PERSPECTIVES ON INTER-INDUSTRY PARTNERSHIPS IN THE INTERNATIONAL MEDICAL TOURISM MARKET

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The international medical tourism business is a typical type of inter-industry strategic alliance between the travel and healthcare industries. This investigation provides insight into the inter-industry partnership from three perspectives: environment uncertainty, trust, and resource dependence. The authors empirically researched a model of partnership satisfaction from a sample of 161 travel agencies’ managers. Results indicate that environment uncertainty and trust significantly impact partnership satisfaction; resource-dependence was not found to have a significant impact on partnership satisfaction in this study. These results suggest that market environmental monitoring, compliance business norms, and long-term orientation are critical factors for inter-industry cooperative partnerships in the international medical tourism market.

Keywords: Inter-industry partnerships, External environment uncertainty, Trust, Resource-dependence, Long-term Orientation.

Introduction

The past decade has seen the rapid development of international medical tourism markets in many countries. Some Asian countries such as India, Thailand, Singapore, Malaysia, and Philippines have become major medical-tourist destinations (RNCOS, 2012). Medical tourism combines travel with health care services; medical tourists are patients who cross-borders for the exclusive purpose of obtaining affordable, faster, and better quality health care services. Even though, language and culture can pose barriers that reduced the progress of medical tourism in some countries. However, according to Horowitz et al. (2007), the current annual revenue of the global medical tourism industry is over sixty billion U.S. dollars, and is growing 20% each year. It has been pointed out that the medical tourism market has more than 750,000 people participating annually (Greg, 2008; Horowitz et al., 2007). Therefore, medical tourism is of interest to a great number of people and has the potential for significant development.

Since 2007, Taiwan has been promoting international medical tourism to the world based on its comparative advantages in healthcare infrastructures including lower prices, higher quality, and shorter wait times. Nevertheless, there is not a single formal organization with the essential knowledge, operational competency, and resources able to provide both travel and health care services to develop medical tourism in Taiwan. Interorganizational strategic alliances are important for the business component of medical tourism industry. Therefore, many travel
agencies cooperate with healthcare institutions to establish business alliances hoping to reach this market. The definition of a strategic alliance is an agreement between two or more firms to cooperate for a long-term to jointly develop, manufacture, and distribute products or services (Rekha and Xavier, 2006). Many previous papers have used one theoretical perspective to explain different alliance-related phenomenon. Unfortunately, only a few studies have utilized a pluralistic perspective to examine the different phenomena of inter-organizational partner relationships in the medical tourism industry.

The international medical tourism business is a typical type of inter-organizational strategic alliance between travel agencies and hospital/healthcare organizations. This study adopts three views on the design of interorganizational partnership satisfaction factors. They are environment uncertainty, trust, and resource-dependence. This investigation also presents an insight into the influence upon inter-organizational partnership satisfaction via a firm’s operational performance using partnership satisfaction factors. According to Fliedner and Vokurka (1997), inter-organizational long-term orientation is a critical factor driving firm competitiveness. Hence, we added the variable of long-term orientation to our research model. The present study identifies two specific research questions on inter-organizational partnership satisfaction between the travel agencies and healthcare organizations.

1. What impacts do the antecedents of cooperative factors through the three perspectives of external environment uncertainty, trust, and resource dependence have upon partnership satisfaction?
2. What effects does a firm's operational performance have on partnerships of long-term orientation?

Theoretical Backgrounds and Hypotheses

External Environment Uncertainty's Effects on Partnership Satisfaction

Previous studies have described relationship satisfaction as a necessary condition for relationship quality (Ruben and Nicholas, 2007). The rise of economic exchanges has brought uncertain external environments and opportunities. This situation has boosted cross-organizational cooperation and demand for travel agency services (Ruden, 1997). Research had pointed out that supplier pressure, changing technology and changing habits of customers all contribute to turbulence and uncertainty in the travel service industry (Dilts and Prough 2001). Furthermore, external environments must be considered in strategic alliance affairs (Miles and Snow, 1978). The nature of partnership quality is impacted by external environment uncertainty. Therefore, the first hypothesis is:

