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Moderating role of service innovation on the relationship between corporate reputation and performance of hotels in Kenya

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ABSTRACT

The study aims to evaluate the moderating role of service innovation on the relationship between corporate reputation and the performance of hotels in Kenya. The study design used was cross-sectional descriptive utilizing the mixed approach. The target that served as the study population, was General Managers of all the 4-star hotels in Kenya. Primary data was collected by the use of a self-administered semi-structured questionnaire and secondary data from hotel records, journals, and government publications. Data analysis involved qualitative and quantitative techniques, analyses of variance (ANOVA), and Structural Equation Modelling (SEM) which tested the hypothesized relationship in this study. Statistical software such as Statistical Package for Social Sciences version 21, MS-Excel for Windows 8, Analysis of Moment Structures version 17, and SmartPLS version 2.0 was used for analysis. The theoretical models and hypotheses were tested based on empirical data gathered from 43 General Managers. The study findings indicate that corporate reputation positively and significantly influences performance (C.R = 5.907 at 5% α-level) and service innovation moderates (R2 change = 0.054) the relationship between corporate reputation and performance. The study results are meant to benefit hotel industry policymakers, academicians, and other opportunistic entrepreneurs. The recommendation is that the hotel industry should invest seriously in corporate reputation so as to influence customer purchase behavior and improved performance.

Introduction

Corporate reputation comprises of predictable behaviors, relationships and two-way communication by an organization and judged by stakeholders over time. It is basically the impression that significant people have about a business. Different stakeholder groups have different perceptions for different aspects of specific issues. It consists of two main sources, that is, experience and information-a person's past dealings and potential future dealings as well as nature of their direct and indirect communication with organization (Harrison, 2020).

Fombrun & Cees (2004) observed that companies with a good reputation performed better than companies with poor reputation. A lot of factors influence corporate reputation and organizations need to focus more widely on addressing disruptors of reputation in their strategic planning. Although reputation is an intangible concept, research shows a good reputation increases corporate worth and provides sustained competitive advantage (Harrison, 2020).

Innovativeness in the hospitality and tourism sector is considered as one important factor of performance, with two determinants playing a role that is market and entrepreneurial orientation, where greater competitive advantage can be achieved (Zana Civrea & Omerzelb, 2015). Service innovation therefore is an additional means through which firms can improve their performance which in turn contributes to competitive advantage in today's business environment (Hogan & Coote, 2014).

Service innovation is receiving increasing attention due to its potential value for creating competitive advantage and improving performance (Gawer & Cusumano, 2014). Law, Buhalis & Cobanoglu (2014) indicated that service innovation affects behavioral intention and customer experience. Service innovation is a new or improved service concept that is taken into practice, for example

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a new customer interaction channel, a distribution system or a technological concept or a combination of them (Law, Buhalis, & Cobanoglu, 2014). It involves new aspect in: solutions in the customer interface, distribution methods and novel application of technology in the service process, forms of operation with the supply chain or ways to organize and manage services. It is a service product or service process based on technology. Service innovation benefits the service producer and customers and improves competitive advantage and hence performance of firms (Law, Buhalis, & Cobanoglu, 2014).

Performance of an organization has in the past been measured by taking a look at revenues or profits made at the end of the year or use of key financial ratios (Parmenter, 2015). Despite development of performance measurement systems in the hospitality industry, research has shown reluctance of the industry to use balanced measures but sole reliance on financial measures (Kala & Bagri, 2014). Examinations have indicated existence of a positive relationship between growth and profitability (Bowen & Schneider, 2014). Bowen & Schneider also proposed the potential for an additional effect wherein profits develop growth and growth develops profits.

Despite emphasis on corporate reputation, performance of hotels in Kenya is still wanting and more so in four- star hotels. Even when service innovation is incorporated, performance has stagnated for a couple of years. The Kenya Institute for Public Policy Research and Analysis (KIPPRA K. I., 2016) report states that there has been a decline in tourism performance over several years. In 2015, international tourist arrivals declined by over 15% due to travel. Tourism businesses in Kenya were least concerned about standards and quality of products and services they provided as long as they made profits. However, it is no longer possible for the industry service providers to continue with a business as usual mindset which affects destination competitiveness negatively (Rochelle & Evelyne, 2017). Low performance in hotels evidenced by declined sales volumes may cause closure of hotels resulting to loss of jobs hence a rise in unemployment levels in the country. Suppliers and farmers may also suffer loss of constant market for their products.

A country’s economic growth (GDP) is affected by low performance in the hospitality and tourism industry. In 2014, travel contributed to 4.1% to the total GDP, however in 2015 the country saw a drop in the GDP contribution to 3.8%. In 2016, a growth of 5.9% was felt and a 4.9% change in 2017 (International Monetary Fund, 2017). A slow growth in the hospitality has affected investment partly resulting from low levels of service innovation. The visibility of Kenya as a tourism destination may be affected. There has been no documentation showing the moderating role of service innovation on the relationship between reputation and performance of four-star hotels in Kenya and this study attempts to fill the knowledge gap.

