

# Inter-Organizational Relationship Performance

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Inter-Organizational Relationship Performance (IORP) was directly affected by trust, commitment, coordination, and frequency of interaction directly, while simultaneously, communication and participation have indirect impacts on IORP.

Keywords: inter-organizational relationship performance ; trust ; commitment

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## 1. Introduction

Many scholars have highlighted the importance of IORP in many fields. Recent evidence has proposed the antecedents of successful partnerships are based on coordination, commitment, trust, quality communication, information sharing, and participation <sup>[1][2]</sup>. Furthermore, Palmatier et al. <sup>[3]</sup> found that commitment and trust positively affect IORP and are the critical mediating variables of increasing total sales, sales growth, cooperation, benefit expectations, capability to implement the objectives, and high integrity <sup>[4][5][6]</sup> or dependence factors to measure the strength of the relationship between the frequency of interaction and communication highly affects trust <sup>[3]</sup>. Furthermore, Cote and Latham <sup>[7]</sup> also defined trust and commitment as the mediating variables that lead to IOR performance. The symmetric trust and commitment will reduce the uncertainty resulting from opportunism and minimize the demand for extensive control procedures <sup>[8][9]</sup>. Similarly, Elche et al. <sup>[9]</sup> had contributed to explore the literature of inter-organizational relationships. They discovered the influence of relationships with “the core and peripheral partners in clustered firms,” but their study did not analyze the impacts of the relationships between variables. Notably, based on the need to expand our knowledge of potential constructs of inter-organizational relationship performance, Medina-Munoz and Garcia-Falcon <sup>[2]</sup> suggested that for better understanding of successful IORs, the impacts of flexibility should be investigated. Thus, this current study attempts to add two new factors, flexibility and frequency of interaction, to achieve a comprehensive model of the determinants of IORP.

The theoretical framework for the IORP model includes coordination, communication, flexibility, frequency of interaction, participation, commitment, and trust. Theoretically, we combine two critical theories of the resource dependence theory (RDT) and the transaction cost theory (TCT) for deeper insights and better explanations of IORP to offer descriptive surroundings, recognize improvements, and build up an integrated conceptual framework. The TCT views IORP as an alliance and shares the idea that such alliances are founded on resource scarcity and risk environments <sup>[10]</sup>. In addition, alliances seek to control the crucial elements of their business field to achieve mutual goals. In TCT, the organizations enter into IORs to minimize transaction costs when they interact together and increase the operative efficiency <sup>[10]</sup>. The organizations founded alliances to achieve efficient, professional, and risk-sharing goals in an uncertain environment. According to RDT, the organizations engage in IORs because of their need for external resources and control of the critical resources that are significant to the organizations <sup>[11]</sup>.

## 2. Facts about Inter-Organizational Relationship Performance

### 2.1. Inter-Organizational Communication

Regarding a perspective directly related to human behavior, communication is a process through which “the information is exchanged and understood by two or more people” <sup>[12][13]</sup>. The perspective of inter-organizational attitude shows that communication was considered a variable impact on the quality of interrelationships <sup>[12][14]</sup>. Inter-organizational communication is the glue and maintains the relationships <sup>[15]</sup>, which sends open and diverse information to other organizations through communication channels of the relationships to the partners <sup>[1][15][16]</sup>. Other studies have assessed that the efficacy of inter-organizational communication must be especially timely and transparent among partners <sup>[17]</sup>. Commenting on inter-organizational communication, Turker <sup>[12]</sup> defined it as the sharing of the “formal and informal about the meaningful information and timely information among firms”, which takes on a significant role and affects the relationship performance <sup>[18][19]</sup>. Past communication is treated as an antecedent to trust and builds trust over time and enhances communication. The scholars found that communication behavior such as quality communication and

information sharing influences relationship success <sup>[2]</sup>, and the empirical study produced significant statistics. As Paulraj et al. <sup>[20]</sup> defined, inter-organizational communication is sharing reliable information, providing information that might help partners, and exchanging information frequently, informally, or promptly. Furthermore, Moscardo <sup>[21]</sup> found that elements of communication include communication source credibility, trustworthiness, and ease of comprehension. Similarly, Palmatier et al. <sup>[22]</sup> pointed out that “the inter-organizational communication is the amount, frequency, and quality of information” that was shared among partners. Their findings showed that the communication antecedent had a significant and positive influence on trust and commitment <sup>[6]</sup>. Morgan and Hunt <sup>[6]</sup> pointed out that communication had significant positive effects on trust <sup>[3][6]</sup> and communication had significant positive effects on commitment <sup>[4][7]</sup>; moreover, communication indirectly affects commitment through trust, and communication directly affects IORP <sup>[1]</sup>. These findings were confirmed by Palmatier et al. <sup>[22]</sup>, who stated that the antecedent of communication has the most significant influence on relational mediating of trust and commitment. Their findings showed that communication had significant positive effects on relational mediating of trust and commitment.

