



A REVIEW ON HOTEL REPUTATION: DIMENSIONS AND THEORIES

Hasan Nasser

Ph.D. Candidate

Department of Business Administration

Beirut Arab University

Beirut - Lebanon

[*hasannaser_4@hotmail.com*](mailto:hasannaser_4@hotmail.com)

Abdul Rahman Beydoun

Assistant Professor

Department of Business Administration

Beirut Arab University

Beirut - Lebanon

[*arb253@gmail.com*](mailto:arb253@gmail.com)

Alaa Eldin Abass Ali

Associate Professor,

Department of Business Administration,

Beirut Arab University

Beirut - Lebanon

[*g.abdelkader@bau.edu.lb*](mailto:g.abdelkader@bau.edu.lb)

Abstract

The last decades have observed an escalating growth of research on corporate reputation because of its importance as a source of competitive advantage. Service industries rely on corporate reputation to differentiate themselves from competitors, and to send different signals to multiple stakeholders about their performance. Nevertheless reputation in the hotel industry can be damaged easily because of the intangibility and the simultaneous production and consumption of provided services. The current article provides a review on the different dimensions used to measure corporate reputation, also it summarizes the different theories that is used to explain the reputation phenomenon. Finally, it spots the light on some concepts that are different from reputation, however used interchangeably by researchers in many contexts.

Keywords

Corporate reputation, corporate identity, corporate image, Legitimacy, organizational climate.



1. Introduction

Hotels are among few industries that spend heavily in building their images and reputations (Lai, 2019). Reputation is considered an important component of hotels' value and a significant performance indicator, functioning as a signal that lessens customer uncertainty concerning service quality, inspires greater loyalty and word of mouth (Walsh, Mitchell, Jackson, & Beatty, 2009; Bartikowski, Walsh, & Beatty, 2011; Qoura, & Khalifa, 2016), reduces (future) employees' anxieties about employer characteristics (Cable & Graham, 2000), and clarifies the image to investors about future stock performance (Helm, 2007). Therefore, it shapes different stakeholders' perceptions of the hotel and guides their behavior. From the perspective of businesses, a good reputation allows them to charge premium prices, recruit high-quality employees, attract new investors, lower their cost of capital (Helm, 2007), and increase the likelihood of joint ventures (Davies, Chun, and Kamins, 2010), strategic alliances (Saxton, 1997), and receive better support from communities and governments (Deephouse, 2000).

Nevertheless, Hotels' reputations can be easily damaged by extraordinary events such as assassination, pandemic, tragedy or war for many reasons. First, hotel services are intangible assets with unique competencies embedded in recognition, image and prestige (coombs, 2007; Jallat & Shultz, 2011). Second, hotel services are immediate, contextual, and personal in nature where employees interact with customers to deliver the service (Jallat & Shultz, 2011). Next, legitimacy is often improved by Word Of Mouth (WOM) or recommendations; negative WOM communications about an infelicitous experience can be harmful for hotels, this is why service recovery is portion of the common language in the hotel industry (Jallat & Shultz, 2011). Finally, hotel services necessitates huge capital with large fixed costs; barriers to entry are very high and profitability is highly associated to occupancy rate (Jallat & Shultz, 2011). Loss of hotel reputation can swiftly immerse a hotel into chaos and debt, thus its operations are disturbed, and shareholders fall behind supporting its investments (Jallat & Shultz, 2011).

The purpose of this paper is to review the literature on hotel reputation. Specifically, the current article reviews definitions, theories, and distinguishes reputation from other constructs.