The study therefore aimed to find out to what extent service innovation moderates the relationship between corporate reputation and performance of hotels in Kenya.

The study hypothesized that;

H_{1a}: Reputation does not significantly influence performance of hotels in Kenya.

The study also hypothesized that;

H_{1b}: *Service Innovation does not moderate the relationship between corporate reputation and performance of hotels in Kenya.*

Literature Review

Theoretical Review

Humans cannot survive without interaction with other humans, however it sometimes seems humans have survived despite those interactions. Production and exchange require that there be cooperation among individuals but these interactions may sometimes lead to conflicts and disaster. Game theory is a systematic study of strategic interactions among rational individuals. The content in game theory is based on those interactions within a group of individuals for example organizations, government where effects of one individual have an outcome that affects the rest of the stakeholders. Individuals’ actions need to be strategic-they should be aware that their actions have an effect on others (Koc¸kesen & Ok, 2007).

The theory studies strategic interactions between a group of individuals. The main objective of this theory is organization of knowledge and better humans understanding of the outside world. For game theory to have any predictive power, it has to suggest some rules via which individuals act. The assumption of game theory is that individuals are rational-they are aware of the strategies available to each of them, have complete preferences that they are aware of (Koc¸kesen & Ok, 2007).

This theory is applicable to hotels in that, they should understand that actions they engage in will have an effect on the general performance of the organization and therefore the need to act accordingly by striving to create lasting impressions of their businesses so that it has direct impact on hotel performance. Game Theory supports corporate reputation where companies need to apply strategic interactions if they want to boost their performance and also attain competitive advantage.

The Innovation Promoter Theory by Schumpeter depicted innovation as a root of value creation in which a progressive combination of resources gave rise to new markets, exclusive production methods and products or extensive supply sources (Schumpeter, 1934). Extensively, innovation may protrude as a unique approach or reconnection of old ideas that an industry perceives as new (Van de Ven, Polley, & Garud, 1999). Development and delivery of electronic newspapers across the world to hotel guests, on-demand, combines the old idea of newspaper provision to each guest with benefits of information technology derived from new developments.

The model shows a combination of invention with commercialization, thus, a firm developing a new product or service must convert an idea into a need desired by customers. Hence, companies invent new services and products with the goal of sustaining or capturing a new market or desire to reduce costs and prices through improved efficiencies (Enz & Harrison, 2005). The theory analyzes innovation and the processes involved within companies. The framework tends to form a better understanding of how alliances can improve effectiveness in market access, sales, and innovative development. Promoters act as supporters and sponsors for the process of innovation, which involves people with impact on power and expertise (Gemünden, Salomo, & Holzle, 2007). Promoters possess important skill sets that organizations need to know for the creation and promotion of alliances. According to Shepard (1967), during analysis of the theory of promoters, developers recognize barriers of resources sanction antagonists, opposition and ignorance; thus, supporting and protecting innovation-enthusiastic employees based on hierarchical positions (Hou, Yang, & Sun, 2017).

Conceptually, the model assists in knowing that the hospitality industry requires further work in learning alliances to better satisfy customers. Self- management with regards to forming, using and fostering linkages between promoters forms a crucial concept that needs proper analysis for better understanding of alliance management. The model shows the need for the role of institutional management of promoters to better understand the participation of members from different firms in the alliance (Hou, Yang, & Sun, 2017). The relationship concept would assist in the clarification of key skills and roles that drive alliances to performance success for full customer satisfaction. An organization therefore needs to provide an environment that allows promoters process to drive out successful innovation. The innovation promoter theory supports service innovation variable by encouraging hotels to develop new products and services to cater for needs that are desired by customers.

The Capability Theory counts as a principle that guides companies towards sustainable competitive advantage. The model relies on the premise that both resources and resource deployment effectively drive sustainable competitive advantage (Vorhies, Morgan, & Autry, 2009). With regards to Foss (1993), the capabilities view of organizations bare distinctive lineage to production theory of classical economists (Foss, 1993). As a result, companies conceptualize in terms of their specialized performances and learning about the industry comes as the center stage. However, the modern performance theories diverge from the classical theory of production as they view company specialization in terms of activities and capabilities underpinning them as opposed to consideration of a single product. Thus, highly diverse organizations may evoke assistance from its functional capabilities; as a result, diversification may assist the accumulation of innovative capacities (Foss, N. J., 1997).

How a company performs counts as a social aspect or a segment of principal arrangements while the old models only regarded personal skills (Turnbull, 1994). An organization’s capability involves a collection of cumulative knowledge and techniques that are applied through company procedure that allows coordination of operations and effective use of resources (Mitch Casselman & Samson, 2007). Thus, the basis of a company’s capabilities lies in distinctive techniques, cumulative knowledge and exercises that allow regulation of organization performance and maximization of asset utilization. Therefore, distinctive techniques and knowledge of the staff and their occupational expertise influence organizational performance.

Theory of capability supports performance where companies need to rely on resources that they have and also acquire more so as to attain competitive advantage.