**H1:** External environmental uncertainty will influence inter-organizational partnership satisfaction.

Trust's Effects on Partnership Satisfaction

Trust is a psychological state in terms of various inter-related cognitive attitudes or orientations. It is also a reflection of past experiences or the expectations of the future. Prior studies have identified that developing trust is an important factor in an alliance approach to inter-organizational relationship satisfaction (Sharfman et al., 2009; Benton and Maloni, 2005).
On the other hand, unethical business behavior can cause damage to trust and long-term inter-organizational partner relationships (James et al., 2009). This study therefore proposes:

**H2:** Trust will influence partnership satisfaction among alliances members.

**Resource-Dependence’s Effects on Partnership Satisfaction**

The resource-dependence perspective describes that both internal and external agent who holds vital resources or competencies can make decisions to move an organization forward. Building up effective cooperative relationships based on the consent among cooperative partners to combine and contribute individual resources will nurture competitive advantages within alliance networks (Madhok and Tallman, 1998; Wittmann et al., 2009); these findings, competency or resource dependence between partners can influence partnership satisfaction. Thus, the third hypothesis is:

**H3:** Resource-dependence will influence partnership satisfaction among alliances’ members.

**The Effects of Partnership Satisfaction on Operational Performance in a Firm**

Palmatier et al. (2007) proposed that a success inter-organizational relationship is reflected in individual firm's management performance and alliances and creates better performance through high-level cooperative behavior. McDowell et al. (2010) also found that supplier/receiver relationships are greater influential factors for performance within supply chains. Consequently, it is possible for a firm with a higher quality inter-organizational partnership to accomplish better organizational performance. Therefore, the following hypothesis is given:

**H4:** Inter-organizational partnership satisfaction will influence organizational performance in individual firms.

**The Effect between Partnership of Long-term Orientation and Operation Performance in a Firm**

Anderson and Weitz (1992) defined long-term orientation as a partner’s willingness to make short-term releases to achieve long-term benefits from the relationship with its partners. Furthermore, long-term orientation progresses over time depending on other relationship specific variables such as trust, conflict, and resource support. Previous studies have examined long-term orientation relationships that have influenced supplier/receiver internal outcomes in the operational management domain (Cousins and Menguc, 2006; Claycomb and Frankwick, 2004). When alliances partners have high a level of long-term orientation they are more likely to share benefits and profits with each other. Thus, this study posits the hypothesis that:

**H5:** Partnerships of long-term orientation will influence organizational performance in individual firms.

Our research framework of proposed hypotheses is depicted in Figure 1.
Figure 1. The Research Model.

Research Methods

Sample and Data Collections

This research focused on travel agencies that have been providing international medical tourism services in Taiwan and were found through listing of two government organizations including the tourism bureau and Taiwan task force for medical travel office. A total of 38 travel agencies from the lists of 178 agencies agreed to take part in this study. Questionnaires were distributed and returned from July 1st to July 31th of 2012. Questionnaires were distributed to 380 full-time managers (including managers, general managers, vice presidents and directors) in travel agencies with 171 responses received from 38 travel agencies. A total of 161 completed surveys were returned and the effective response rate was 42.4%. Respondent characteristics of travel agencies are shown in Table. 1:

<table>
<thead>
<tr>
<th>Variable</th>
<th>Category</th>
<th>Number</th>
<th>Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee</td>
<td>Less than 50</td>
<td>4</td>
<td>10.5%</td>
</tr>
<tr>
<td></td>
<td>51~100</td>
<td>11</td>
<td>28.9%</td>
</tr>
<tr>
<td></td>
<td>Over 101</td>
<td>23</td>
<td>60.6%</td>
</tr>
<tr>
<td>Years of alliance experience</td>
<td>Less than 2</td>
<td>13</td>
<td>34.2%</td>
</tr>
<tr>
<td></td>
<td>2~4</td>
<td>22</td>
<td>57.9%</td>
</tr>
<tr>
<td></td>
<td>Over 4</td>
<td>3</td>
<td>7.9%</td>
</tr>
<tr>
<td>Number of partnership with hospital/healthcare organization</td>
<td>Less than 5</td>
<td>9</td>
<td>23.7%</td>
</tr>
<tr>
<td></td>
<td>6~10</td>
<td>21</td>
<td>55.2%</td>
</tr>
<tr>
<td></td>
<td>Over 10</td>
<td>8</td>
<td>21.1%</td>
</tr>
</tbody>
</table>

