

Unpacking Competitive Performance in 5* Hotels: The Joint Effect of Dynamic Managerial Capabilities and Digital Transformation

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Digital transformation in the hospitality sector was accelerated by the COVID-19 pandemic. Strategy scholars discussed dynamic managerial capabilities as capabilities needed to adapt to rapid change and navigate digital transformation to gain a competitive advantage in the hospitality sector. It suggests that by leveraging digital technologies, fostering a culture of innovation, and building agile business ecosystems, hospitality organizations can enhance their competitive position and ensure long-term sustainability in an increasingly digitalized marketplace. The research question of our study is how dynamic managerial capabilities and the adoption of digital technologies affect the competitive advantage of the hospitality sector. We address the research question by deploying a multiple case study research design and collecting data from 5 Hotels in Lithuania. The study finds that the synergy between dynamic managerial capabilities such as data-driven decision-making, connectivity to internal and external networks, also digitally driven operational efficiency, and sustainability-oriented attitudes significantly enhances the competitive performance of 5-star hotels by fostering innovation, strategic alignment, and superior guest value. We also provide insights for 5* hotel owners and managers.*

Keywords: *Dynamic Managerial Capabilities; Digital Transformation; Digital Sustainability; Competitive Performance; 5* Hotel; Case Study.*

Introduction

The hospitality sector has undergone significant transformations in recent years, driven largely by rapid advancements in digital technologies and the accelerated pace of digital transformation during the COVID-19 pandemic. The pandemic forced organizations in the hospitality industry to reimagine their business models and operations, making digital transformation not just a strategic choice but a necessity for survival and growth. Digital transformation refers to the process of leveraging digital technologies to create, modify, or improve business processes, customer experiences, and organizational culture to meet changing market demands (Vial, 2019). In the context of hospitality, this involves adopting tools such as artificial intelligence (AI), customer relationship management (CRM) systems, and online booking platforms to improve operational efficiency, enhance customer experiences, and maintain competitive performance.

To successfully navigate digital transformation, organizations require strong, dynamic managerial capabilities (Teece, 2023). These capabilities are defined as the capacity of managers to integrate, build, and reconfigure internal and external competences to address rapidly changing environments (Teece, Pisano, & Shuen, 1997). In the hospitality sector, dynamic managerial capabilities are critical for fostering agility, adapting to emerging technologies, and aligning organizational strategies with the

digital age. This concept emphasizes managerial abilities to sense opportunities and threats, seize opportunities, and transform the organization to sustain competitive performance (Helfat & Martin, 2015). By cultivating these capabilities, managers can better navigate the complexities of digital transformation, ensuring their organizations remain adaptable and resilient.

Another vital concept in understanding digital transformation in hospitality is digital sustainability attitudes. These attitudes reflect an organization's commitment to leveraging digital technologies in ways that promote long-term environmental, economic, and social sustainability (Del Rio Castro, Gonzalez Fernandez, & Uruburu, 2021). Digital sustainability in the hospitality industry involves adopting technologies that enhance operational efficiency while minimizing environmental impact, such as energy management systems and data-driven optimization tools. By fostering digital sustainability attitudes, organizations can not only align with global sustainability trends but also appeal to environmentally conscious consumers, thereby enhancing their competitive position.

Competitive performance in the hospitality sector refers to an organization's ability to achieve and sustain superior outcomes relative to competitors, measured through metrics such as market share, profitability, customer satisfaction, and innovation (Porter, 1985). In a digitalized marketplace, competitive performance increasingly depends on the effective adoption of digital technologies and the ability to

leverage them for strategic advantage. Studies have shown that businesses that integrate digital technologies into their core operations tend to outperform their peers in terms of operational efficiency and customer satisfaction (Bharadwaj *et al.*, 2013). For hospitality firms, this means using digital tools to enhance customer engagement, optimize resource allocation, and improve service delivery.

Building on the concepts of dynamic managerial capabilities, digital transformation, digital sustainability attitudes, and competitive performance, this study explores how these factors interact to influence the competitive advantage of hospitality firms. Specifically, the research question addressed is: How do dynamic managerial capabilities and the adoption of digital technologies affect the competitive advantage of the hospitality sector? The study aims to assess the relationships between dynamic managerial capabilities, digital transformation, digital sustainability attitudes, and competitive performance of the 5* Hotels. To address the aim, we carried out multiple case study of 5* Hotels in Lithuania. By investigating the relationships between dynamic managerial capabilities, digital transformation, digital sustainability attitudes, and competitive performance, the study provides actionable insights for 5* Hotels seeking to leverage digital transformation to achieve sustainable competitive performance and drive long-term growth in the hospitality industry.

Literature Review

High-Star Hotels Competitive Performance

In the hospitality industry, hotel performance is defined and measured through a combination of financial, operational, and customer-related metrics, often integrated within frameworks like the Balanced Scorecard (BSC). Financial measures such as revenue per available room, average daily rate, and occupancy rates are commonly used, while operational metrics include service quality indicators and guest satisfaction scores. Customer-related metrics often focus on loyalty, repeat business, and word-of-mouth referrals (Mohsin *et al.*, 2019; Sainaghi, 2010).

The determinants of hotel performance are multifaceted, and influenced by internal and external factors. Internally, size, category (star ratings), and the variety of services provided have been shown to affect outcomes. Larger hotels or those with higher star ratings generally report better performance, attributable to enhanced service offerings and operational capabilities. Externally, location, market dynamics, and competitive positioning play a crucial role (Bresciani *et al.*, 2015; Sainaghi, 2010).

Competitive advantage in the hotel industry is primarily created through differentiation in service quality and customer experience. This involves meeting or exceeding guest expectations through superior service standards, innovative offerings, and strategic use of technology. High service quality, as evaluated using models like SERVQUAL or SERVPERF, enhances customer satisfaction and loyalty, which in turn bolsters financial performance and reputation. Continuous monitoring and improvement of service quality help hotels adapt to market demands and sustain their competitive edge (Mohsin *et al.*, 2019; Sainaghi, 2010).

Furthermore, leveraging unique location benefits, adopting efficient operational practices, and maintaining strong branding contribute to competitive positioning. As competition intensifies, particularly in the digital era where guest reviews heavily influence booking decisions, hotels must prioritize guest satisfaction and operational excellence to secure a sustainable advantage (Mohsin *et al.*, 2019).

Digital transformation is acknowledged to enhance operational efficiency by automating repetitive tasks and optimizing resource utilization. Tools such as predictive analytics and IoT-based energy management systems reduce costs and improve workflow reliability (Busulwa *et al.*, 2022; Cheng *et al.*, 2023). Additionally, the adoption of AI for personalized recommendations and robotic service delivery ensures consistency and scalability in customer interactions while meeting the increasing demand for contactless services, particularly post-COVID-19 (Cheng *et al.*, 2023; Yang *et al.*, 2024).

Customer satisfaction is another area of performance improvement facilitated by digital transformation. Technologies like virtual reality and augmented reality provide engaging pre-stay experiences, while IoT and AI enhance in-stay personalization, such as automated room controls and tailored services (Busulwa *et al.*, 2022; Cheng *et al.*, 2023). High-star hotels often lead in leveraging these technologies to create luxury experiences, whereas budget hotels focus on cost-efficient implementations that maintain competitive service levels (Cheng *et al.*, 2023).

Revenue generation also benefits from digital tools, with big data analytics optimizing pricing strategies and blockchain ensuring transaction transparency. The implementation of virtual and augmented reality tools for marketing drives customer acquisition, supporting revenue growth (Cheng *et al.*, 2023). However, the disparity in resources between high-star and budget hotels means that the financial benefits of digital transformation are unevenly distributed (Yang *et al.*, 2024).