2. Reputation Dimensions

The most cited definition for reputation has been developed by Fombrun (1996) as the feelings and perceptions about an organization held by its multiple stakeholders. The literature chronicled multiple dimensions for corporate reputation (Soleimani, 2011b). Rindova, Williamson, Petkova, & Sever (2005) stated that corporate reputation consists of two dimensions are: "Being Good" and "Being Known", on the other hand, Deephouse & Carter (2005) argued that dimensions are restricted to "Public" and "Financial". After reviewing the organizational reputation literature, Lange, Lee, & Dai (2011) came to a conclusion that corporate reputation is a multi-dimensional construct which encompasses three dimensions: "Being Known" (level of awareness about an



organization), “Being Known for something” (level of assurance in predicting future behavior of an organization), and Generalized Favorability (level of pleasant or unpleasant judgment about an organization). Unlike Lang et al. (2011), Love & Kraatz (2009) distinguished between three divergent approaches to reputation are, organizational character, symbolic conformity, and technical efficacy. The “Organizational Character” approach suggests that audiences tend to judge an organization based on its actions and the decisions it makes. They presume that a reputable organization holds characters such as reliability, credibility, and trustworthiness (Davies, Chun, da Silva & Roper, 2001; Fombrun, 1996). On the other hand, “Symbolic Conformity” approach suggests that audiences tend to evaluate an organization based on its conformity to the norms and standards within a particular context (Staw & Epstein, 2000). Finally the “Technical Efficacy” perspective argues that audiences tend to assess the reputation of an organization based its tangible outputs such as financial performance, superior product quality, among others. Fombrun, Ponzi, & Newbury (2015) validated and empirically tested an instrument for measuring reputation across five stakeholder groups in six countries. The instrument consists of seven dimensions are: products, innovation, workplace, governance, citizenship, leadership, and performance.

3. Reputation theories

Several theories are used to explain the phenomenon of corporate reputation across contexts. Fombrun (2012; Soleimani, 2011b) discussed several theories are: Agenda-Setting theory, Institutional theory, Identity theory, signaling theory, Social Construction theory, Stakeholder theory, and Resource-Based-View theory, and corporate governance; in order the explain the phenomenon of corporate reputation. The next section will present an overview over the above mentioned theories.

Agenda-Setting theory proposes that the mass media plays a vital role in setting the agenda and guiding the public’s attention toward certain issues and actors (Wartick, 2002). Developing reputation is motivated by the media which rules the technologies that spread information about firms to huge audiences, and the content of information to be distributed (Rindova, Pollock, & Hayward, 2006), and therefore it influences different stakeholders’ perceptions of firms by spotting the light on certain facts (Deephouse, 2000). In this sense, companies that are more visible to the media are in a better position to be remembered by people, and consumers will judge them positively when they are covered by the media in a favorable way (Carroll & McCombs, 2003).

Institutional theory is called upon to illuminate how firms gain legitimacy and social support by developing pleasant status in the social system (Suchman, 2005). Firms’ actions are motivated partly by forces to fit with the existing norms and regulations, and driven by the desire to be regarded as legitimate, and therefore protect a continuing license to work (DiMaggio & Powell, 1996). Institutions are conceptualized by Hearn (2015) as comprising of formal and informal components. Formal components embrace rules and organized structures that guide organizational and human actions. Informal components include cultural norms, values, and customs that affect



behavior. Institutions influence the behavior of firms and the expectations of stakeholders for corporate behavior. Corporate reputation depends in part on corporate behavior, which in turn is affected by national institutions. Moreover, corporate reputation is affected by stakeholders' expectations about the firm and their customs and values (Deephouse, Newbury, & Soleimani, 2016).

Identity theory stresses on the interdependent features of the corporation that give it coherence, stability, and specificity, and ultimately make it identifiable. It pays attention to the firms' efforts to define itself by asking self-referential questions such as "Who am I"? Moreover, it seeks to unionize the collective self-understandings of organizational members (Fombrun, 2012). In this sense, customers identify with corporations whose employees interact favorably with them, and thus customers' perceptions of corporate reputation will be increased. Additionally, public perceptions of corporate reputation (collective self-understandings) tend to affect employees perceptions of reputation (Helm, 2011).

Signaling theory (Spence, 1973) discusses buyer-seller behaviors under conditions of information asymmetry and uncertainty. It assumes that under conditions of uncertainty, sellers have information about product quality that buyers do not have. In view of that, sellers try to push signals such as warranties, return policies, or prices to show quality of their products. The higher the quality of a product, the less the cost of the signal bearded a seller, therefore product quality and signaling cost are negatively correlated.