Service Innovation Concept

According to Yen, Wang, Wei, Hsu & Chiu (2012), service innovation counts as the improvement and increase of application of specialized knowledge and skills through processes for creation of competitive advantage and extensive performance in an industry (Yen, Wang, Wei, Hsu, & Chiu, 2012). Moreover, services entail a set of activities in a process which take place in interactions between individuals, goods and systems with an aim of solving customers’ problems (Grönroos, 2008). Since service innovation represents an interaction between service providers, customers and resources, it assists in the creation of value to benefit consumers of products and services and therefore it serves as a good moderating factor.

Conceptual Framework

The key variables in this study were categorized as independent variable, moderator and dependent variable. Mugenda (2008) explains that the independent variables are called predictor variables because they predict the amount of variation that occurs in another variable while dependent variable, also called criterion variable, is a variable that is influenced or changed by another variable. The dependent variable is the variable that the researcher wishes to explain. A moderator variable is a variable that alters the strength of the causal relationship (Frazier, Tix, & Barron, 2004). Figure 1 depicts the hypothesized model.

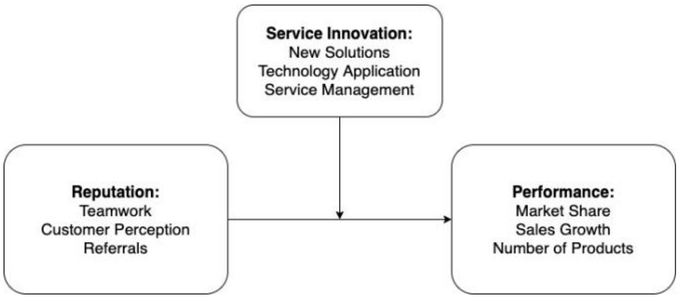

Figure 1: Hypothesized model

Firm Performance

Firm performance refers to organizational effectiveness in terms of its financial and operational performance and a number of indicators are used to measure firm performance (Liang, You, & Liu, 2010). These indicators fall into the following general categories: finance, efficiency, customer satisfaction, value addition, and market share.

Organization performance denotes the outcomes of various practices and procedures which occur in course of daily operations in a company. As a dependent variable, organization performance is influenced by factors such as employees' skill sets, systems of operation and shared values. Improved skills in service offering and respect of shared values influences sales and number of consumers; hence, affecting market share. On the other hand, organizational adherence to shared values such as respect to traditions, creativity, loyalty, equality, social justice and recognition, trust, health, independence, responsibility and preservation of public image correlates with its performance (Dyląg, Jaworek, Karwowski, Kożusznik, & Marek, 2013).

Research and Methodology

This study adopted mixed methods approach so that the overall strength of the study is greater than adopting either quantitative or qualitative methodologies (Creswell & Plano, 2007). This study is anchored on pragmatism research philosophy. Mixed methods research allows a researcher to combine elements of qualitative and quantitative research approaches (Johnson, Onwuegbuzie, & Turner, 2007). The use of mixed methods research allows the researcher to compensate for the weakness of one single approach with the strengths of the other in order to achieve the best results (Creswell & Plano, 2011). Pragmatism philosophy is a philosophical movement that includes those who claim that an ideology is true if it works satisfactorily, meaning of a proposition is to be found in the practical consequences of accepting it and unpractical ideas are to be rejected.

The design chosen for this study was correlation because it tries to find out whether an increase or decrease in one variable corresponds to an increase or decrease in another variable. Mugenda and Mugenda (2012), state that correlation research design aims at establishing relationships among variables in a particular period in time without manipulation. It is anchored on a premise or hypotheses that if a statistically significant relationship exists between two variables, then it is possible to predict one variable using the information on another variable.

The most appropriate research instrument for the study was a self- administered, semi structured questionnaire. The study questionnaire which had both open-ended and closed-ended questions was used to gather information from 48 General Managers from selected hotels in the Hospitality Industry. These managers were considered to be internal champions. Their primary motivation tended to be firm performance. Since the accessible population consisted of 43 respondents, this study used the entire population as the sample.

For pilot testing, data from 5 respondents were collected, representing 10% of the population in the study. Cronbach's Alpha statistic ranged from 0.8 to 0.9, indicating high reliability of data. Mertens (2010) averts that the closer the coefficient is to 1.0, the more reliable the measurements. This study adopted construct validity. Mertens advises that factor analysis can be used to validate hypothetical constructs as it attempts to cluster items or characteristics that seem to correlate highly with each other in defining a particular construct. Eigen values criterion was used to determine the selection of factor loadings for each component. The larger the Eigen value loading, the more important the associated principal component (Graham & Midgley, 2000). In this case, the varimax with Kaiser Normalization sampling adequacy with Eigen value greater than 1 were used as the rotation method because the items were uncorrelated. Montgomery, Peck and Vining (2001) recommend that a minimum factor loading of 0.40 should be used when factor analysis is used to refine construct validity. All items had factor loadings ranging from 0.408 to 0.990.