Performance measurement in the context of digital transformation is multifaceted. Operational metrics help to measure efficiency improvements, such as reduced energy consumption and labor costs, which are key indicators. IoT and AI implementations are often evaluated based on their ability to streamline operations (Cheng *et al.*, 2023; Yang *et al.*, 2024). Customer satisfaction is measured by metrics such as Net Promoter Scores (NPS), online reviews, and repeat guest rates are commonly used. Technologies that enhance personalization and reduce customer pain points tend to score higher in these areas (Busulwa *et al.*, 2022). Revenue metrics such as RevPAR (Revenue Per Available Room) and ADR (Average Daily Rate) are traditional metrics adapted to include the impact of digital pricing tools. The ability to dynamically adjust pricing based on market conditions using big data is a critical factor (Cheng *et al.*, 2023; Yang *et al.*, 2024). The level of employee and customer adoption of digital tools is another performance measure. For instance, the successful implementation of contactless check-in systems reflects positively on operational adaptability and customer convenience (Cheng *et al.*, 2023). In conclusion, the impact of digital transformation on hotel performance is profound, improving efficiency,

enhancing guest experiences, and driving revenue growth. Performance is measured through a combination of operational, customer-centric, and financial metrics, offering a holistic view of the value derived from technological advancements.

Digital Transformation

The digital transformation of the hospitality industry represents a paradigm shift that is reshaping operational frameworks, customer interactions, and business models in response to rapidly advancing technologies and evolving consumer expectations. Defined as the integration of digital technologies into all aspects of business, digital transformation entails reimagining traditional processes, enhancing customer experiences, and creating new value streams through innovation. Unlike basic digitization, which focuses on converting analog data into digital formats, or digitalization, which applies digital technologies to improve existing processes, *digital transformation* involves a comprehensive overhaul of business operations and strategies to foster agility, scalability, and resilience (Busulwa *et al.*, 2022; Cheng *et al.*, 2023; Yang *et al.*, 2024).

In the hospitality sector, this transformation is driven by the adoption of cutting-edge technologies such as artificial intelligence (AI), the Internet of Things (IoT), big data analytics, and blockchain. These tools enable hotels to provide personalized customer experiences, optimize resource utilization, and streamline operations. For instance, AI-powered chatbots and service robots are revolutionizing customer service by offering 24/7 assistance and automating routine tasks. Similarly, IoT devices facilitate smart room features such as voice-activated controls and real-time energy management, while blockchain ensures transparency in supply chain processes (Busulwa *et al.*, 2022; Yang *et al.*, 2024).

The COVID-19 pandemic has further accelerated this transition, highlighting the need for contactless services and enhanced safety measures. Hotels have rapidly embraced innovations like virtual check-ins, robotic housekeeping, and augmented reality tours to adapt to heightened hygiene concerns and shifting consumer behaviors. These changes not only address immediate challenges but also set the stage for long-term digital adoption (Busulwa *et al.*, 2022).

Despite its transformative potential, digital transformation poses significant challenges for the hospitality industry. High implementation costs, data privacy concerns, and the need for skilled personnel to manage complex digital systems are major barriers. Moreover, the unequal adoption rates between high-star and budget hotels underscore the disparity in resources and capabilities across different market segments. High-star hotels often leverage advanced technologies to enhance luxury experiences, whereas budget hotels prioritize cost efficiency and basic automation (Busulwa *et al.*, 2022; Yang *et al.*, 2024). To navigate these complexities, hospitality businesses must adopt a strategic approach that aligns technological adoption with organizational goals and consumer expectations. Research highlights the importance of leadership in driving innovation, fostering a culture of agility, and ensuring that digital investments translate into measurable business outcomes. Furthermore, as consumer demands continue to

evolve, hotels must integrate sensory marketing and innovation diffusion strategies to bridge the gap between customer needs and technological capabilities (Cheng *et al.*, 2023; Yang *et al.*, 2024).

Digital transformation is both an opportunity and a necessity for the hospitality industry to remain competitive in a rapidly changing landscape. By embracing innovative technologies and reimagining traditional business models, hotels can deliver enhanced value, foster customer loyalty, and sustain growth in an increasingly digital world. However, addressing the challenges of digital transformation will require a concerted effort from industry stakeholders, including technology providers, regulatory bodies, and academic researchers, to build a sustainable and inclusive digital future.

Digital Sustainability

Digital sustainability refers to the practice of designing, implementing, and utilizing digital technologies in a manner that supports environmental health, social well-being, and economic viability (Pan & Nishant, 2023). This approach emphasizes the responsible management of digital resources to ensure that their current use does not compromise the ability of future generations to meet their needs. It involves minimizing the negative environmental impacts of digital operations, such as energy consumption and electronic waste while maximizing positive societal benefits through inclusive and equitable access to digital services.

Digital sustainability involves the application of digital technologies in a manner that aligns with sustainable development goals, emphasizing environmental stewardship, social inclusivity, and economic viability. It seeks to minimize the negative environmental impacts of digital activities, such as energy consumption and e-waste while leveraging technology to advance organizational and societal goals (Gregori & Holzmänn, 2020; Kotlarsky *et al.*, 2023).

Digital transformation, defined as the integration of digital technologies into all areas of business, fundamentally changes operations and value delivery. When embedded with sustainability principles, digital transformation enhances operational efficiency, reduces resource consumption, and supports sustainable business practices. For instance, implementing smart technologies like energy-efficient systems in hotels or sustainable food practices in the hospitality industry reduces carbon footprints while improving service delivery (Hossain *et al.*, 2021).

Organizations that integrate digital sustainability within their transformation strategies often experience improved performance. In the hospitality sector, sustainable practices supported by digital tools have been shown to enhance customer satisfaction, reduce operational costs, and improve competitive positioning. For instance, digital tracking of supply chains ensures sustainability in sourcing practices, leading to stronger alignment with consumer preferences for environmentally conscious brands (Hossain *et al.*, 2021).

Furthermore, sustainability-focused digital innovation fosters long-term value creation. Sustainable initiatives, supported by digital tools such as data analytics and IoT, enable better decision-making and efficient resource utilization, contributing to enhanced resilience and competitiveness in the market (Bencsik *et al.*, 2023).

Digital sustainability represents a critical intersection of technology and sustainable development. When integrated into digital transformation initiatives, it enables organizations to achieve efficiency, resilience, and sustainable growth. By focusing on practices such as energy efficiency, waste reduction, and responsible digital innovation, organizations not only improve their environmental and social impact but also enhance their market competitiveness and operational performance (Hossain *et al.*, 2021; Kotlarsky *et al.*, 2023).

Dynamic Managerial Capabilities

The role of leaders and managers in digital transformation within the hospitality industry is crucial, encompassing strategic vision, operational execution, and cultural evolution. Leaders establish the overarching vision for digital transformation, aligning technological adoption with organizational goals and consumer demands. They act as catalysts for innovation, driving the adoption of technologies such as AI, IoT, and big data to enhance operational efficiency and customer experiences. Senior managers are responsible for ensuring that the transformation aligns with long-term strategies, addressing market trends, and navigating post-pandemic challenges (Busulwa *et al.*, 2022; Cheng *et al.*, 2023; Yang *et al.*, 2024).

Operationally, managers facilitate the integration of new technologies into existing workflows, ensuring seamless implementation and effective utilization. They allocate resources judiciously to invest in transformative technologies while balancing cost-effectiveness and returns on investment. The use of analytics for decision-making and predictive insights becomes a core responsibility, enabling data-driven improvements in customer service and operational efficiency (Busulwa *et al.*, 2022; Yang *et al.*, 2024).