Signaling process is self-motivated. In the outset, sellers send signals to demonstrate higher quality of their products. Buyer receive and analyze the signals to differentiate sellers and make the transaction. Afterwards, buyers assess the product quality, learn through this experience, and are in a better position to differentiate sellers next time. This learning process continues until a state of equilibrium is achieved (Spence, 1973).

Past research used signaling theory in different contexts such as marketing, management, finance, among others to predict the effects of different signals on desired output factors (e.g. Behrend, Barker, & Thomson, 2009). However, more advanced research (e.g. Soleimani (2011a)) used signaling theory as a theoretical underpinning in order to explain the simultaneous interaction of signals in a hierarchical manner. Interestingly, Soleimani (2011a), examined the simultaneous interaction between country-level factors (economic development, human development, and institutional development), industry characteristics (manufacturing/service, B2B/B2C, controversial/non-controversial), and firm-level factors (financial performance, social performance, firm size) on public perceptions of corporate reputation.

Social construction theory argues that multiple stakeholders are closely involved in a reciprocal process of social construction (Fombrun, 2012). In this view, stakeholders interact with each other and construct a network of analyses characterized by: an extensive reciprocation and analyzes



about firms and their features, a varying amount of understanding and knowledge about the industry and the companies inside it, little agreement about an industry performance standards, and evaluations of firms relative to their rivals; such evaluations are the basis for differences among firms' reputations. From these interactions, reputational rankings are created, and companies are classified as "Winners" or "Losers" (Rindova & Fombrun, 1999). The literature demonstrated that customer perceived reputation for service businesses such as hotels is highly affected by employees' perceptions of reputation. Therefore, employees' and customers' perceptions of reputation are interrelated with each other through interaction. In addition to the interdependence between customers' and employees' perceived corporate reputation, there exists reputational gaps which can explain increase or decline in firm performance. Positive gap exists when employees' perceptions exceeds customers' perceived corporate reputation. On the other hand, negative gap exists when customers' perceptions are higher to employees' perceived corporate reputation (Davies et.al. 2010).

Stakeholder theory identifies groups of people who have a stake in the firm's actions and its generated outcomes (Freeman, 1984). In this sense, multiple stakeholders are considered the targets of actions firms should make in an effort to build and sustain legitimacy, or to attract resources. Different stakeholders have a varying degree of power in affecting the firm's ability to achieve its goals. Therefore, their preferences must be frequently evaluated and monitored if companies wish to move forward in implementing their strategies (Jones, 1995; Fombrun, 2012). Investors, customers, and employees are viewed as primary stakeholders because of the legitimacy, power, and their ability to request for urgent actions on companies. Communities and suppliers are considered either primary or secondary stakeholders depending on their ability to affect firm performance (Fombrun, 2012).

Resource-Based View argues that firms that possess resources that are rare, valuable, and non-substitutable can achieve competitive advantage over its rivals in the marketplace (Barney, 1991). Amit & Scheomaker (1993) stated that a firm's resources are believed to be a source of competitive advantage to the degree that they are scarce, appropriate, specialized, valuable, rare, and difficult to imitate. Corporate reputation is considered a source of competitive advantage since it's unique, inimitable, and causally ambiguous to observers (Deephouse, 2000; Roberts & Dowling, 2002). The greater the ambiguity, the greater the importance of reputation to multiple stakeholders since it lessens uncertainty regarding features of firms such as product quality (Fombrun, 2012). In this sense, stakeholders give benefit for one firm over another, as result, their favorable perceptions of a firm become a source of competitive advantage (Rindova & Fombrun, 1999).