IBM Statistical Package for the Social Sciences (SPSS) version 21.0 for Windows 7 and Windows 8 was used for data entry, data cleaning and running the Exploratory Factor Analysis (EFA). Other software applications used were Ms-Excel for Windows 8 for case cleaning, variable screening and as a transit package in that the data from SPSS was saved in Ms-Excel for it to be exported to SmartPLS; Analysis of Moment Structures (AMOS) version 18, which is essentially analysis of mean and co-variance structures, for

Initial EFA, Confirmatory Factor Analysis (CFA), Path Analysis and Structural Equation Modeling (SEM); SmartPLS version 2.0 for Path Analysis, and SEM with moderation and model diagnostics. The study used purposive sampling technique.

Empirical Data and Analysis

As one of the independent variables, reputation corresponds with loyalty and acts as a pre-requisite of customer satisfaction in service centers (Nesset, Nervik, & Helgesen, 2011). Reputation refers to the overall attitude and impression developed by consumers based on company products and services, experience and information attained by getting involved in related social actions (Nesset, Nervik, & Helgesen, 2011). Improvements in customers' perception of service quality of a firm will impact reputation of hotel. The behaviors, attitudes and skills of frontline employees can influence customers' perception of the service and product standard (Ekinci, Dawes, & Massey, 2008). A good reputation may influence mood and purchase behavior of a consumer by simplifying their decisions. Generally, the assumption is that a positive reputation brings about significant impact towards brand consumption such as an opportunity to command premium prices.

Loyal consumers have positive word-of-mouth of a company's reputation (Martenson, 2007). Apparently, not all disappointed customers complain about displeasing experiences but alternatively they stop patronizing. However, poor reputation counts as the most influencing factor affecting customers who complain about their dissatisfaction (Aydin & Ozer, 2005). On the other hand, favorable image of a company assists in forming a significant emotional attachment to customers who anticipate a particular standard over continuous service experience (Wilkins, Merrilees, & Herington, 2009). Therefore, the foremost management concern of a company must be to know how to shape a positive image in consumers' minds to improve price insensitivity, sales and referrals among consumers.

Decisively, food, physical environment and services provided function as vital components in forming perception of hotel standards in the industry (Chow, Lau, Lo, Z., & Yun, 2007). The total evaluation of provision of services helps in assessing the hotel's standard, which is referred to as the difference between perception of service and expectations of the consumer (Ryu & Han, 2010). Service assessment permits identification of gaps provided to consumers, offering a company a unique competitive advantage that contributes to increased client loyalty. Therefore, to effectively resolve reputation issues, hotels need to put and implement improved systems of operation to sustainably observe consumers desires and perceptions of service standards (Liat, Mansori, & Huei, 2014).

The main objective here was to provide results of the analyses, interpretation of the results and findings. Several steps were undertaken towards ensuring building of a good quantitative model, as well as key general guidelines for structuring a quantitative model. As a general approach, the analysis of the descriptive data were presented as the first step to understanding the data structure. This was followed by univariate analysis, necessary for uncovering the one-on-one relationship. Factors which were significant univariately were further subjected to a rigorous multivariate analysis, and the steps carried out in a hierarchical manner.

Case screening was undertaken through the examination of the missing data by running the cases counts in excel, using the standard deviations to access the level of engagement of the respondents. Variable screening was also done. In this case the missing data was generated using central tendencies where the most appropriate central tendency measure was adopted. For the cases, median was adopted as it is least affected by the outliers. It is instructive to note that, missing data can pose a serious modeling challenge, more so with SEM. For the Likert scales, median was the appropriate statistics to use while with the continuous variates the mean was appropriate. To ensure that there was no violation of the assumptions, this study tested for outliers, normality, linearity, homoscedasticity, multicollinearity, non-response bias and common method variance. The results of the tests conformed to the respective thresholds for each test.

In general, analyses were conducted using a two-phase process consisting of confirmatory measurement model and confirmatory structural model. This is in line with the two-phase process suggested by Anderson and Gerbing (1988). The first phase involved confirmatory factor analysis (CFA) that evaluates the measurement model on multiple criteria such as internal reliability, convergent and discriminant validity. Prior to this was the exploratory factor analysis (EFA) whose key steps included the computation of pattern matrix, communalities and principal components analysis (PCA). Exploratory Factor Analysis is used when you have a large set of variables that you want to describe in simpler terms and you have no *a priori* ideas about which variables will cluster together (Tabachnick & Fidell, 2013), thus necessitating carrying out of the analysis at the early stages of the research (Bordens & Abbott, 2014).

Exploratory Factor Analysis is preceded by two statistical tests: Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and Bartlett's Test of Sphericity. These tests were conducted to confirm whether there was a significant correlation among the variables to warrant the application of EFA (Snedecor & Cochran, 1989). The KMO statistics vary between 0 and 1 (Argyrous, 2005). A value of zero indicates that the sum of partial correlation is large relative to the sum of correlations indicating diffusions in the patterns of correlations and hence that factor analysis likely to be inappropriate (Costello & Osborne, 2005). A value close to 1 indicates that the patterns of correlations are relatively compact and so factor analysis should yield distinct and reliable factors (Cooper & Schindler, 2011). Bartlett's Test of Sphericity tests the hypothesis that one's correlation matrix is an identity matrix, which would indicate that the variables are unrelated and therefore unsuitable for structure detection. Small values ($p < 0.05$) of the significance level indicate that a factor analysis may be useful with one's data. The results of the two tests are shown in Table 1 with indications of appropriateness of application of EFA.