Culturally, leaders play a pivotal role in fostering an environment that embraces change and innovation. They lead change management initiatives to overcome resistance from staff, ensuring the workforce is equipped with the necessary skills through targeted training and upskilling programs. Effective communication of the benefits and objectives of digital initiatives is essential to foster alignment and commitment across the organization (Cheng *et al.*, 2023; Yang *et al.*, 2024).

Moreover, collaboration is a critical aspect of leadership in digital transformation. Leaders ensure cross-functional integration, bridging gaps between technical and operational teams while fostering partnerships with external stakeholders such as technology vendors and academic experts. This collaborative approach supports the sustainable development of digital transformation strategies (Cheng *et al.*, 2023).

Finally, leaders are tasked with addressing barriers such as high implementation costs, data privacy concerns, and disparities in digital adoption across different hotel types. They develop strategies to mitigate risks associated with digital transformation and strive to ensure inclusivity, catering to diverse market segments and varying digital maturity levels (Cheng *et al.*, 2023; Yang *et al.*, 2024). Leaders and managers are central to the success of digital transformation, providing strategic direction, operational oversight, and cultural alignment to position the hospitality industry for sustained growth in a digital era. Dynamic

managerial capabilities (DMCs) are an extension of the dynamic capabilities framework, emphasizing the critical role of managers in enabling strategic change by creating, extending, and modifying organizational resource bases. DMCs were first defined by Adner and Helfat (Adner & Helfat, 2003; Heubeck, 2024) as the capabilities of managers to build, integrate, and reconfigure organizational resources to address rapidly changing environments (Ambrosini & Altintas, 2019; Helfat & Martin, 2015). Helfat *et al.* (2007) expanded on this by focusing on managers' capacities to deliberately influence strategic outcomes, while Teece (Teece, 2023) highlighted the importance of managerial entrepreneurship in seizing opportunities and driving organizational transformation (Ferreira *et al.*, 2020; Helfat & Martin, 2015). Additionally, Martin (Martin, 2011) underlined the role of DMCs in enhancing information flow, reducing internal barriers, and fostering innovation (Helfat & Martin, 2015). These definitions converge on the premise that managerial actions, supported by human, social, and cognitive capital, are instrumental in navigating complexity and ensuring competitive advantage.

The measurement of DMCs has evolved to capture the nuanced attributes and processes underpinning managerial effectiveness. Antecedent-based metrics focus on managerial cognition, which includes mental models and strategic decision-making capabilities, managerial social capital, which involves leveraging networks to access critical resources and information, and managerial human capital, which encompasses skills and experiences essential for resource orchestration (Bellner & MacLean, 2015; Helfat & Martin, 2015). Behavioral assessments evaluate strategic leadership, decision-making processes, and innovation practices during organizational changes (Helfat & Martin, 2015). Performance indicators further link DMCs to tangible outcomes, such as enhanced innovation, adaptability, and market positioning (Adner & Helfat, 2003; Ferreira *et al.*, 2020). Furthermore, scholars acknowledge that these three dimensions - cognition, social capital, and human capital - are interdependent and reinforce one another. For example, a manager's cognitive ability to sense opportunities is enhanced by diverse inputs from social networks, while their human capital enables them to act on these insights effectively. Together, these elements underpin a manager's ability to adapt organizational resources dynamically, ensuring resilience and sustained performance in changing environments (Ambrosini & Altintas, 2019; Martin, 2011). DMCs significantly impact organizational performance by enabling strategic renewal and fostering innovation. Managers with robust DMCs drive the reconfiguration of resources, promote creativity, and ensure the organization adapts to environmental shifts (Helfat & Martin, 2015). Teece (2007) emphasized that DMCs support entrepreneurial actions essential for sustaining competitive advantage, while empirical studies link these capabilities to improved firm performance in dynamic contexts (Bellner & MacLean, 2015; Ferreira *et al.*, 2020). Furthermore, the moderating effect of entrepreneurial orientation enhances the positive relationship between DMCs and innovation, amplifying the impact on competitive advantage and organizational success (Ferreira *et al.*, 2020; Helfat & Martin, 2015).

DMCs provide a vital framework for understanding the role of managerial agency in strategic changes, such as digital transformation and competitive advantage. By integrating managerial cognition, social capital, and human capital, DMCs explain how managers enable organizations to adapt and thrive in turbulent environments. Despite challenges in operationalization, the empirical evidence supports their critical role in driving superior performance, making DMCs an essential element of contemporary strategic management.

Method

To meet the aim of the research and to answer the research question, we employed a multiple-case study method. According to leading qualitative methodologists such as R. K. Yin, 2009, Eisenhardt, 1989, and Maxwell, 2013, multiple case study research is particularly useful for building a new theoretical explanation of a phenomenon under investigation. This method relies on multiple sources of information, combining both primary and secondary data, enabling the triangulation of findings and enhancing the reliability and validity of results. Consequently, this approach is suitable for understanding the competitive performance and digital transformation of hotels. As Harrison et al. (2017) emphasized, a multiple case study approach is an effective methodology to explore and understand complex issues in real-world contexts. The units of analysis in this multiple case study are three 5* Hotels in Lithuania: Hotel A, Hotel B, and Hotel C. The study seeks to compare their competitive performance in relation to the dynamic managerial capabilities of the C-Suite, the degree of digital transformation, and digital sustainability attitudes using these cases as a purposefully selected sample of 5* Hotels within Lithuania's hospitality sector. In Lithuania, the State Consumer Rights Protection Authority granted 5* to twelve hotels: Druskininkai – 1; Palanga – 4; Prienai – 1, and Vilnius – 6. We have applied these case inclusion

criteria: 1) representing a city with the highest number of 5* Hotels (like Palanga and Vilnius, where competition is in place); 2) carried out a digital transformation initiative; 3) granted access to secondary data, besides publicly available information. We had an opportunity to delve in-depth into the 5* Hotels' dynamic managerial capabilities, digital transformation, digital sustainability attitudes, and their effect on Hotels' competitive performance. These were the reasons why the multiple case study method was deemed a particularly valuable research technique for this context.

Sampling

We have selected three 5* Hotels through judgmental sampling rather than random selection. 5* Hotels are a premium segment with high expectations and fierce competition to attract and maintain clients who can afford the services. Dynamic managerial capabilities are best observed in highly competitive segments (Teece, 2007). On the other hand, 5* Hotels invest in digital transformation to reduce costs and enhance the quality of the services, which is also important for our study. Furthermore, this sampling design allowed us to introduce variance in the case selection criteria, focusing on geographic and market segmentation within Lithuania. The three hotels were chosen based on their unique market positioning and operational characteristics:

- Hotel A: Located in a prominent resort area, catering primarily to wellness and leisure travelers.
- Hotel B: Situated in Vilnius's Old Town, known for its historical charm and appeal to luxury-seeking tourists.
- Hotel C: A modern, upscale establishment with a focus on business and leisure travelers, located in Vilnius's historic center.

Each hotel represents a distinct market segment within Lithuania's hospitality industry, providing a comprehensive understanding of competitive performance, dynamic managerial capabilities, digital transformation, and digital sustainability attitudes across varied operational contexts.

