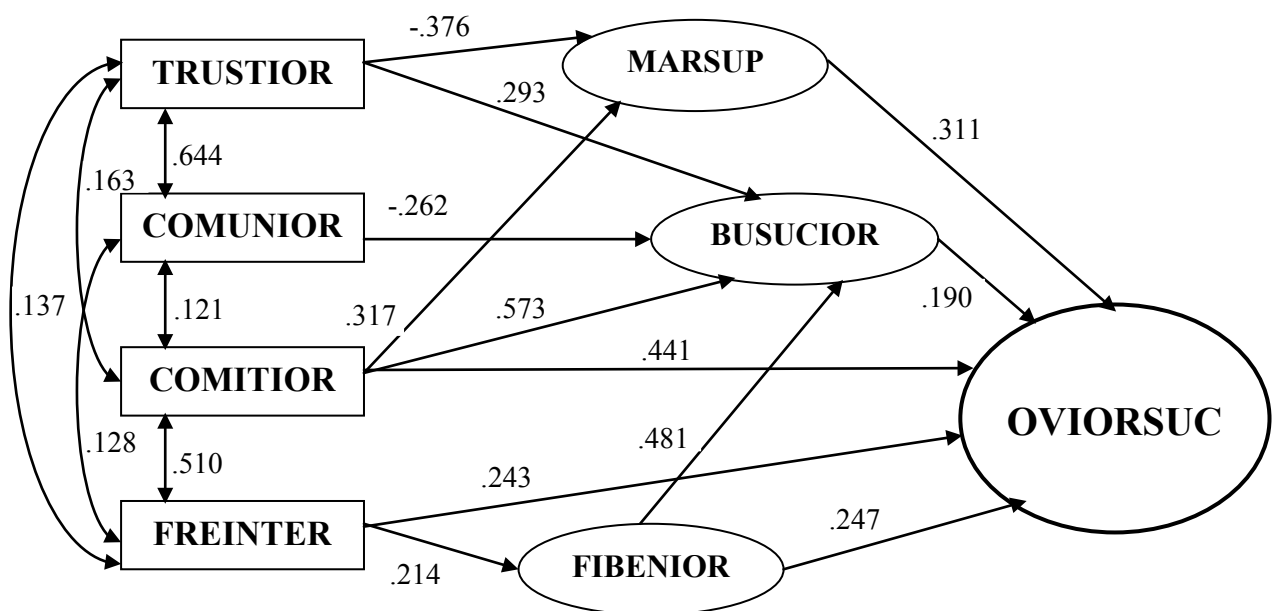


Figure 2: Path Coefficients of the Structural Equation for Hypothesis Testing

\* **Note:** All coefficients in the model are significant at the .05 level.

#### Direct Effects of Overall IOR Success

In order to explore the direct effects of the independent and intervening variables on overall IOR success, two standard multiple regression analyses were conducted to test hypothesis 7 and hypothesis 8 of this study. The first multiple regression analysis tested hypothesis 7 and the result shows that 44.3 percent of the variance in overall IOR success can be explained by the independent variables. In addition, it also shows that overall IOR

success is directly affected by two important predictors: COMMITIOR ( $\beta=.441$ ,  $p<.0005$ ) and FREINTER ( $\beta=.243$ ,  $p<.05$ ).

Another standard multiple regression analysis was conducted to test hypothesis 8 and the result shows that 35.2 percent of variance in overall IOR success can be explained by marketing support in the IOR, financial benefits of the IOR, business success of the IOR, and relationship performance satisfaction with the IOR as a whole. In addition, overall IOR success was directly affected by the three important predictors of marketing support in the IOR ( $\beta=.311$ ,  $p<.001$ ), financial benefits of the IOR ( $\beta=.247$ ,  $p<.05$ ), and business success of the IOR ( $\beta=.190$ ,  $p<.05$ ).