Table 1: Kaiser-Meyer-Olkin (KMO) and Bartlett's statistics

Factor loading		KMO and Bartlett's Test Sampling Adequacy		AVE	Squared multiple correlation
SB2i	0.866	Kaiser-Meyer-Olkin	0.634	0.709	0.461
SB2ii	0.725	Bartlett's Chi-square	56.109		
SB2iii	0.549	Df	10.000		
SB2iv	0.714	Sig.	0.000		
SB2v	0.692				

The second phase involved latent variables structural equation modeling (SEM) to test the hypothesized relationships and to fit the structural model. Normality test on the factors produced Skewness values between -1 and +1. The outliers were tested for each of the observations, with observations farthest from the centroid, Mahalanobis distance, being taken into consideration. There were no outliers detected. The values obtained in testing the model fit indices were within the thresholds.

The Influence of Corporate reputation on Performance of hotels

Table 2 presented the results of the descriptive statistics for the indicators of reputation. The study sought the respondents' perception of whether departments at the hotel work closely together by taking into consideration everyone's opinion. It was noted that 45% of the respondents agreed while 55% strongly agreed. The indicator had a mean score of 4.55 which is an implication that the members on average agreed that departments at the hotel work closely together by taking into consideration everyone's opinion.

The respondents were further asked about their perception on whether the hotel has values that are ethically acceptable by society such as non-pollution and transparency. The 25% of the respondents agreed, 75% of the respondents strongly agreed. The indicator had a mean score of 4.75 which is an implication that the members on average agreed that the hotel has values that are ethically acceptable by society such as, non-pollution and transparency.

The study sought to find out the perception of the respondents regarding whether the hotel supports good causes that benefit society and environment that build public relations. Majority (72.5%) of the respondents strongly agreed. There were 27.5% of the respondents who agreed that the hotel supports good causes that benefit society and environment that build public relations. On average as implied by the mean of 4.725, the respondents agreed that the hotel supports good causes that benefit society and environment that build public relations.

The respondents' perception of whether the hotel employees rely on each other to do their jobs well was also sought. It was established that 7.5% of the respondents expressed neutral opinion, 40% of the respondents agreed while 52.5% strongly agreed. The mean response was found to be 4.45 implying that on average, the respondents agreed that the hotel employees rely on each other to do their jobs well. Regarding whether the hotel often gets positive reviews from customers, 42.5% of the respondents agreed while 57.5% strongly agreed. The mean response was found to be 4.575 which shows that on average, the members agreed that the hotel often gets positive reviews from customers.

Table 2: The mean scores and distribution of Reputation indicators

	1	2	3	4	5	Mean	Std. dev
Departments at the hotel work closely together by taking into consideration everyone's opinion. (SB2i)	0	0	0	45	55	4.550	0.504
Hotel has values that are ethically acceptable by society, for example, non-pollution and transparency. (SB2ii)	0	0	0	25	75	4.750	0.439
Hotel supports good causes that benefit society and environment that build public relations. (SB2iii)	0	0	0	27.5	72.5	4.725	0.452
Hotel employees rely on each other to do their jobs well. (SB2iv)	0	0	7.5	40	52.5	4.450	0.639
Hotel often gets positive reviews from customers. (SB2v)	0	0	0	42.5	57.5	4.575	0.501

Note: (1=Strongly Disagree, 2= Disagree, 3=Neutral, 4= Agree, 5=Strongly Agree)

Model of Influence of Corporate Reputation on performance of hotels in Kenya

The model portrayed both absolute and comparative fitness as shown by the indices which were all within the required cut-offs. Table 3 shows the model fit indices for the structural model used to assess the objective on corporate reputation and performance. The chi-square has a p-value of 0.000 which is less than alpha value of 0.05, indicating that there is an association between reputation and performance of hotels in Kenya. The Goodness of Fit Index (GFI) which is also an absolute fit index is above the 0.8 cut-off and the Root mean Square Error Approximation (RMSEA) is well below the required threshold of 0.08. The incremental fit indices for this model - the Normed Fit Index (NFI) and the Comparative Fit Index (CFI) are also both above their respective cut-offs.

Table 3: The Influence of Corporate Reputation on Performance of hotels

	Chi-square χ^2	**Probability**	**CFI**	**NFI**	**GFI**	**RMSEA**
Statistic	301.338	0.000	0.954	.875	.851	0.073
Cut-off	P-value <0.05		≥0.9	≥0.8	≥0.8	≤0.08

The paths from the latent variables to the observed indicators depicts the measurement model component with figures reflecting the standardized loadings of the indicators on the study variables. The path from corporate reputation to performance depicts the influence that reputation has on the performance of the hotels. Figure 2 shows the path diagram for the structural model depicting the influence of reputation on performance of hotels in Kenya.