Table 2

Characteristics of the Cases

No	Hotel	Hotel age in Years	# of employees	Ratings by Trip Advisor*	Top 10 CS** by BHG***	Resp	Gender	Education area	Experience in the sector, years
1	5* Hotel A	33	197	1 of 34 in Palanga (not listed)	9,3 (2)	CEO	Female	Msc in HRM	14
2	5* Hotel B	37	80	20 of 90 in Vilnius (6)	9,4 (3)	CEO	Female	Msc in Hospitality management	10
3	5* Hotel C	22	73	15 of 90 in Vilnius (2)	9,1 (1)	CEO	Female	Msc in International Economics	15

* Trip Advisor Top 10 Hotels in Lithuania; ** CS for Customer Satisfaction; *** BHG for Best Hotel Guide

Data Collection and Analysis

For each hotel, we collected data from multiple sources to ensure a robust analysis. Primary data were gathered through semi-structured interviews with hotel C-Suite members, focusing on their dynamic managerial capabilities,

digital transformation processes, digital sustainability attitudes, and competitive performance. Secondary data included reviews on platforms like TripAdvisor, financial reports (where available), hotels' websites, and published articles analyzing market trends and performance.¹ For the

¹ We do not provide links to the publicly available materials to secure the anonymity of the hotels and the respondents.

secondary data collection, we have applied the following inclusion criteria: 1) information directly addresses the 5* Hotels' digital transformation initiatives (e.g., websites and press releases); 2) documents that illustrate C-Suite managerial decisions (e.g., financial reports); 3) information and documents informing about Hotels' performance (e.g., rankings and customer satisfaction reports).

The use of this multiple case study method enabled us to compare the hotels on key dimensions, such as CEOs' dynamic managerial capabilities, digital transformation, digital sustainability attitudes, and competitive performance. To ensure the validity, reliability, and replicability of the case studies, a case study protocol was created. One pilot interview was conducted with test respondents to refine the protocol before full-scale data collection. The interviews were conducted in Lithuanian and translated into English. All interviews were transcribed and uploaded to Maxqda software for systematic analysis. The transcripts were reviewed, coded, and analyzed by at least two researchers to ensure consistency and accuracy. Primary and secondary data collection took place from April to September 2024.

Detailed responses from the interviews provided deep insights into the interplay between the key research concepts. Thematic content analysis, as outlined by (Braun & Clarke, 2006), was utilized to identify emergent themes. Primary data-coded segments were classified into major first-order concepts and second-order themes. These themes were subsequently aggregated under overarching theoretical concepts of competitive performance and digital transformation. The results of the secondary data analysis ensured triangulation and, thus, validity and reliability of the interview analysis results.

The overarching theoretical concept of dynamic managerial capabilities was assessed through three main second-order themes: human capital, cognitive capital, and social capital. Digital transformation is comprised of two second-order themes: technical digital transformation and strategic digital transformation. Digital sustainability attitudes are comprised of three second-order themes: environmental digital sustainability, social digital sustainability, and economic digital sustainability attitudes. Finally, the competitive performance of the hotels was assessed with financial (e.g. rise in sales, profits) and non-financial (e.g., better evaluation, reputation) performance indicators.

The research team, comprising four Lithuanian researchers, regularly met to discuss data analysis, assign codes, and reach a consensus on findings. By mutual agreement, the most illustrative examples aligning with the research objectives were extracted and are presented in the results section.

Findings

Description of the Cases

Hotel A. located on the Baltic Sea shore in Lithuania, is a five-star establishment renowned for its harmonious integration with nature and commitment to guest comfort. Surrounded by century-old pine trees and situated near the Baltic Sea, the hotel offers a tranquil environment complemented by the soothing sounds of the nearby sea. The hotel provides a comprehensive range of services, including a spa center with healing mineral water pools and

saunas, which have been recognized for their innovation. Guests consistently praise the abundant and high-quality breakfast offerings, as well as the cozy and homely atmosphere of the rooms. Regarding its digital transformation, the hotel maintains a user-friendly website that offers online booking capabilities and detailed information about its services and amenities. However, specific details about the extent of its digital transformation initiatives, such as the implementation of advanced digital technologies or systems, are not publicly disclosed.

Hotel B. The Hotel B, located in Vilnius, Lithuania, is a distinguished five-star establishment in the historic Old Town, a UNESCO World Heritage Site. The hotel occupies a 17th-century building restored in the early 1990s, featuring Baroque and Gothic architectural elements. Initially, Hotel B opened a small café on one of the Vilnius Old Town streets, known for its ice cream and coffee, and later expanded into a restaurant and boutique hotel. In 1995, the hotel was awarded a five-star rating, recognizing its exceptional services. Hotel B offers elegantly decorated rooms and suites, a gourmet restaurant serving European cuisine, a traditional Lithuanian tavern, and a lobby bar. Additional amenities include wellness facilities such as a fitness center, sauna, and indoor swimming pool, as well as spaces for hosting conferences and receptions. While specific revenue figures are not publicly disclosed, the hotel operates within a Lithuanian market that projects significant annual growth in the hospitality sector. Hotel B has embraced digital transformation by maintaining a user-friendly website for online bookings and providing detailed service information. It is also active on social media to engage guests and enhance customer interaction. Although detailed information on advanced digital technologies implemented at the hotel is limited, these efforts reflect a commitment to leveraging digital tools to improve guest experiences and operational efficiency. Hotel B is a prime example of combining historic charm with modern luxury, offering a unique and memorable experience in Vilnius.

Hotel C. Hotel C is located in Vilnius, Lithuania, and is a distinguished five-star establishment situated in the city's UNESCO World Heritage-listed Old Town. The building, showcasing Secession and Neo-Baroque architectural styles, dates back to 1901 and has hosted numerous dignitaries. The property underwent extensive renovations before reopening as Hotel C in early 2023, marking the introduction of the Hotel C brand to Lithuania. The hotel offers elegantly designed rooms and suites, many featuring views of the surrounding church towers and authentic frescoes. Dining options include the Hotel C Cafe, which serves French cuisine with vistas of the Old Town, and the Hotel C Bar. Additional amenities encompass a fitness and wellness center, as well as five flexible meeting spaces capable of accommodating up to 250 attendees. As part of the Hotel Group, Hotel C benefits from the company's comprehensive digital transformation initiatives. These efforts include the development of immersive digital experiences, such as virtual hotel tours accessible via various devices, and a localized online journey available in multiple languages, enhancing customer engagement and booking conversions. Hotel C in Vilnius combines historical charm with modern luxury, offering guests a unique experience in the heart of Lithuania's capital. Its integration into the Hotel

Group's digital ecosystem ensures a seamless and engaging experience for guests, from booking to staying.

Dynamic Managerial Capabilities

Cognitive Capital

The interviews demonstrate the effective deployment of cognitive capital through their ability to interpret information, anticipate changes, and make strategic decisions. Hotel A CEO leverages their background in psychology and HR management to assess team dynamics and operational efficiency. They use systematic thinking to identify recurring challenges and evaluate feedback from staff and guests to uncover underlying issues. Their focus on continuous improvement and transformation allows them to anticipate shifts in market demands and operational needs, such as the integration of new technologies, to remain competitive. *„...when we implemented new technologies at the beginning, we simply felt the need to optimize processes and work, and over time we saw how this improves and makes the process more efficient. And it automatically means better quality...“*

Hotel A CEO fosters a “safe space” for team discussions, using input from their staff to shape decisions that ensure systemic improvements rather than quick fixes, maintaining alignment and morale within the team. Hotel B CEO analyses complex information and aligns it with organizational goals. They utilize feedback mechanisms from employees and guests to refine service offerings and operational strategies. Their international experience enables them to identify emerging trends and market shifts, which they proactively integrate into their management strategies. Hotel B CEO's collaborative leadership style ensures their decisions focus on fostering a supportive environment that encourages innovation and continuous improvement. Hotel C CEO relies on their strong academic background in economics and their international hospitality experience to process information from diverse sources, including global trends, guest feedback, and internal performance metrics. Their ability to foresee market shifts and guest needs is reflected in their proactive approach to innovation and continuous learning, both for themselves and their team. Hotel C CEO employs a collaborative decision-making process, engaging their team to ensure alignment with organizational objectives while balancing global best practices with local realities.