Ultimately, corporate governance stresses on power competition between shareholders and managers. Accordingly, shareholders may want the firm to pursue financial returns and profit maximization, while managers focus on organizational growth and stability (Jensen, 2001). While several economists argue that shareholders are the owners of the firm and the rights of all other stakeholders are treated as inferior (Jensen, 2001), some research in sociology (e.g. Fiss, 2008)



indicates that different stakeholders such as employees, managers, creditors, among others, can influence the firm and make claims on its resources (Soleimani, 2011b). Accordingly, Countries can be classified as following either a shareholder-or stakeholder centered form of corporate governance (Roe, 2003). Countries following shareholder approach protect shareholders and deem their actions as legitimate. On the opposite side, countries following stakeholder approach help stakeholders to be powerful enough in order to shape beliefs about the forms of corporate behaviors deemed legitimate and favored by society (Fiss & Zajac, 2004; Chen, Newburry, & Park, 2009).

Based on the assumption that determinants of corporate reputation are not universal across countries, and based on a similarity between corporate governance and reputation, Soleimani (2011b) examined how the nations' differences in the allocation of power and legal rights among stakeholders influence beliefs about corporate reputation. In this sense, Soleimani (2011b) found that in countries where shareholders' rights are protected, the positive influence of financial performance on public assessment of corporate reputation is greater, while in countries where other stakeholders' rights such as labor are protected, the positive influence of social performance on public assessment of corporate reputation is greater.

4. Distinguishing Reputation from other constructs

Although corporate reputation may be analogous in meaning to other concepts such as identity, image, legitimacy, organizational climate, among others, however it is not the same. In the outset, the link between corporate identity and corporate reputation has been criticized to be vague (Balmer, 2001), therefore, it's vital to delineate the relationship between the two constructs. Fombrun (1996) indicates that identity is the underpinning for reputation, and to focus on reputation is also to determine how it deals with its components (Fombun, 1996). In this sense, identity exemplifies what an organization is (Foreman & Whetten, 2002), It consists of the merits of companies that are central, enduring, and distinctive (Albert & Whetten, 1997; Fombrun, 2012), whereas reputation relates to how an organization is perceived in the eyes of its stakeholders (Fombrun et.al. 2015).

While past research (e.g. Dowling, 1986) considered corporate image and reputation analogous and used them interchangeably, however recent research confirmed that corporate image is dissimilar from reputation (e.g. Fombrun, 2012; Lai, 2019). In this meaning, corporate image are mental associations about an organization projected to main stakeholders through organizational leaders (Brown et.al. 2006; Walsh et.al. 2009). Therefore, corporate image consists of the impression that companies make on external stakeholders (Bromley, 1993; Fombrun, 2012). Thus it is controlled by organizations whereas corporate reputation is controlled by perceptions of stakeholders. Lai (2019) examined the influence of hotel image and reputation as separate constructs. The author defined hotel image as the feelings and emotional perceptions of hotel guests towards a hotel from outside sources of info such advertising or other commination channels; on the other hand, hotel reputation was defined as the feeling and perceptions of hotel



guests from real experiences. Finally, Lai (2019) found that hotel image is an antecedent to hotel reputation.

Legitimacy is another construct that is related but different than reputation (Rindova, Pollock, & Hayward, 2006; Fombrun, 2012). Legitimacy is concerned with the supposition that a firm's actions (products, practices & structures) are appropriate and consistent with societal expectations (Suchman, 1995; Rindova et al., 2006; Fombrun, 2012). Therefore, legitimacy is different than reputation since the former is focused towards organizational actions that are considered accepted and appropriate according to the norms within a socially-constructed system of values and beliefs, whereas the latter is concerned with organizational actions that are considered appropriate according to stakeholders' perceptions. However, stakeholders assess organizations by comparing their legitimate actions which may engender admiration, respect, & trust of one company over another, and therefore reputation is built (Rindova & Fombrun, 1999; Fombrun, 2012). Therefore legitimacy leads to reputations.

Organizational climate is another construct to be distinguished from reputation. It refers to employee interpretations of pertinent organizational policies and procedures. Policies contains strategic goals and means to accomplish them, procedures is concerned with tactics necessary for proper implementation of these policies (Zohar & Luria, 2005). Thus climate refers to employee interpretations of organizational policies and procedures, whereas reputation refers to an overall perceptual evaluation by multiple stakeholders (Fombrun et.al. 2015).