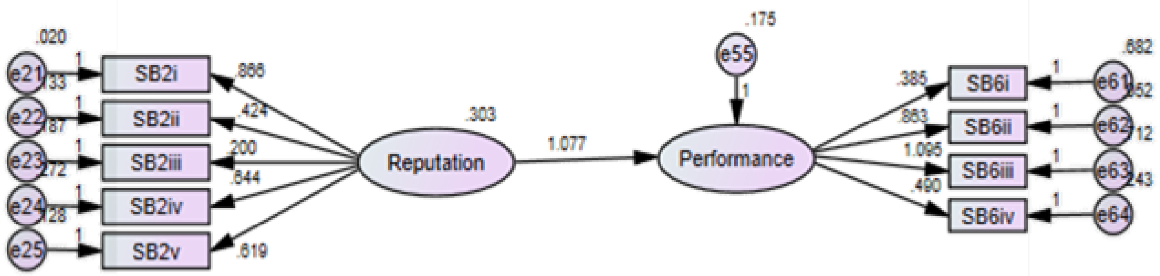

Figure 2: Path diagram for corporate reputation and performance

Table 4 shows the regression coefficient estimates (regression weights) of the structural model used to assess the objective on reputation and performance. As shown in the table, the coefficient estimate of reputation on the model is 1.077. The coefficient estimate is significant as shown by the Critical ratio (C.R.) which is greater than the standard normal Z-score of 1.96 at 5% level of significance.

Table 4: Regression Weights for corporate reputation and performance

			Estimate	**S.E.**	**C.R.**	**P**
Performance	<---	Reputation	1.077	.182	5.907	***
SB2i	<---	Reputation	.866			
SB6iv	<---	Performance	.490	.125	3.915	***
SB6iii	<---	Performance	1.095	.228	4.796	***
SB6ii	<---	Performance	.863			
SB6i	<---	Performance	.385	.195	1.979	.048
SB2iv	<---	Reputation	.644	.168	3.837	***
SB2iii	<---	Reputation	.200	.131	1.523	.128
SB2ii	<---	Reputation	.424	.117	3.637	***
SB2v	<---	Reputation	.619	.123	5.042	***

The results were used to test the hypothesis related to this objective and draw conclusions on the objective.

H_{1a}: Reputation does not significantly influence performance of hotels in Kenya

The critical ratio (C.R.) of the coefficient of reputation on the model was found to be 5.907, which was greater than the standard normal distribution Z-score at 5% level of significance. The null hypothesis was rejected and a conclusion drawn that reputation significantly influences the performance of hotels in Kenya.

Improvements in customers' perception of service quality of a firm will impact the reputation of a hotel. A good reputation may influence mood and purchase behavior of a consumer by simplifying their decisions. Generally, the assumption is that a positive reputation brings about significant impact towards brand consumption such as an opportunity to command premium prices.

For hotels to achieve high performance, it is important that they ensure they are of good reputation so as to also impact on the general performance of the hotel in today's competitive business marketplace, reputation is an important performance exponent and basic differentiator of business strategies. The best reputation, the more the business and brand growth of the hotel.

Moderating effect of service innovation on the relationship between corporate reputation and performance of hotels in Kenya.

The moderating effect of service innovation on the relationship between reputation and performance was assessed using the MMR model that is based on ordinary least squares (OLS). The summary of the MMR model is shown in Table 5.

Table 5: MMR model summary for the moderating effect of Service Innovation on Corporate Reputation and Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.603a	.363	.347	.808	.363	21.7	1	38	.000
2	.701b	.491	.463	.733	.127	9.254	1	37	.004
3	.755c	.544	.506	.742	.054	4.263	1	36	.046

H_{1b}: Service Innovation does not moderate the relationship between corporate reputation and performance of hotels in Kenya.

This model was found to be significant as shown by the significant F-statistic with an R-square of 0.363 implying that 36.3% of the variance in performance (Y) can be explained by the model. An increase in the R-square was noted with the addition of the moderating factor. The R-square increased to 0.463 at step 2 and 0.506 at step 3 depicting a change in R-square of 0.127 and 0.054 respectively. The p-value of the change at step 2 was observed to be 0.004 which is less than 0.05 implying a significant improvement in the model. At step 3, the interaction terms were included in the model and the effect due to addition assessed. The change in R-square due to the addition of the interaction terms was 0.054 with and p-value of 0.046. The p-value of the change being lesser than the alpha value of 0.05 implied a significant change and improvement due to the addition of the interaction terms. The null hypothesis was thus rejected and the alternative hypothesis adopted. Therefore, service innovation had a significant moderating effect on the relationship between corporate reputation and performance.

Figure 3 shows the path diagram for the structural model depicting the moderating effect of service innovation on the relationship between corporate reputation and performance of hotels in Kenya. The paths from the latent variables to the observed indicators depicts the measurement model component with figures reflecting the standardized loadings of the indicators on the study variables. The path from the interaction terms which has a Critical Ratio (C.R) of 2.002 to performance depicts the moderating influence that service innovation has on the relationship between reputation and the performance of the hotels.