**Table 3: Direct, Indirect, and Total Causal Effects**

Independent Variables	Causal effects		
	Direct	Indirect	Total
TRUSTIOR	-----	-.061	-.061
COMUNIOR	-----	-.050	-.050
COMITIOR	.441	.207	.648
FREINTER	.243	.072	.315
MARSUP	.311	----	.311
BUSUCIOR	.190	----	.190
FIBENIOR	.247	.091	.247
<b>Total</b>	<b>1.432</b>	<b>.259</b>	<b>1.691</b>

Table 3 presents evidence for the main research hypothesis, with the effects of the independent variables on the dependent variable of this study. Regarding the total effects, the factor of commitment to the IOR has the strongest impact on overall IOR success ( $\beta=.648$ ). According to De Vaus (2002), this value indicates the very strong effect of COMMITIOR on overall IOR success. Following is the factor of frequency of interaction, with a total path coefficient of ( $\beta=.315$ ), indicating that FREINTER has a fairly substantial effect on overall IOR success. Ranked third is the factor of marketing support in the IOR, with a total effect of ( $\beta=.311$ ), showing that MARSUP contributes a moderate effect to overall IOR success.

The factor of the financial benefits of the IOR ( $\beta=.240$ ) was also considered to have a moderate effect on overall IOR success. Another positive factor, the business success of the IOR, with a total effect of ( $\beta=.190$ ), indicated a low effect on the dependent variable. In addition, the factors of trust in the IOR and communication in the IOR provided negative impacts on overall IOR success, with ( $\beta=-.061$ ) and ( $\beta=-.050$ ) respectively. The total effect of the factors affecting overall IOR success was 1.694.

With regard to the direct effects, the factor of commitment to the IOR also possessed the strongest impact on the dependent variable of overall IOR success with ( $\beta=.44$ ), which is considered a substantial relationship (De Vaus, 2002). Following this is the factor of marketing support in the IOR, with a path coefficient of ( $\beta=.311$ ), indicating a moderate relationship with overall IOR success. The factor of the financial benefits of the IOR ( $\beta=.247$ ) provided a moderate direct effect on the dependent variable. Ranked fourth was the factor of frequency of interaction ( $\beta=.243$ ), which also provided a moderate effect on overall IOR success. Finally, the factor of the business success of the IOR ( $\beta=.190$ ) showed a low effect relationship with the dependent variable. The total of direct effect of the exogenous and intervening variables on the main dependent variable of the study was 1.432.

With regard to the indirect effects, the factor of commitment to the IOR again had the strongest indirect impact on overall IOR success, with ( $\beta=.207$ ) considered a moderate relationship, followed by the factor of the financial benefits of the IOR ( $\beta=.091$ ) shown as a trivial relationship, and the factor of frequency of interaction ( $\beta=.072$ ) was considered to have a trivial relationship with overall IOR success as well. Two factors, the factor of trust in the IOR and the factor of communication in the IOR, had a negative impact on overall IOR success with ( $\beta=-.061$ ) and ( $\beta=-.050$ ) respectively. The total indirect effect of the exogenous variables through intervening variables on the overall success of the IOR was .259, which was considered a small effect.

The results of this path analysis suggest that there are seven variables that directly and indirectly affect OVIORSUC. COMITOR had the strongest total effect of .648 on overall IOR success. According to De Vaus (2002), this can be considered a very strong effect. Ranked second was FREINTER, with a total effect of .315 on overall IOR success. This factor provides a substantial effect (De Vaus, 2002). The third factor was the intervening factor of MARSUP. This factor also substantially affected overall IOR success with a total of .311. The fourth factor is FIBENIOR, which provides a moderate effect of .247 on overall IOR success.

Followed by this is the factor of BUSUCIOR, which has a moderate direct effect of .190 on overall IOR success.