Human Capital

The interviews with Hotel A, Hotel B, and Hotel C CEOs reveal significant insights into the human capital they bring to their roles as hotel managers. Hotel A's CEO emphasized their educational background in psychology and human resources management, which provided them with essential skills for managing team dynamics and optimizing organizational processes. Their strategic management training at Business School further enhanced their ability to lead in a competitive and dynamic environment. Hotel A CEO's extensive experience in personnel and legal management, coupled with their focus on process optimization, has been instrumental in addressing complex organizational challenges and implementing

systemic improvements. Hotel B's CEO, with a bachelor's degree in economics and a master's degree in educational technology management, highlighted their ability to integrate modern tools into professional activities and develop forward-thinking strategies. Their international exposure and experiences abroad have enhanced their adaptability and capacity to align employee motivation with organizational goals, reflecting their deep commitment to fostering a cohesive and innovative team. Similarly, Hotel C's CEO credited their academic foundation in economics and educational technology management as critical to their strategic management capabilities. Their extensive international experience in hospitality, particularly in the United States, shaped their leadership style and provided them with valuable industry insights. Hotel C CEO emphasized the importance of continuous learning and employee training, fostering a culture of innovation and adaptability within their team. Across all three cases, their education, skills, and professional experiences underscore the critical role of human capital in enabling strategic leadership, fostering innovation, and achieving sustained competitive advantage in the hospitality industry. *„...they also share with us various best practices, the best cases of success, where we and in the local market in Lithuania, among hotels, can share what is relevant today in our market, what news is in our environment, in neighboring countries, it's more like this from a narrower circle“.*

Social Capital

The interviews reveal that Hotel A CEO emphasized the importance of open communication within their team, fostering collaboration through regular one-on-one meetings with department managers to discuss challenges, generate ideas, and ensure alignment. They highlighted the necessity of strong supplier relationships, which allow their team to access innovations and secure reliable resources. Additionally, they underscored their hotel's commitment to supporting the local community through partnerships with local initiatives and sponsorships, reinforcing the hotel's position as a community-focused business.

“...we choose our support projects, we always look at whether it is in Palanga, whether it affects our city, our position is, if we participate in some support actions, events or sponsorships, it must be related to Palanga, if someone calls us from Vilnius, we always say no.”

Hotel B CEO emphasized fostering motivation and respect within their team, creating a positive environment that strengthens internal collaboration and alignment toward organizational goals. Their external connections, particularly within the hospitality industry and through international experiences, allow them to gain insights into market trends and best practices, enhancing their professional relationships and ability to leverage external resources. Hotel C CEO discussed their focus on creating a culture of mutual respect and open communication within their team, inspiring employees, and ensuring seamless collaboration. Externally, they highlighted their engagement with the Hotel Group's network and partnerships with charitable organizations, which provide access to resources, share best practices, and enhance the hotel's reputation. They also emphasized the importance of guest loyalty

programs and tailored services in strengthening market positioning. The insights illustrate how the managers utilize social capital through internal and external networks, fostering trust and collaboration to secure resources, drive innovation, and achieve strategic alignment in their respective hotels. „...our hotel belongs to the Hotel C group, which is an international hotel group. Various new projects are placed in that environment, we are introduced to innovations probably every day. Which news goes from America to China, that's how I say it - we are all surrounded by innovations, where employees have to go through orientation from the first day...”

Digital Transformation

Hotel A focused on digitizing internal processes and guest interactions, reducing manual tasks to prioritize personalization. Hotel B emphasized tools for improving communication and aligning digital transformation with service excellence. Finally, Hotel C leveraged digital platforms and analytics to enhance marketing strategies, guest engagement, and operational efficiency.

Hotel A CEO discussed several initiatives to digitize operations within the hotel. They highlighted the implementation of a digital personnel management system to eliminate paper-based processes. This system allows employees to submit requests such as leave or admission electronically, improving efficiency and reducing manual errors. The hotel also introduced a new property management system (PMS) and a dedicated program for the spa centre, both of which streamlined reservations and service delivery. A digital guest registration card was implemented to reduce paperwork, allowing guests to sign electronically, with data stored automatically. Restaurant operations were digitized to enable room service orders to be made electronically, bypassing the need for phone calls. This reduced errors and enhanced service speed and accuracy. Hotel A CEO noted that these digital tools not only optimize processes but also free up time for staff to focus on providing a more personalized guest experience.

Hotel B CEO emphasized the role of technology in enhancing operational efficiency and guest satisfaction. They highlighted the use of advanced booking and CRM systems to better track guest preferences and streamline check-in and check-out processes. They also mentioned integrating digital tools to improve communication between departments, reducing delays, and ensuring a seamless guest experience. Indrė sees digital transformation as a key enabler of competitive advantage, aligning it with the hotel's broader goals of innovation and service excellence.

Hotel C CEO discussed the use of digital platforms to engage guests and manage hotel operations effectively. The hotel's online booking system integrates with various third-party platforms, ensuring a smooth reservation process. They also highlighted the importance of data analytics tools to track performance metrics and gather insights on guest preferences, which inform strategic decisions.

“Everyone's opinion is important, it is very important that there is such a tool that can be viewed, and draw attention to the feedback of each guest to each employee.” Digital tools were implemented in marketing strategies, particularly

through social media and loyalty programs, to attract and retain guests. Laura emphasized that these tools not only enhance operational efficiency but also improve brand visibility, and guest engagement, and operational effectiveness.

Digital Sustainability Attitudes

Hotel A emphasis on digitization to reduce paper use contributes to environmental sustainability. Furthermore, efforts to personalize guest experiences through digital tools by all three managers reflect an intent to enhance social satisfaction and inclusivity leading to social well-being. The integration of efficient digital systems across the three hotels supports operational cost reduction and resource optimization, ensuring long-term economic sustainability. Hotel A CEO highlighted initiatives that reduce paper usage through digitization, such as implementing an electronic personnel management system and digital guest registration cards. These measures align with environmental sustainability by reducing the dependency on physical documentation. The use of advanced digital reservation and management systems also contributes to operational efficiency, reducing resource waste and enabling better allocation of time and energy toward guest services. Hotel A CEO approach to sustainability extends to promoting local and authentic products in the hotel's offerings, reflecting an alignment between digital tools and broader environmental and social well-being goals.

Hotel B CEO emphasized the role of technology in creating efficient communication channels within the organization, which minimizes wasteful practices such as redundant tasks or miscommunication. While not explicitly mentioning sustainability, these practices contribute to economic viability. Their focus on aligning digital tools with guest preferences ensures a personalized yet efficient experience, reflecting a balance between resource utilization and service delivery. Hotel B CEO efforts to integrate digital transformation into service workflows indirectly support sustainable economic practices by enhancing productivity and reducing unnecessary operational overhead.

Hotel C CEO discussed the integration of data analytics and digital tools in marketing and guest management. These tools allow for targeted campaigns and personalized services, which reduce the waste of marketing resources and align with sustainable economic practices. The use of integrated booking systems reduces administrative inefficiencies, ensuring better utilization of human resources and lowering operational costs, contributing to economic sustainability. While Hotel C CEO did not explicitly reference environmental or social well-being, their emphasis on using digital tools to streamline operations and enhance guest satisfaction supports the idea of balanced and responsible technology use.