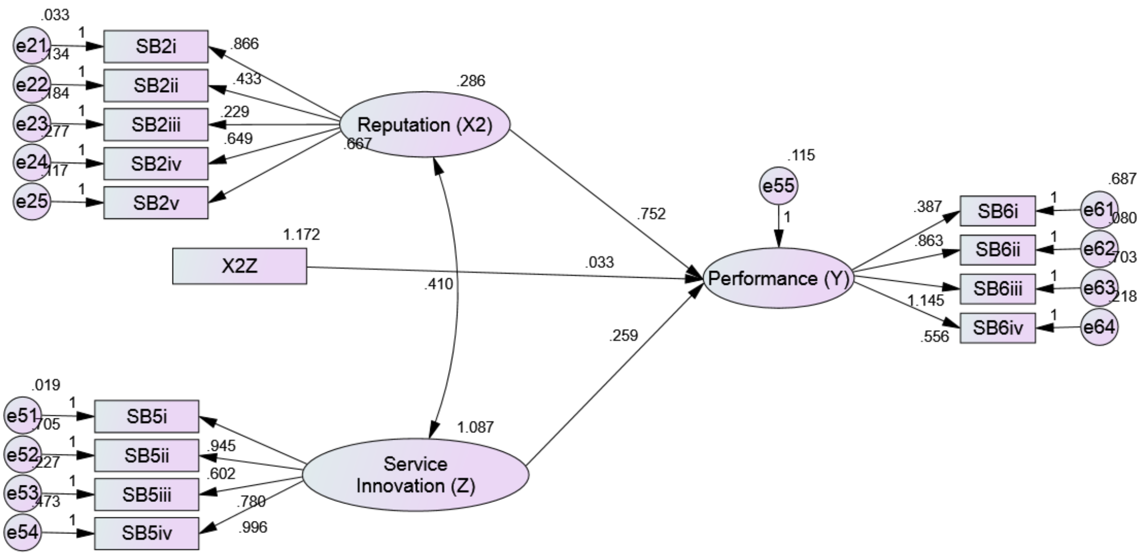

Figure 3: Structural Equation Model

Table 6 shows the regression coefficient estimates (regression weights) of the structural model used to assess the moderating effect of service innovation on the relationship between reputation and performance of hotels in Kenya. As shown in the table, the coefficient estimate of reputation on the model was 0.752. The coefficient estimate is significant as shown by the Critical Ratio

(2.891) which is greater than the standard normal Z-score of 1.96 at 5% level of significance. The coefficient estimate (0.033) of the interaction terms between service innovation and reputation (X2Z) was found to be significant since the Critical Ratio (2.002) was greater than the 1.96 standard normal Z-score. The results implied that service innovation moderates the relationship between reputation and performance.

Table 6: Regression Weights for the Moderating Effect of Service innovation on Reputation and Performance of Hotels in Kenya

			Estimate	S.E.	C.R.	P
Perf	<---	SI	.259	.122	2.129	.033
Perf	<---	Reputation	.752	.260	2.891	.004
Perf	<---	X2Z	.033	.016	2.002	.045
SB6iv	<---	Perf	.556	.123	4.519	***
SB6iii	<---	Perf	1.145	.228	5.011	***
SB6ii	<---	Perf	.863			
SB6i	<---	Perf	.387	.199	1.944	.052
SB5i	<---	SI	.945			
SB5iv	<---	SI	.996	.115	8.632	***
SB5iii	<---	SI	.780	.082	9.558	***
SB5ii	<---	SI	.602	.133	4.540	***
SB2i	<---	Reputation	.866			
SB2iv	<---	Reputation	.649	.176	3.692	***
SB2iii	<---	Reputation	.229	.136	1.679	.093
SB2ii	<---	Reputation	.433	.122	3.555	***
SB2v	<---	Reputation	.667	.125	5.321	***

Results and Discussion

This study was designed to address the research questions concerning impact of corporate reputation on the performance of hotels in Kenya and how this relationship is moderated by service innovation. Based on existing literature in corporate reputation and service innovation, an original survey instrument was developed to collect empirical data. Using confirmatory factor analysis, the data was evaluated and evidence of internal reliability, convergent validity, and construct distinctiveness was assured. A SEM approach was utilized to quantitatively analyze data and to test the validity of the research hypothesis. SEM is a comprehensive statistical technique for testing hypothesis and fitting the structural equation model, considering observed and latent variables as well as measurement error terms (Schumacker & Lomax, 2004).

The results of this study contribute to existing literature for the knowledge of corporate reputation factors consisting of team work, customer perception and referrals that have direct effects on the performance of 4-star hotels in Kenya and moderated by service innovation. From a management perspective, corporate reputation has long been recognized as a significant source of competitive advantage and as a value-creating resource that delivers consistent and superior market performance. In agreeing with Ferraz and Santos (2016), innovations constitute an indispensable component of the corporate strategies for several reasons such as to apply more productive manufacturing processes, to perform better in the market, to seek positive reputation in customers' perception and as a result to gain sustainable competitive advantage. Competitive advantage and market share according to the level of importance they give to innovations, which are vital factors for companies to build a reputation in the marketplace and therefore increase their market share.

