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# Acquiescence and conflict in exchanges between inbound tour operators and their overseas outbound partners: A case study on Tanzania

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ABSTRACT

Achieving partner acquiescence is critical in interfirm exchanges because it allows the focal firm to achieve its desired outcomes. Using a case study on dyadic relationships between inbound tour operators in Tanzania and their overseas outbound partners, this paper investigates the effect of partner irreplaceability and distributive fairness on acquiescence, and the subsequent effect that acquiescence has on conflict. The case study uses partial least squares structural equation modeling on data collected from 129 dyadic relationships. Results show that partner irreplaceability and distributive fairness are positively associated with acquiescence, which in turn reduces conflict. The effect of distributive fairness on acquiescence was found to be larger than that of irreplaceability. In addition, the direct effect of distributive fairness on conflict, although not hypothesised, was found to be significant. This emphasises the importance of distributive fairness, and its role as a possible buffer to conflict in less acquiescent exchanges.

## 1. Introduction

Given the wide range of service components comprising tourism products, the needs of tourists and the functions required to meet those needs typically involve multiple actors (Pearce, 2008). Although tourism firms can integrate vertically, for instance by owning and operating their own travel agencies, airlines, accommodation facilities, and incoming agencies, implementing such business models is often associated with high fixed costs and reduced flexibility (Gomez & Sinclair, 1991). Therefore, for many tourism firms, the most viable business model involves establishing relationships that allow them to complement their own operations with resources and activities of other actors in their value chain. This is particularly important for firms involved in international tourism, where the creation, development and maintenance of effective cross-border exchange relationships can provide competitive advantages (Crotts, Aziz, & Raschid, 1998; Pearce, 2007).

Considering resource interdependence in interfirm exchange relationships, partners tend to exert demands on each other, with each party promoting its own interests (Pfeffer & Salancik, 1978). Since the demands of one party may compromise the interests of the other, achieving acquiescence – the partner's acceptance or adherence to demands – is critical because it allows the focal firm to achieve its desired outcomes (Kumar, Stern, & Achrol, 1992). This is especially the case for tourism firms, where the ability of a firm to deliver products in the manner that they wish to do so depends on, among other things, the reception of value chain partners to their demands. However, firms in tourism value chains are often heterogeneous entities that have antagonistic goals, contrasting strategic interests, and different operational procedures (Zhang, Song, & Huang, 2009), and this makes it difficult to achieve acquiescence.

Using a case study on Tanzania, this paper investigates the effect of partner irreplaceability and distributive fairness as antecedents to acquiescence and the subsequent effect that acquiescence has on conflict. Partner irreplaceability was considered in this study because it represents a coercive base of power in exchange relationships while distributive fairness represents a non-coercive base of power (Lusch, 1976). The study draws its empirical evidence from exchange relationships between inbound tour operators in Tanzania and their overseas outbound tour operator partners. Although some large outbound tour operators are vertically integrated and deliver most of the components in a package themselves (Theuvsen, 2004), the common practice is to work in partnership with other tourism actors such as inbound tour operators. In such relationships, inbound tour operators tend to have an in-depth knowledge of the local environment and close relationships with local suppliers, which gives them a competitive edge in handling service delivery in the destination (Pearce, 2007; Saffery, Morgan, & Tulga, 2007) while outbound tour operators, being located

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in source markets, tend to have market reach and an in-depth understanding of the needs of potential clients, which enables them to design and sell appealing packages. Thus, inbound and outbound tour operators complement each other but also have strategic advantages over one another (Chand & Katou, 2012), which can manifest themselves in ways that are of interest from an interfirm exchange perspective.

The paper contributes to extant literature in three main ways. Firstly, since acquiescence is conceptually equivalent to compliance (Morgan & Hunt, 1994), the focus on exchange relationships between inbound and outbound tour operators responds to Holma, Bask and Kauppi (2015) who called for further research on compliance in tourism supply chains with a focus on interfirm exchanges rather than exchanges between firms and end-customers. Secondly, this paper provides insights on managing tourism interfirm relationships, responding partly to Song, Liu, and Chen (2013) who called for further research on appropriate governance models for tourism value chains. Thirdly, this paper contributes insights on the scarcely researched topic of acquiescence within the broader field of interorganisational relations, which is of interest across multiple disciplines such as marketing, strategic management, and organisation science.

The remainder of this paper is structured as follows: Section 2 provides theoretical background and hypotheses to be tested; Section 3 describes the relevance of Tanzania as a case study, the approach taken to research design and data collection, and variable measurement; Section 4 provides descriptive statistics, assesses the measurement model and provides common method bias analysis, and tests the hypotheses; Section 5 places the findings into a wider context and identifies theoretical contributions, key managerial implications and study limitations, including opportunities for future research.