5* Hotels' Competitive Performance

By reducing manual tasks with digitization, staff could focus more on delivering exceptional experiences. Employee engagement was another focus, with Hotel A CEO promoting open communication and involving their team in decision-making processes. This approach fostered a motivated and aligned workforce, which positively impacted service quality.

and guest experiences. TripAdvisor evaluated Hotel A as the number one hotel in Palanga from 34 hotels available, including the other three 5* Hotels. It is not listed in the TripAdvisor Guide for Top 10 Hotels in Lithuania. Furthermore, among the Best Hotels Guide Top 10 hotels in Lithuania Hotel A is overcoming Hotel B and yielding to Hotel C.

Hotel B CEO mentioned that streamlining processes using digital tools, such as advanced booking and CRM systems, improved operational efficiency and reduced waste, which supported revenue generation. They highlighted the alignment of digital transformation with financial goals as a key success factor. Hotel B's CEO emphasized guest satisfaction, facilitated by personalized services and efficient communication channels. They viewed these efforts as integral to maintaining a competitive edge. They also discussed fostering a supportive workplace culture, which enhanced employee satisfaction and productivity, directly influencing service quality and overall hotel performance. TripAdvisor evaluated Hotel B as the number twenty hotel in Vilnius among 90 hotels available, including yielding to Hotel C. TripAdvisor listed Hotel B as 6th in Lithuania among twelve 5* Hotels. Furthermore, among the Best Hotels Guide, Top 10 hotels in Lithuania Hotel B is yielding to Hotel A and Hotel C. Hotel C CEO discussed leveraging digital platforms and analytics to optimize marketing strategies, attract a broader clientele, and enhance brand visibility. These efforts directly contributed to improved revenue streams. The use of integrated booking systems and data-driven decision-making helped reduce operational inefficiencies, ensuring a cost-effective approach to hotel management. Hotel C's CEO highlighted the importance of guest satisfaction, achieved through tailored marketing campaigns and personalized service offerings. The implementation of loyalty programs also strengthened guest retention, boosting overall performance metrics. They placed significant emphasis on employee engagement and training, ensuring that staff were equipped with the necessary skills to meet guest expectations and adapt to new technologies. This investment in human capital was viewed as a cornerstone of the hotel's sustained success. TripAdvisor evaluated Hotel C as the number fifteenth hotel in Vilnius from 90 hotels available, including the other five 5* Hotels. TripAdvisor listed Hotel C as 2nd in Lithuania among twelve 5* Hotels. Furthermore, among the Best Hotels Guide Top 10 hotels in Lithuania Hotel C is overcoming Hotel A and Hotel B.

Overall, relying on several international Hotels' ranking Guides Hotel C comes as first, Hotel A as second, and Hotel B as third on the competitive performance scale.

Discussion

The Role of Dynamic Managerial Capabilities (DMC) in 5* Hotels Competitive Performance

The strategic application of dynamic managerial capabilities - cognitive, human, and social - plays a critical role in shaping the competitive performance of Hotels A, B, and C. While similarities exist in their emphasis on innovation and adaptability, differences in strategic focus highlight diverse pathways to achieving competitive advantage in the hospitality industry, particularly in the performance of 5* Hotels.

Hotel C outperformed Hotels A and B primarily due to its dynamic managerial capabilities, which included strong cognitive, human, and social capital components that aligned with its strategic goals and market demands. Hotel C's CEO demonstrated exceptional cognitive capital, particularly in their ability to anticipate market shifts, leverage global best practices, and balance these with local realities (Baishya et al., 2025). The CEO's background in economics and international hospitality enabled them to process information from diverse sources, such as global trends, guest feedback, and internal performance metrics. This capability allowed them to identify market opportunities and emerging customer needs effectively. The CEO's focus on data analytics and digital platforms enabled the hotel to refine its marketing strategies, reach a broader clientele, and improve operational efficiency. Their emphasis on innovation and adapting to new technologies kept Hotel C competitive, with integrated systems for bookings and data-driven decision-making leading to cost-effective operations and improved customer satisfaction. These capabilities positioned Hotel C to make proactive, informed decisions, resulting in higher guest satisfaction, loyalty, and improved revenue streams through tailored marketing campaigns.

Hotel C's superior performance was also driven by its CEO's ability to cultivate and leverage internal and external networks. By fostering a culture of mutual respect and open communication, the CEO ensured seamless teamwork and alignment with organizational goals. This internal cohesion translated into consistent, high-quality guest experiences. The CEO actively engaged with the Hotel Group's network and industry partnerships, gaining access to best practices, resources, and innovations. These external connections helped maintain Hotel C's competitive positioning. The CEO emphasized loyalty programs and personalized service offerings, which strengthened guest retention and boosted repeat business. Social capital enhanced the hotel's ability to innovate, maintain strong supplier relationships, and leverage guest loyalty for sustained success. The CEO's ability to apply global best practices while considering local market realities gave Hotel C a unique competitive edge. Although the other two hotels are highly regarded, Hotel C as well due to its data analytics, learning, global orientation, and connectivity DMC shows superior performance.

The Role of Digital Transformation (DT) and Digital Sustainability Attitudes (DSA) in 5* Hotels' Competitive Performance

Digital transformation and digital sustainability attitudes significantly influence competitive performance in the hospitality sector, shaping operational efficiency, guest satisfaction, and long-term strategic goals. Below, the impact of these factors is analyzed in the context of Hotels A, B, and C, with references integrated into the discussion.

Digital tools for guest registration and restaurant orders minimize manual tasks, increasing accuracy and speed (Verhoef et al., 2021). The reduction of manual processes freed up staff to deliver more personalized services, aligning with research highlighting the importance of guest-centric digital strategies for competitive performance (Lu et al., 2015).

Digital tools tracking guest preferences, enabling streamlined check-in and check-out processes, and personalized experiences, are crucial for retaining loyal customers (Sigala, 2018). Improved interdepartmental coordination through digital platforms reduced delays and errors, enhancing service consistency. The focus on aligning technology with broader goals of service excellence and innovation underscores the role of digital transformation as a strategic enabler (Verhoef *et al.*, 2021). Emphasis on communication and personalized services positioned 5* hotel as a competitive player, reinforcing the importance of service quality in digital transformation (Lu *et al.*, 2015).

Digital tools for tracking performance metrics and analyzing guest preferences inform strategic decisions and improve operational efficiency (Boiral & Heras-Saizarbitoria, 2017). Digital platforms, including social media and loyalty programs, enhanced brand visibility, and guest retention, critical factors in competitive performance (Sigala, 2018). The use of integrated online booking systems reduced inefficiencies, ensuring seamless operations and a superior guest experience. 5* hotel use of analytics and targeted marketing directly contributed to revenue growth and brand recognition, emphasizing the strategic importance of data-driven digital tools (Buhalis & Law, 2008).

Digital sustainability involves aligning technological advancements with environmental, economic, and social well-being goals. Each hotel reflected varying attitudes and practices in this area. 5* Hotels initiatives like electronic personnel management systems and digital guest registration reduced paper use and environmental impact (Chen *et al.*, 2015). Advanced reservation systems and process digitization minimized resource waste, enhancing operational efficiency. The promotion of local products and personalized services through digital tools supported inclusivity and guest well-being, aligning with broader sustainability goals. Streamlined workflows reduced redundant tasks, minimizing waste and increasing productivity (Dwyer, 2018). The integration of technology into service workflows reduced operational overheads, supporting cost-effective practices.