A good reputation is identified as an intangible resource which may provide a firm with a basis for sustaining competitive advantage due to its valuable and hard to imitate characteristics. Service firms may possess superior distribution channels, superior pricing capability, and the like, but if the service itself has a poor reputation and the firm has ineffective customer communication, it is unlikely that the service firm will achieve superior new service performance. The findings of this study borrow from the annotations of Crossan and Apaydin (2010) who noted that innovation may influence organizational performance in different ways, such as facilitating adaptation to environmental change, increasing the efficiency or effectiveness of internal processes, gaining prestige and reputation in the institutional environment, and producing financial or economic gains.

The study sought to establish whether corporate reputation has significant influence on performance of hotels in Kenya. The study found that the relationship between corporate reputation and performance of hotels in Kenya was positive and significant that is, corporate reputation significantly influenced the performance of hotels in Kenya. On average most of the hotels studied scored high levels of corporate reputation. The scores of corporate reputations were an average of 4.5 out 5. The results showed that hotels had values in place that are ethically acceptable by society and support good causes that benefit society and the environment that build public relations. Service firms may possess superior distribution channels, superior pricing capability and the like, but if the firm has a poor reputation and ineffective customer communication, it is unlikely that the service firm will achieve superior new service performance.

For hotels to achieve high performance, it is important that they ensure they are of good reputation so as to also impact on the general performance of the hotel in today's competitive business marketplace, reputation is an important performance component and basic differentiator of business strategies. A positive reputation brings about significant impact towards brand consumption. Improvements in customers' perception of service quality of a firm will impact reputation of hotel. A good reputation may influence mood and purchase behaviour of a consumer by simplifying their decisions. A good reputation will enable hotels to increase their performance against their competitors through having an appealing brand image. It is recommended that further research be pursued to achieve a definitive conclusion on the role of corporate reputation in the hotel industry.

The moderation analysis showed that Service Innovation moderated the relationship between reputation and performance of hotels in Kenya. From a management perspective, corporate reputation has long been recognized as a significant source of competitive advantage and as a value-creating resource that delivers consistent and superior market performance. With improved services, hoteliers can provide guests with advanced deals based on consumers' inclination to attain greater competitive advantage (Kumar, Jones, Venkatesan, & Leone, 2011). For instance, hotels can offer WIFI services, display of creative architectural designs and delightful menus as an influence of service innovation (Tekes, 2006-2010). Service innovation is technology-based and assists service providers in improving service provision leading to advanced performance.

Conclusions

Based on the empirical results of the study, this study concludes that (i) reputation does not significantly influence performance of hotels in Kenya, (ii) service Innovation does not moderate the relationship between corporate reputation and performance of hotels in Kenya, (iii) service innovation had a significant moderating effect on the relationship between corporate reputation and performance. Therefore, the study also concluded that reputation had a positive significant influence on the performance of hotels and service innovation moderated the relationship between reputation and performance.

Corporate reputation has become central to competitive success in fast changing business markets. The dramatically increased need for firms to develop good corporate reputation in their business activities has been attributed to strategic responses to rapid environmental changes such as acceleration of technology advancements and changes in tastes and preferences among consumers especially in the service industry. The benefits of a good reputation and enhanced service innovation approach to a hotel include higher customer retention rates, increased sales, improved product selling prices and reduced operating costs. Improvements in customers' perception of service quality of a firm will impact reputation of hotel. In today's environment, service innovation is increasingly seen as a business driver, which concept reflects the need for involvement and support at the board and executive levels and throughout the organization. Thus, to further the generalized knowledge of the impact of service innovation in the hotel industry, the recommendation to incorporate innovations taking place in the industry, as part of the strategic plan is worth investigation.

The results of this study have several business implications. By analysing firm reputation factors as team work, customer perception and referrals, this study provides hotel owners/ managers an understanding of and insight into the viable predisposition of firm performance in the context of corporate reputation. Evidence of corporate reputation positive effect on performance of hotels in Kenya highlights the importance and consequence of a firm's intangible assets as it competes in today's challenging marketplace. Generally, the assumption is that a positive corporate reputation brings about significant impact towards brand consumption such as an opportunity to command premium prices. Hotel owners/ managers should focus on service innovations that provide high valued contributions to the accomplishment of performance management goals and firm objectives, enabling their businesses to achieve market- leading performance and thus competitive advantage.

The study recommends that the industry needs to focus on encouraging teamwork, improve on customer perceptions about the brand and also have a strong and appealing brand image so that customers are convinced to mention to other potential customers about the brand and they can as well take part in the services which will affect good reputation. A good reputation is known to influence the mood and purchase behaviour of customers by simplifying the decision process that leads to competitive advantage and lead to increased performance.

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