This study makes a comparison between early and late respondents in 25% of all respondents and the results showed no significant difference between these respondents.
Measurement

This study developed items for measuring constructs of prior literature review. Measurement of all items in this research utilizes a seven-point Likert-type scale from 1 to 7 (completely disagree to completely agree). The questionnaire is composed of three parts. The first part of the questionnaire comprises descriptive data of the travel agencies; the second part measures relational items on inter-organizational partnerships. The final part measures operational performance of travel agencies. Eight staff members of travel agencies completed a pre-test of the questionnaire before it was distributed to the sample target population.

Six research constructs are included in the conceptual model: external environment uncertainty (EEU), which is defined as the strength of uncertainty factors in the medical tourism market environment; trust with the cooperative partner (T), which is defined as a one dimensional construct in a travel agency evaluation with cooperative partner; resource dependence with the cooperative partner (RD), which is defined as a constituent construct in a travel agency assessment and it relies on the partner’s resources; partnership satisfaction (PS), which is defined as the measure to which travel agency believes that the partner is honest and willing to share; long-term orientation (LTO), which is defined as a long-term oriented exchange and cooperation attaching more importance to the future; and firm performance (FP), which is defined as the firm performance through the inter-organizational cooperation by its previous experience.

This study estimated discriminant validity of the constructs. The results were met for all the constructs. The Kaiser-Meyer-Olkin (KMO) assessment of sampling adequacy was 0.708, and the Bartlett’s test for sphericity was highly significant ($\chi^2=2356.973, df=253, p=0.000$), indicating that the data were acceptable for factor analysis. Consequently, selection of items within each factor was determined by factor loading above 0.6. The average variance extracted (AVE) was more than the squared correlation between any of constructs. Composite reliability (CR) measures ranged between 0.818 and 0.919, which were above the 0.7 recommended from Chin (1998). In addition, Cronbach’s $\alpha$ coefficients were above 0.7 in all dimensions of our research model. Therefore, this research has high validity and reliability. The results are displayed in Table II.

**Table 2.** Descriptive and Correlations.

<table>
<thead>
<tr>
<th>Items</th>
<th>EU</th>
<th>T</th>
<th>RD</th>
<th>PS</th>
<th>FP</th>
<th>LTO</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU</td>
<td>4</td>
<td>.899</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>T</td>
<td>4</td>
<td>.461**</td>
<td>.833</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RD</td>
<td>3</td>
<td>.251**</td>
<td>.280**</td>
<td>.847</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PS</td>
<td>3</td>
<td>.301**</td>
<td>.206*</td>
<td>.110n.s</td>
<td>.804</td>
<td></td>
</tr>
<tr>
<td>FP</td>
<td>5</td>
<td>.535**</td>
<td>.382**</td>
<td>.218**</td>
<td>.346**</td>
<td>.856</td>
</tr>
<tr>
<td>LTO</td>
<td>4</td>
<td>.291**</td>
<td>.390**</td>
<td>.584**</td>
<td>.349**</td>
<td>.276**</td>
</tr>
<tr>
<td>AVE</td>
<td></td>
<td>.701</td>
<td>.739</td>
<td>.634</td>
<td>.607</td>
<td>.630</td>
</tr>
<tr>
<td>CR</td>
<td></td>
<td>.904</td>
<td>.919</td>
<td>.839</td>
<td>.818</td>
<td>.894</td>
</tr>
</tbody>
</table>

**p ≤ 0.001; * p ≤ 0.01; n.s. No Significant**
We also assessed the degree of multicollinearity: correlation between constructs, partial correlations, part correlations, regression analysis, and variance inflation factors (VIF). The results show that multicollinearity does not exist in our study.