In addition, the results also indicate that both TRUSTIOR and COMUNIOR trivially influence OVIORSUC indirectly and negatively with effects of  $-.061$  and  $-.050$  respectively. Both TRUSTIOR and COMUNIOR are mediated by BUSUCIOR, which directly correlates with OVIORSUC. These results indicate that involved travel companies have trust in the relationship with their travel partners but they do not receive enough marketing support from their travel partners. Thus, they are currently not satisfied with the marketing support in the relationship. In terms of communication in the IOR, the result shows that the involved travel companies provide and receive enough information within the relationship, which increases the relationship performance satisfaction but on the contrary negatively affects the business success. This explains the reality that Thai travel partners provide Vietnamese travel companies with much information about cheap package tours in order to attract high flows of tourists to many tourist destinations in Thailand. Thus, this creates great competition between international travel companies within the Vietnamese tourist market in which these companies have to sell tours to Thailand at lower prices and simultaneously have suffered a higher rate of inflation in the economy annually (8.8%) compared with Thailand (2.7%) during the last ten years (World Bank, 2010). Only large travel companies with longer periods of relationships have enough resources to compete, survive, and develop well, while other small travel companies get hurt in terms of business achievements with Thai travel partners.

## Implications of the Study

### Practical Implications and Contributions to Management

The practical implications to be drawn from this study have to do with the manner in which managers of both Vietnamese travel companies and Thai partners should face the future of their relationship. First, the findings of this study, based on the significant correlations between the independent and dependent variables, suggest that in order to have successful relationships with other travel partners, a travel company should: a) show more commitment or dedication to working with its travel partner; b) increase the frequency of interaction by sending tourists to the partner more often, contacting the partner by phone, email, internet, fax, etc., more frequently having meetings or visitations between partners, and finally, helping each other with other services (e.g. airline booking, hotel reservations, museums theaters, etc.); c) have a more flexible relationship with the travel partner (e.g.

when unexpected situation arises, both parties would rather work out a new deal than hold each other to the original terms, or both sides may have the ability to handle changing requirements from each other); d) participate in planning and goal setting in the relationship (e.g. together take part in decisions, goal formulation, and decision making processes); e) pay attention to organizational compatibility when entering into a dyadic relationship; f) coordinate well its activities with the travel partner; g) formalize the relationship with the partner (e.g. set up criteria for professional work procedures and training, standardization of tourist products and services, qualified tour guides, and clear prescriptions of tasks between the two partners). Having a more successful relationship with one's travel partner should translate into more marketing support, financial benefits, and profitable business relationships.

This study also shows that there are significant correlations between marketing support and the independent variables. In order to have good cooperation in tourism marketing with the travel partner, this study suggests that the managers of the travel company should: a) look carefully at the trust they have placed in the relationship and the expectations regarding marketing support they wish to receive from the partner. This relationship is currently negative and indirectly causes a negative effect on overall IOR success; b) participate in planning and goal setting in the relationship (e.g. together take part in decisions, goal formulation, and decision-making processes); c) show more commitment or dedication to working with the travel partner; d) formalize the relationship with the partner; and e) have a more flexible relationship with the travel partner.

The financial benefits of the IOR were found to be one of the reasons why travel companies choose to enter into an IOR. This study found that there are significant correlations between the factor of financial benefits of the IOR and the independent variables. It was argued that in order to obtain the most financial benefits from the relationship with the partner, a travel company should: a) participate in planning and goal setting in the relationship; b) show more commitment or dedication to working with the travel partner; c) formalize the relationship with the partner; d) have a more flexible relationship with the travel partner; e) coordinate its activities well with the travel partner; and f) increase the frequency of interaction by sending tourists to the partner more often.

The findings of this study also revealed that the business success of the IOR was one of the considerations that managers of travel companies thought may lead to overall IOR success. The results showed there were significant relationships between the business success of the IOR and the independent variables. Thus, this study suggests that in order to



achieve successful business with the travel partner, a travel company should: a) highly trust its partner; b) participate in planning and goal setting in the relationship; c) show more commitment or dedication to working with the travel partner; d) have a more flexible relationship with the travel partner; and e) coordinate well its activities with the travel partner.

Finally, in order to achieve a high level of overall IOR success when a travel company decide to establish a relationship with a travel partner outside the country, managers should pay great attention and consideration to the important factors that provide significant, unique contributions to overall IOR success directly or indirectly, as suggested by this study. The significant determinants that managers of travel companies should assign priority to are: a) trust in the relationship on both sides; b) communication within the relationship; c) commitment to the relationship on both sides; and d) frequency of interaction. In addition, managers on both sides should also look at their partners' purposes in joining the relationship, as this study found that marketing support, financial benefits, and business success were the three main aspects that travel companies expected to obtain and that these factors directly affected their evaluation of overall IOR success.