However, there are some differences in the approach, e.g., Hotel A explicitly emphasized reducing environmental impact through paperless operations, while Hotels B and C focused more on economic sustainability. Hotel A prioritized internal process optimization. Hotel B emphasized communication and service workflows. Hotel C focused on analytics and marketing strategies. Hotel C's use of loyalty programs and targeted marketing gave it a distinct advantage in guest retention, a strategy less emphasized by Hotels A and B.

Digital transformation and sustainability attitudes are critical drivers of competitive performance in the hospitality industry. While all three hotels leveraged digital tools for efficiency and guest satisfaction, their approaches varied. Hotel A led in environmental sustainability, Hotel B in communication-driven efficiency, and Hotel C in data-driven marketing and resource optimization. These strategies align with literature emphasizing the role of digital tools and sustainability in achieving long-term competitiveness (Verhoef *et al.*, 2021; Sigala, 2018). Hotel C's superior performance among the three hotels can be

attributed to its strategic application of digital transformation features and its alignment with digital sustainability attitudes. Unlike Hotels A and B, which primarily focused on digitizing internal operations, Hotel C used data analytics to inform strategic decisions and align its services with market demands (Boiral & Heras-Saizarbitoria, 2017). Hotel C's use of social media and loyalty programs ensured a high level of guest engagement and retention, which directly impacted revenue growth and brand visibility (Sigala, 2018). Integrated booking systems and resource optimization reduced inefficiencies and improved profitability, making Hotel C more cost-effective and sustainable than its competitors. While Hotel A focused on environmental sustainability and Hotel B on operational workflows, Hotel C's emphasis on economic sustainability through technology-driven resource optimization was critical to its success (Chen *et al.*, 2015). Hotel C's exceptional performance stemmed from its ability to integrate advanced digital transformation features, such as data analytics, loyalty programs, and marketing strategies, with a strong commitment to digital sustainability attitudes, emphasizing economic resource optimization and guest-centric practices. This balanced approach ensured superior operational efficiency, enhanced guest satisfaction, and long-term competitive advantage.

DMC, DT, DSA, and in 5* Hotels Competitive Performance

Based on the analysis and the discussion, we offer a set of propositions that can explain the superior performance of the 5* Hotels through hospitality industry-specific DMC, advanced digital transformation practices, and digital sustainability attitudes. Managers with strong cognitive, human, and social capital can anticipate market trends, align resources effectively, and foster collaboration to implement innovative solutions (Baishya *et al.*, 2025). Hotel C's CEO, for instance, leveraged their international experience and data-driven decision-making to align global best practices with local market realities, achieving superior performance (Adner & Helfat, 2003; Teece, 2007). We proffer that:

Proposition 1: Dynamic managerial capabilities such as data-driven decision-making, continuous learning, global orientation, and connectivity to internal and external networks positively influence 5* Hotels' competitive performance.

Furthermore, effective digital transformation streamlines processes, reduces inefficiencies, and enables personalized services, as seen in Hotel A's use of property management systems and electronic personnel management systems. Hotels that integrate analytics, like Hotel C, further enhance guest engagement and resource optimization (Buhalis & Law, 2008; Sigala, 2018). Hotels that use data analytics for performance tracking and decision-making, as demonstrated by Hotel C, can align services with guest preferences and market demands, driving both operational and marketing efficiency (Boiral & Heras-Saizarbitoria, 2017; Verhoef *et al.*, 2021). Hotel C's focus on loyalty programs and personalized marketing, enabled by digital tools, underscores the importance of tailoring guest experiences to build loyalty and improve financial performance (Lu *et al.*, 2015; Sigala, 2018). Thus, we propose that:

Proposition 2: Digital transformation with a focus on operational efficiency, including digital marketing, integration with network applications, loyalty programs, and guest satisfaction, contributes to hotels' competitive advantage.

Hotel A's emphasis on paper reduction and resource optimization and Hotel C's focus on economic sustainability highlights how aligning technology with sustainability goals supports long-term profitability and appeals to socially conscious consumers (Chen *et al.*, 2015; Dwyer, 2018). Hotels that use digital tools to reduce operational inefficiencies, like Hotel C, achieve cost-effective operations while maintaining high service standards. This aligns with broader economic sustainability principles (Chen *et al.*, 2015; Buhalis & Law, 2008). We offer a proposition 3:

Proposition 3: Digital sustainability attitudes that integrate environmental, social, and economic goals positively impact competitive performance.

Managers with dynamic capabilities are better equipped to deploy digital tools strategically, as evidenced by Hotel C's data-driven marketing and resource optimization under its CEO's leadership. This synergy enhances innovation and market responsiveness (Teece, 2012; Sigala, 2018). Thus, we propose that:

Proposition 4: The synergy between digital transformation and dynamic managerial capabilities amplifies competitive performance.

These propositions offer a conceptual framework for understanding how dynamic managerial capabilities, digital transformation, and sustainability attitudes collectively impact hotels' competitive performance. Each highlights specific mechanisms through which these factors drive success, providing actionable insights for future research and industry practice.

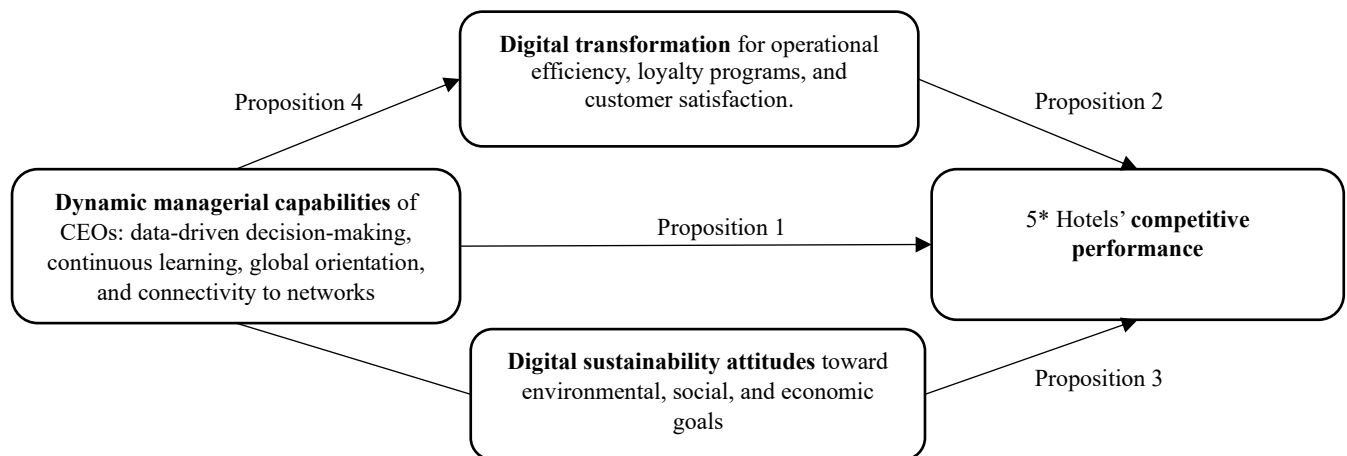


Figure 1. A Conceptual Framework for Understanding How Dynamic Managerial Capabilities, Digital Transformation, and Sustainability Attitudes Collectively Impact Hotels' Competitive Performance

Conclusions and Implications

This study highlights the critical role of dynamic managerial capabilities, digital transformation, and digital sustainability attitudes in shaping 5* Hotels' competitive performance. The findings reveal that Dynamic managerial capabilities - cognitive, human, and social capital - are pivotal for fostering innovation, aligning resources, and adapting to market demands, as demonstrated by the leadership strategies of Hotel C's CEO. Digital transformation enhances operational efficiency, guest engagement, and strategic decision-making, with data-driven approaches emerging as a key differentiator for competitive advantage. Digital sustainability attitudes, when aligned with environmental, social, and economic goals, strengthen brand reputation, improve resource utilization, and ensure long-term profitability.