RESULTS

To test our hypotheses, authors evaluated the following regression analysis. Overall, the majority of results support the research model. The standardized path coefficients and path significance of proposed structural models are shown in Table 3.

External environmental uncertainty has a strong impact on partnership satisfaction ($\beta=0.301; t=3.824; p<0.001$), trust ($\beta=0.206; t=2.054; p<0.01$) and resource dependence ($\beta=0.110; t=0.520; p>0.5$) with 36.6% of the variance explained in partnership satisfaction. Therefore, the data supports hypothesis 1 and hypothesis 2, but hypothesis 3 is not supported. Partnership satisfaction was found to have a positive influence on firm performance of a travel agency ($\beta=0.346; t=4.057; p<0.001$) with 30.6% of the variance explained. Hence, hypothesis 4 is supported. Moreover, partnerships of long-term orientation was found to significantly influence operational performance ($\beta=0.276; t=3.555; p<0.001$). As a result, hypothesis 5 is confirmed.

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Path Coefficient</th>
<th>t-value</th>
<th>Sig. Level</th>
<th>Support</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>0.301</td>
<td>3.824</td>
<td>$p&lt;.001$</td>
<td>+</td>
</tr>
<tr>
<td>H2</td>
<td>0.206</td>
<td>2.054</td>
<td>$p&lt;.01$</td>
<td>+</td>
</tr>
<tr>
<td>H3</td>
<td>0.110</td>
<td>0.520</td>
<td>$p&gt;.5$</td>
<td></td>
</tr>
<tr>
<td>H4</td>
<td>0.346</td>
<td>3.075</td>
<td>$p&lt;.001$</td>
<td>+</td>
</tr>
<tr>
<td>H5</td>
<td>0.276</td>
<td>3.555</td>
<td>$p&lt;.001$</td>
<td>+</td>
</tr>
</tbody>
</table>

Discussion

This findings of this study have implications for management of the internation medical tourism industry and can provide a greater understanding of partnership satisfaction perceptions for inter-industry cooperations.

Hypothesis 1 proposes a positive relationship between environmental uncertainty and satisfaction of inter-organizational partnerships, and results supported that influence. The results also support hypothesis 2: a positive impact between trust and inter-industry partnership satisfaction. These results imply that a firm facing environmental uncertainty should pay more attention to inter-organizational partnerships to obtain supplies, share risks, to gain competitive advantages with cooperative partners. As Sherman and Sookdeo (1992) explained, trust is the most important factor for a successful inter-organizational partnership, which is in agreement with our empirical results. Therefore, we have two suggestions:

First, travel agencies should respect market variation in the international medical tourism environment and adjust strategies and structures to meet market trends. Secondly, travel agencies should comply with business norms and communicate to enhance trustworthiness and partnership satisfaction.
According to our study results, resource dependence does not directly influence partnership satisfaction as proposed by hypothesis 3. Resource dependence may be more relevant in an international medical tourism market with less fierce competition and abundant medical resources than that of Taiwan. Therefore, it is not difficult for a travel agency to acquire a cooperative partner in the healthcare industry.

As proposed by hypothesis 4, the positive influence between partnership satisfaction and a firm’s operational performance is supported. Our results indicate that high partnership satisfaction contributes to a firm’s performance. This is because partners have a better understanding of the other party’s requirements. Consequently, this study suggests that travel agencies possess strategic approaches to develop partnerships with hospitals and healthcare organizations. These strategic approaches could include benefits/profits sharing, competitive advantages of service prices, and quality and assistance of promotion activities to reduce current partners’ costs.

Hypothesis 5, the positive influence between long-term orientation and a firm’s operational performance is supported. This finding supports the results of previous research. We suggest building stronger relationships of cooperative interdependence; partners are more likely to work together successfully for the long-term.

References