5. Conclusion

The current paper has reviewed many articles on corporate reputation and summed up the different dimensions that are used to measure it. Also it overviewed many theories that can explain the reputation phenomenon across contexts. Finally it cautioned form the interchangeable use between reputation and many other construct such as corporate identity, corporate image, and organizational climate. The use of reputation as a concept in the hotel industry in Lebanon is limited up to my knowledge. Therefore this paper presents an overview about reputation in an effort to open the door for building a model on the antecedents and consequences of corporate reputation in Lebanon.



References

- Albert, S., & Whetten, D. A. (1985). Organizational identity. *Research in organizational behavior*.
- Amit, R., & Schoemaker, P. J. (1993). Strategic assets and organizational rent. *Strategic management journal*, 14(1), 33-46.
- Balmer, J. M. (2001). Corporate identity, corporate branding and corporate marketing-Seeing through the fog. *European journal of marketing*.
- Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of management*, 17(1), 99-120.
- Bartikowski, B., Walsh, G., & Beatty, S. E. (2011). Culture and age as moderators in the corporate reputation and loyalty relationship. *Journal of business research*, 64(9), 966-972.
- Behrend, T., Baker, B., & Thomson, L. 2009. Effects of pro-environmental recruiting messages: The Role of Organizational Reputation. *Journal of Business and Psychology*, 24(3): 341–350.
- Bromley, D. B. (1993). *Reputation, image and impression management*. John Wiley & Sons.
- Cable, D. M., & Graham, M. E. (2000). The determinants of job seekers' reputation perceptions. *Journal of organizational Behavior*, 21(8), 929-947.
- Carroll, C. E., & McCombs, M. (2003). Agenda-setting effects of business news on the public's images and opinions about major corporations. *Corporate reputation review*, 6(1), 36-46.
- Chen, D., Newburry, W., & Park, S. 2009. Improving sustainability: An international evolutionary framework. *Journal of International Management*, 15(3): 317-327.
- Coombs, W. T. (2007). Protecting organization reputations during a crisis: The development and application of situational crisis communication theory. *Corporate reputation review*, 10(3), 163-176.
- Davies, G., Chun, R., da Silva, R. V., & Roper, S. (2001). The personification metaphor as a measurement approach for corporate reputation. *Corporate reputation review*, 4(2), 113-127.
- Davies, G., Chun, R., & Kamins, M. A. (2010). Reputation gaps and the performance of service organizations. *Strategic Management Journal*, 31(5), 530-546.
- Deephouse, D. L. (2000). Media reputation as a strategic resource: An integration of mass communication and resource-based theories. *Journal of management*, 26(6), 1091-1112.
- Deephouse, D. L., & Carter, S. M. (2005). An examination of differences between organizational legitimacy and organizational reputation. *Journal of management Studies*, 42(2), 329-360.
- Deephouse, D. L., Newburry, W., & Soleimani, A. (2016). The effects of institutional development and national culture on cross-national differences in corporate reputation. *Journal of World Business*, 51(3), 463-473.
- DiMaggio, P. & Powell, W. (1984). "The iron cage revisited: Institutional isomorphism & collective rationality in organizational fields." *American Sociological Review*, 48: 147–160.
- Dowling, G. R. (1986). Managing your corporate images. *Industrial marketing management*, 15(2), 109-115.
- Fiss, P. C., & Zajac, E. J. (2004). The diffusion of ideas over contested terrain: The (non) adoption