Theoretical Implications

The study offers threefold contributions. First, the study extends DMC theory by showing how dynamic managerial capabilities interact with digital tools to create synergistic effects on organizational performance. For example, while

all three hotels embraced digitization, Hotel C's advanced use of data analytics and integrated booking systems optimized operations, enhanced marketing, and improved cost efficiency. It underscores the importance of a manager's cognitive ability to integrate technology with strategic goals, particularly in data-driven decision-making and fostering innovation (Teece, 2007).

Second, this research adds to digital transformation literature, highlighting the strategic importance of guest-centric digital transformation and resource optimization in achieving competitive advantage. It emphasizes the role of advanced digital tools, such as analytics and loyalty programs, in aligning technology with service excellence and marketing strategies (Buhalis & Law, 2008; Verhoef *et al.*, 2021).

Finally, the findings provide a nuanced understanding of how digital sustainability contributes to the competitive performance of the 5* Hotels by optimizing operational processes (economic sustainability), reducing waste (environmental sustainability), and enhancing inclusivity through personalized services (social sustainability).

Managerial Implications

Managers can consider cultivating dynamic managerial capabilities, including foresight, adaptability, and collaboration, to effectively lead digital transformation initiatives. Training programs by integrating global best practices with local operational needs can lead to better competitive performance. Furthermore, analytics and CRM systems monitoring guest preferences, informing strategic decisions, and designing personalized service can enhance resource allocation, reducing operational inefficiencies and costs. Managers, by aligning digital transformation with sustainability goals, such as reducing paper use and optimizing workflows, can improve efficiency but also appeal to environmentally conscious customers, enhancing brand loyalty. Loyalty programs and targeted marketing campaigns can be integrated into digital transformation efforts to improve guest retention and satisfaction, as exemplified by Hotel C's success. The study demonstrates how managers with strong cognitive capital (foresight and strategic thinking), human capital (education and experience), and social capital (internal and external networks) can maximize the potential of digital tools to sustain competitive performance. This enriches the understanding of managerial roles in dynamic and technology-driven environments. This research provides actionable insights for managers seeking to understand and implement effective strategies leading to competitive performance at the intersection of managerial capabilities, digital transformation, and sustainability in the hospitality sector.

Limitations and Future Research

Although our study provided significant insights, it also has several limitations that warrant consideration. First, the analysis is based on qualitative data from three hotels, limiting the generalizability of the findings to the broader hospitality industry or other service sectors. Future research could incorporate larger, more diverse samples to validate these insights across diverse organizational contexts. Second, the study primarily focuses on digital transformation and sustainability attitudes in a specific geographic and cultural context, which may not capture the variations in digital adoption and sustainability priorities in other regions. Future research could explore cross-cultural comparisons to identify global trends and region-specific factors influencing digital transformation and sustainability. Additionally, while the study addresses the integration of digital tools and managerial capabilities, it does not deeply analyze the potential challenges or risks associated with digital transformation, such as cybersecurity threats or resistance to change within organizations. Future studies could investigate these challenges to provide a more comprehensive understanding of digital transformation in the hospitality industry. Finally, the study does not examine the long-term impact of sustainability practices on financial performance and brand equity, suggesting a need for longitudinal studies to explore the lasting effects of digital sustainability attitudes on competitive advantage. These avenues could further enrich the theoretical and practical understanding of the interplay between dynamic managerial capabilities, digital transformation, and sustainability.

Annex 1.

Interview structure

No	Theoretical dimension	Theoretical origins	Examples of the questions
1.	Dynamic managerial capabilities		
1.1	Human capital	Helfat and Martin, 2015	Education: Level, Type of Background of Managers Work Experience: Position, Firm, Industry, International, Functional Area of Managers Management/Leadership, Entrepreneurial Capabilities of Managers
1.2	Cognitive capital		Knowledge Structures: Mental Representations & Mental Models, Beliefs, Resource & Strategic Schemas Mental Processes/Cognitive Capabilities: Attention, Perception Interpretation, Reasoning Emotions: Emotion Regulation of self and others
1.3	Social capital		Social Network Ties: External, Internal Network Characteristics: Size, Strength, Closeness, Diversity, Centrality Relationships: Managers in Other Firms, Business Contacts, Directors, Government Officials
2.	Digital transformation		
2.1.	Technical digital transformation	Busulwa et al., 2022Mandabach et al., 2001; Bilgihan et al., 2014; Breiter and Hoart, 2000.	We use systems/software, platforms/ ecosystems, and hardware/devices for everyday operations: • Carry out administration duties • Maintain IT infrastructure • Develop and update websites • Develop and maintain social media • Analyze business data • other We use systems/software, platforms/ ecosystems, and hardware/devices that are unique to specific domains within the hospitality industry: • Hotel front desk applications • Recipe applications

No	Theoretical dimension	Theoretical origins	Examples of the questions
			- hospitality cost control/inventory software - hospitality scheduling software - hospitality purchasing software - hospitality e-purchasing systems - hospitality e-distribution systems (e.g., to manage cost of distribution, travel agency commissions, - hospitality property management systems (e.g., OPERA Cloud PMS) - hospitality revenue management systems (e.g., IDEaS and Infor EzRMS) - hospitality analytics and reporting systems (e.g., Oracle Hospitality Reporting and Analytics) - other
2.2.	Strategic digital transformation	Bilgihan et al., 2014	Digital innovation management (new digital products and services); Digital customer experience management; Management of digital customer engagement; Leading digitally and fostering digital leadership; Management workforce digital competencies; Apply the latest DTs to relevant functions/domains (e.g. using artificial intelligence to optimize guest comfort, or using virtual/ augmented reality for virtual tours of key destinations); We are in line with hospitality DT pace and achievements.
3.	Digital sustainability attitudes		
3.1.	Environmental digital sustainability	Worner et al 2022; Melville, 2010; Kotlarsky et al., 2023	How do digital technologies that you have adopted reduce environmental pollution like carbon footprint or waste in general?
3.2.	Social digital sustainability	Tim et al., 2021, McKenzie, 2004; Vallance et al., 2011	How do digital technologies that you have adopted promote the healthy development of society and meet the requirements of the present without compromising the future well-being of succeeding generations?
3.3.	Economic digital sustainability	Cooper & Molla, 2017, Anand & Sen, 2000, Spangenberg, 2005	How do digital technologies that you have adopted support long-term economic growth while preserving environmental assets, maintaining or improving living standards, and strengthening the viability of social institutions?
4.	Competitive performance of Hospitality firms	Mikalef and Pateli, 2017; Pundziene et al., 2022	Sales of our firm have risen faster than sales of our competitors during the past 3 years. Our firm's services have received better evaluations than those of our competitors last 3 years. The superior reputation of our firm (locally, nationally, and internationally) sustains for a long time. Our firm's traction for all career talents sustains for a long time. Market share has been higher than that of our competitors for the last 3 years. The profit of our firm has been higher than that of our competitors during the past 3 years. The number of social media followers of our firm has been rising faster than that of the competitors. We offer more unique services than our competitors (on average)

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