### 2.2.2. Inter-Organizational Coordination

According to Narus and Anderson <sup>[23]</sup>, inter-organizational coordination is a policy in which the members in the IOR seek to work in cooperation in the great effort, which depends on a set of duties and responsibilities that each party looks forward to partner completed <sup>[6]</sup>. Similarly, Palmatier et al. <sup>[22]</sup> pointed out that coordination combined and integral activities among exchange partners to reach associated targets such as arrangement and joint actions <sup>[24]</sup>. Similar work has also been pursued by others <sup>[1]</sup>, in which coordination showed better successful partnerships accompanied by high levels of coordination. Their test was significant and affected partnership successes directly. In the oncological context, Flieger et al. <sup>[25]</sup> suggested that inter-organizational coordination involves using strategy and behavior characteristics to integrate and align activities, knowledge, and purposes of interdependent members to achieve the mutual goals in the relationships <sup>[26]</sup>. Medina-Munoz and Garcia-Falcon <sup>[2]</sup> proposed that the primary measure of IORP is based on well-coordinated activities with the partners; in addition to this relationship, success must have a clear plan and schedule for product's delivery with partners. Their findings showed that there was a positive influence between coordination and overall successful relationships. Coordination refers to “the boundary definition and reflects the set of tasks each party expects the other to perform” <sup>[1][11]</sup>. According to Salancik and Pfeffer <sup>[11]</sup>, “the stability in an uncertain environment can be achieved via greater coordination lead to success in IORP”. Furthermore, Mohr and Spekman <sup>[1]</sup> found that the relationship between coordination and successful partnerships was significant. In addition, Medina-Munoz and Garcia-Falcon <sup>[2]</sup> found that there was a positive influence between coordination and overall successful relationships. From this viewpoint, coordination influences the degree of trust and commitment <sup>[1][19][22]</sup>.

### 2.3. Inter-Organizational Trust

The research defines inter-organizational trust as “the mutual trust refers to the confidence that each party will fulfill its obligations and behave as expected” <sup>[27][28]</sup>. Inter-organizational trust based on reliance built upon two objective principles was benefit expectations and capability to implement the objectives from partners <sup>[5][29][27]</sup>. Another perspective about inter-organizational trust, such as it did not appear quickly, came from building the relationship gradually and frequently over time and following a system of interactions <sup>[30]</sup>. Inter-organizational trust happened based on the familiarity with tourism sectors and past activities by knowing the precise capability of the partners such as their fame, knowledge, information, competence, goodwill, intentions, and strategy when doing business, which show the critical role in the first step of having the relationship with a partner by previous experience <sup>[5][6][7][22]</sup>. In the Taiwanese context, Yeh et al. <sup>[31]</sup> highlighted three indicators measure of relationship trusts such as honesty, trustworthiness, and task fulfilment. The relationship trust is known to represent an existence between interpersonal and organizations. If trust was increased and strengthened between people of the organization, it also leads to strengthening the connections between members and the organization. It also speeds up the formation of trust between members. In addition, Mariño-Romero et al. <sup>[32]</sup> highlighted six items to measure of trust: honesty, keeping promises, feeling a sense of security, offering quality services and guarantees, and being interested in the customers since trust is required for developing the long-term relationships between organizations and customers.

Based on prior experience, organizations choose or refuse to cooperate with partners <sup>[33][34]</sup>. As Williamson <sup>[10]</sup> explored, inter-organizational trust is based on formal contracts as a system for reducing opportunistic behaviour that will not appear in the relationship if trust is established first. Similarly, a systematic literature review from 1990 to 2003 by Seppanen et al. <sup>[35]</sup> showed that “mutual trust is a key factor of relationship quality and performance with its impact on reducing the perception of risk, transaction costs, opportunistic behaviour and increasing effectiveness and cooperation among actors” <sup>[12]</sup>. This idea is also evident in Zucker's <sup>[36]</sup> work, which showed that contracts and commitments are the logical base for inter-organizational trust. In the empirical work published in <sup>[2]</sup>, trust was described as the belief in a party's word to

accomplish and implement their duties, and from this leads more developments in cooperation <sup>[19]</sup> and a belief that their partners always do the right things for the relationship since trust exists. Furthermore, inter-organizational trust has been proven to raise coordination, raise flexibility, decrease the costs of coordinating activities, and improve the degree of knowledge transfer <sup>[9][28][37]</sup>. Therefore, trust is supposed to have a positive, direct, and indirect effect on commitment and IORP.

## 2.4. Commitment towards the Relationship

Travel companies in inter-organizational relationships must depend on other partners' activities and external resources. So, the travel companies develop alliance strategies and interdependencies to share risks, resources, monitoring, and control; thus, the inter-organizational commitment is established in this relationship <sup>[2]</sup>. Commitment refers to the partners' willingness to effort and desire to develop the relationship <sup>[1][38]</sup> and to be willing to make sacrifices and underline intentions to maintain the relationship <sup>[5][16]</sup>. Another concept of commitment by Jap and Ganesan <sup>[39]</sup> refers to the expectations that the parties would like to establish an ongoing relationship by being willing to sacrifice the short-term benefits to keep sustainably developing these relationships based on trust with partners. Commitment towards the relationship refers to having dedicated enough resources to maintain the relationships with partners who have performed the effectiveness, development, contracting, and standardizing of the commitment <sup>[3][5][6]</sup>. In the organizations, to have a high commitment was placed in front-class, and all parties managed to reach their goals and performed these objectives without the shadow of opportunism <sup>[40][41]</sup>. In the context of online shopping in China, Chen et al. <sup>[42]</sup> defined commitment as the exchange that partners believe in within the ongoing relationships with other partners, which is very significant to ensure that the maximum effort to maintain these relationships is being made, and they highlighted that the elements of commitment also include calculative commitment and affective commitment.

Furthermore, Williamson <sup>[40]</sup> posits a transaction cost theory and points out that IOR among partners will appear as latent costs related to opportunism. So, the alliances were formed to reduce the uncertain environment, and the firm's competitive environment was stabilized by forming mutual expectations and norms of reciprocity to establish the commitment and regulate exchange transactions <sup>[43]</sup>. Other studies confirmed that the high levels of commitment and trust were related to greater partnership success. Their findings positively affected successful partnerships <sup>[3][6]</sup>. In addition, Medina-Munoz and Garcia-Falcon <sup>[2]</sup> found a positive influence between commitment and inter-organizational relationship performance <sup>[3][6]</sup>.

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