- of a shareholder value orientation among German firms. *Administrative science quarterly*, 49(4), 501-534.
- Fiss, P. C. (2008). Institutions and corporate. In *The Sage handbook of organizational institutionalism* (Vol. 389).
- Fombrun, C. J. (2012). The building blocks of corporate reputation: Definitions, antecedents, consequences. In *The Oxford handbook of corporate reputation*.
- Fombrun, C. J., Ponzi, L. J., & Newburry, W. (2015). Stakeholder tracking and analysis: The RepTrak® system for measuring corporate reputation. *Corporate reputation review*, 18(1), 3-24.
- Foreman, P., & Whetten, D. A. (2002). Members' identification with multiple-identity organizations. *Organization science*, 13(6), 618-635.
- Freeman, R. B., & Medoff, J. L. (1984). What do unions do. *Indus. & Lab. Rel. Rev.*, 38, 244.
- Hearn, B. (2015). Institutional influences on board composition of international joint venture firms listing on emerging stock exchanges: Evidence from Africa. *Journal of World Business*, 50: 205–219.
- Helm, S. (2007). The role of corporate reputation in determining investor satisfaction and loyalty. *Corporate reputation review*, 10(1), 22-37.
- Helm, S. (2011). Employees' awareness of their impact on corporate reputation. *Journal of Business Research*, 64(7), 657-663.
- Jallat, F., & Shultz, C. J. (2011). Lebanon: From cataclysm to opportunity—Crisis management lessons for MNCs in the tourism sector of the Middle East. *Journal of World Business*, 46(4), 476-486.
- Jensen, M. (2001). Value maximisation, stakeholder theory, and the corporate objective function. *European financial management*, 7(3), 297-317.
- Jones, T. (1995). “Instrumental stakeholder theory: A synthesis of ethics & economics.” *Academy of Management Review*, 20: 404–437.
- Lai, I. K. W. (2019). Hotel image and reputation on building customer loyalty: An empirical study in Macau. *Journal of Hospitality and Tourism Management*, 38, 111-121.
- Lange, D., Lee, P. M., & Dai, Y. (2011). Organizational reputation: A review. *Journal of management*, 37(1), 153-184.
- Love, E. G., & Kraatz, M. (2009). Character, conformity, or the bottom line? How and why downsizing affected corporate reputation. *Academy of management Journal*, 52(2), 314-335.
- Qoura, O., & Khalifa, G. S. (2016). The impact of reputation management on hotel image among internal customers: The Case of Egyptian hotels. *International Journal of Heritage, Tourism, and Hospitality*, 7(2), 261-274.
- Rindova, V. P., & Fombrun, C. J. (1999). Constructing competitive advantage: the role of firm–constituent interactions. *Strategic management journal*, 20(8), 691-710.
- Rindova, V. P., Williamson, I. O., Petkova, A. P., & Sever, J. M. (2005). Being good or being known: An empirical examination of the dimensions, antecedents, and consequences of organizational reputation. *Academy of management journal*, 48(6), 1033-1049.
- Rindova, V. P., Pollock, T. G., & Hayward, M. L. (2006). Celebrity firms: The social construction



- of market popularity. *Academy of management review*, 31(1), 50-71.
- Roberts, P. W., & Dowling, G. R. (2002). Corporate reputation and sustained superior financial performance. *Strategic management journal*, 23(12), 1077-1093.
- Roe, M. 2003. Political Determinants of Corporate Governance: Political Context, Corporate Impact. New York, NY: Oxford University Press.
- Saxton, T. (1997). The effects of partner and relationship characteristics on alliance outcomes. *Academy of management journal*, 40(2), 443-461.
- Soleimani, A. (2011). Essays on corporate reputation: antecedents and consequences.
- Spence, M. 1973. Job market signaling. *Quarterly Journal of Economics*, 87(3): 355-374.
- Staw, B. M., & Epstein, L. D. (2000). What bandwagons bring: Effects of popular management techniques on corporate performance, reputation, and CEO pay. *Administrative Science Quarterly*, 45(3), 523-556.
- Suchman, M. C. (1995). Managing legitimacy: Strategic and institutional approaches. *Academy of management review*, 20(3), 571-610.
- Suchman, L. (2005). Affiliative objects. *Organization*, 12(3), 379-399.
- Walsh, G., Mitchell, V. W., Jackson, P. R., & Beatty, S. E. (2009). Examining the antecedents and consequences of corporate reputation: A customer perspective. *British journal of management*, 20(2), 187-203.
- Wartick, S. L. (2002). Measuring corporate reputation: Definition and data. *Business & Society*, 41(4), 371-392.
- Zohar, D., & Luria, G. (2005). A multilevel model of safety climate: cross-level relationships between organization and group-level climates. *Journal of applied psychology*, 90(4), 616.