### **Theoretical Implications**

This study also presented empirical evidence regarding the factors affecting overall IOR success directly and indirectly, as well as provided reliable scales to measure theoretical dimensions such as commitment to the IOR, frequency of interaction, flexibility in the IOR, participation in the IOR, organizational compatibility, coordination of the IOR, formalization in the IOR, trust in the IOR, and communication in the IOR. Measuring overall IOR success through the intervening variables, marketing support in the IOR, the financial benefits of the IOR, business success of the IOR, and relationship performance satisfaction with the IOR were conducted in this study for the first time. Thus, a more comprehensive conceptual framework for measuring the success of the dyadic IOR, with all important factors suggested by scientific researchers of previous studies, was built and tested in this study.

Furthermore, this study provides a comprehensive research methodology that has been developed for the study of any identifying determinants of overall dyadic IOR success. Researchers may utilize this methodology for future studies.

Finally, one of the objectives of this study was to apply inter-organization relation theory to the tourism context with a more comprehensive conceptual framework drawn from the literature of the IOR and to provide a better understanding of the relationship between two groups of organizations, Vietnamese travel companies and Thai partners, thereby

contributing to the existing diversified literature in the field of organization management and the field of tourism development.

### **Research Implications**

This study made an effort to identify the determinants of IOR success between Vietnamese travel companies with Thai partners in both aspects of successful relationships success in performance satisfaction and success in mutual economic benefits. All of the variables were drawn from the literature on the IOR, which suggested by various researchers for further study. In addition, this study employed multivariate analysis in order to empirically substantiate the linkages between the determinants of IOR success and overall IOR success.

From the results of this study, there is evidence that the majority of the determinants of IOR success identified from the theoretical and empirical literature on relationship success are significantly associated with overall IOR success.

Another purpose of this study was to measure overall IOR success through the intervening variables: marketing support in the IOR, financial benefits of the IOR, business success of the IOR, and the relationship of performance satisfaction. The results showed that three out of these four intervening variables directly affected overall IOR success and represent important motivations for travel companies to join in a relationship with their partners. This study also found that there was no significant relationship between the factor of relationship performance satisfaction and overall IOR success or marketing support and the financial benefits of the IOR. Even though Anderson (1990) and Van de Ven and Ferry (1980) suggested an approach to measure IOR success that relates to the participants' overall satisfaction with the relationship, unfortunately, these researchers did not provide any empirical evidence that relationship performance satisfaction was significantly associated with overall IOR success.

## Conclusion

All the objectives of this study have been successfully obtained: firstly to identify the determinants of IOR success; secondly, to apply inter-organizational relation theory to practice with empirical research and hypothesis testing; thirdly, to measure overall IOR success through the intervening variables; fourthly, to rebuild and test a more comprehensive conceptual framework for measuring dyadic IOR success; and finally, provide development suggestions for enhancing tourism cooperation between Viet Nam and Thailand.

The application of the multivariate statistical techniques with factor analysis, standard multiple regression analyses, and path analysis allows for the exertion of a causal relationship between the exogenous and endogenous variables of overall IOR success model. Explanations and suggestions given are based on the review of the literature and the empirical findings of the study. In terms of significant relationships, bivariate correlations and Pearson product-moment correlation coefficients were employed to explore the relationship and its strength between each independent variable and overall IOR success, as well as between each intervening variable and the dependent variable of the study. The direct and indirect effects of overall IOR success were discussed and explained in order to obtain clear answers and evidence for all research questions and hypotheses. The implications of this study provide both theoretical and practical contributions to the field of organization management and development. Although this study can be considered an initiation into measuring overall IOR success through intervening variables, as suggested by Negandhi (1980) in studying IOR effectiveness or success as a whole and especially in the field of travel and tourism, the results of this study showed that not all factors have direct and indirect effects on overall IOR success for several subjective and objective reasons. Future research should the the model with more meaningful statements for each factor or determinants of overall IOR success. Importantly, this study shows that there is great potential for successfully building a more comprehensive model for measuring overall IOR success.

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