## 2. Theory

### *2.1. Private control and acquiescence*

When a party in an interfirm exchange demands the other to perform specific actions, a dynamic arises and the course and content of the relationship changes (Scheer & Stern, 1992). This is because as loosely coupled systems, firms interact with each other while retaining their independence (Liu, Huang, Luo, & Zhao, 2012). In other words, firms involved in exchange relationships maintain their identities and separateness and yet are connected and operate interdependently (Orton & Weick, 1990). As such, each party exercises private control over key aspects of the exchange in defense of its own interests while concurrently exercising collective control in defense of joint interests (Luo, Shenkar, & Gurnani, 2008). Private control includes efforts by individual parties to specify certain policies, rules or programs in the exchange relationship (Buvik, Andersen, & Gronhaug, 2014), while collective control occurs mainly in the form of jointly agreed contractual clauses, formalised policies, rules and norms (Luo et al., 2008). Therefore, each party involved benefits from the exercise of private control through maximising individual gain while also benefiting from collective control through the bilateral management of shared variables critical to common strategic goals, which in turn ensures maintenance of the exchange relationship. This way, collective control cannot entirely displace private control in an exchange relationship, nor can private control completely dominate given that both parties rely on each other for resources.

One of the ways tour operators exercise private control is by demanding lower prices from value chain partners, which allows them to offer cheaper packages and hence remain competitive in the market (Medina-Munoz, Medina-Munoz, & García-Falcón, 2003). As firms in tourism value chains often attempt to maximise their own margins at the expense of value chain partners, exercise of private control seems to override collective private control (Zhang et al., 2009). However, since parties in interfirm exchange relationships maintain their individuality with the freedom to adjust their resources and commitment level (Liu, Luo, Huang, & Yang, 2017), private control efforts of one party are likely to trigger a strategic response by the other in the form of acquiescence, compromise, defiance, avoidance or manipulation (Oliver, 1991). Among these responses, this paper focuses on acquiescence, which according to Morgan and Hunt (1994) refers to the extent to which one party accepts or adheres to the other party's specific requests or policies. In other words, acquiescence is the willingness of one party to accept passively demands placed on it by the other. In the context of tour operations, examples of such demands include demand for maximum service and quality standards at the minimum contract price (Bastakis, Buhalis, & Butler, 2004), environmental performance improvements (Seuring, Sarkis, Müller, Rao, & Sigala, 2008; Sigala, 2008), and modification of operational procedures (Medina-Munoz et al., 2003).

Given that tourism is highly exposed to risks due to unforeseen external events such as political or civil unrest, economic crises, terrorism attacks, extreme weather conditions and natural disasters (Evans, 2016), exercise of private control in interfirm exchanges can be crucial for preserving parties' interests in the face of such events, and while the events may justify exercise of private control, they may also permit opportunism (Wathne & Heide, 2000a). Whether private control is exercised in good faith or in guile, the target firm can decide either to acquiesce or to resist.

### *2.2. Acquiescence and interfirm conflict*

Due to scarcity of resources and functional interdependencies between firms, interfirm conflict in exchange relationships are often inevitable (Assael, 1969). Depending on their frequency and intensity, interfirm conflicts can range from minor tensions to major disagreements on matters critical to the relationship (Palmatier, Stern, & El-Ansary, 2015). In tourism value chains, tensions and disagreements between exchange partners tend to be even more prevalent due to antagonistic goals, contrasting strategic interests and different operational procedures (Zhang et al., 2009).

As noted in Section 2.1, firms in interfirm exchange relationships exercise private control to secure private goals, and they do so by exerting various demands on exchange partners. In the context of inbound-outbound tour operator relationships, examples of demands include higher service standards, price cuts, additional service components, and changes to schedules at short notice. Exchange partner's acquiescence to such demands then signals its participation in the business agenda of the focal firm (Hewett & Bearden, 2001). Conversely, a partner's refusal to acquiesce signals sabotage of the focal firm's goals, which will understandably lead to dissatisfaction and subsequently trigger conflict. Accordingly, this paper argues that since inbound tour operator acquiescence reflects its participation in the business agenda of the outbound tour operator, its manifestation should therefore reduce conflict between them. Hence, the following hypothesis is proposed:

**H1**: Inbound tour operator's acquiescence reduces conflict in its relationship with the outbound tour operator.

### *2.3. Partner irreplaceability and acquiescence*

As noted in Section 1, inbound and outbound tour operators are interdependent, with the former playing an important role in handling services in the destination, and the latter being key to the market. However, Pfeffer and Salancik (1978) note that interdependence between organisations is not necessarily symmetric, arguing that sometimes one party may depend on the other much more. For instance, through the deployment of strategies such as market segmentation, targeting and branding, outbound tour operators tend to be more powerful than their exchange partners in destinations (Klemm & Parkinson, 2001). More so, as the number of tourism suppliers in many destinations across the world continues to grow, the power of both