

# Change or perish: Examining the role of human capital and dynamic marketing capabilities in the hospitality sector

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## ABSTRACT

Many researchers have endeavored to explain which factors contribute to sustainable competitive advantage. Toward this end, this study contributes to the marketing and hospitality management literature by providing empirical evidence on how human capital, dynamic marketing capabilities, and market dynamism influence competitive advantage in the hotel sector. We collected cross-sectional survey data from marketing and sales managers in 165 hotels, along with in-depth interviews in three hotels, based in four Gulf Cooperation Council (GCC) countries, namely, Saudi Arabia, Qatar, United Arab Emirates and Bahrain. The findings reveal that human capital directly, and indirectly through dynamic marketing capabilities, plays a critical role on developing competitive advantage. To contextualize this role, our research reveals that market dynamism moderates the mediated relationship between human capital and competitive advantage via market sensing capabilities. We discuss how the findings offer theoretical and managerial implications for the development of competitive advantage in the hotel sector.

## 1. Introduction

Uncertainty and dynamism in competitive markets oblige firms to rethink the approaches they adopt to achieve sustainable competitive advantages. Key to attain and maintain a sustainable competitive advantage lies in possessing and developing the unique resources that are difficult to imitate. These resources reside mainly in firms' human capital that is grounded on firm personnel competence, including skills, knowledge, expertise and capabilities (Mention & Bontis, 2013). Human capital offers the basis to build unique resources and capabilities. The dynamic capabilities (DCs) view provides a robust theoretical foundation for explaining how firms can achieve and maintain competitive advantage through the renewal and reconfiguration of resources and capabilities (Eisenhardt & Martin, 2000; Teece et al. 1999). More specifically, linking dynamic marketing capabilities (DMCs) with company performance has attracted the attention of marketing scholars (e.g., Krasnikov & Jayachandran, 2008; Morgan, Slotegraaf, & Vorhies, 2009; Vorhies & Morgan, 2005). Furthermore, empirical evidence has been accumulated to support the association between human capital, represented in employees' knowledge and skills, and firm performance.

While there is abundant theoretical and empirical literature on DMCs

and human capital, research incorporating DMCs into human capital is limited. Extant human capital studies mainly examine its direct effect on firm performance (e.g., Gimeno, Folta, Cooper, & Woo, 1997; Hsu & Wang, 2012; Luthans & Youssef, 2004; Ndinguri, Prieto, & Machtmes, 2012; Vidotto, Ferenhof, Selig, & Bastos, 2017), but few studies explore how human capital of hotels' explains variation in hotel's competitive advantage through DMCs. We aim to contribute to the marketing and hospitality management literature by examining the mediating role of DMCs in generating firm competitive advantage. Another issue that requires further attention is the role of DMCs in enabling firm competitive advantage under different market dynamism conditions. Drawing on DCs theoretical lens, this paper attempts to fill these gaps by developing and testing a model that examines how human capital influences competitive advantage directly and indirectly through DMCs. We also examine how DMCs affect firm's competitive advantage under different market dynamism conditions.

Another contribution of this study is that most of previous studies examined the antecedents and consequences of DMCs in the manufacturing sector (e.g., Fang & Zou, 2009), and knowledge intensive services (e.g., Bruni & Verona, 2009), with very little empirical evidence from other types of services, such as the hospitality sector. Furthermore,

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research is still lacking in the hospitality sector in the Gulf Cooperation Council (GCC) countries. GCC countries are considered an attractive destination for highly skilled expatriates due to their highly competitive packages of job benefits. For example, expatriates represent 88.5, 85.3 and 70 per cent of the total population in UAE, Qatar and Kuwait, respectively (Maher & Elsharnouby, 2020). This circumstance results in a unique human capital composition in the hotel sector where the workforce is dominated by highly qualified multi-cultural male migrant labor (Anthonisz, 2018; Brien, Anthonisz, & Suhartanto, 2019; Elbanna & Elsharnouby, 2018). In such an evolving context, this study provides a fresh understanding of the human capital and DMCs in the GCC hotel sector and their role in attaining competitive advantage. The study also offers hotels' marketing managers empirical evidence about the skills needed for employees working in marketing/sales departments as well as the DMCs that are crucial for hotels to remain competitive.

This paper opens with a critical review of the literature relating to human capital and DMCs. Then, we present the conceptual framework and develop a series of hypotheses, which offer a rich theoretical backdrop of the hypothesized associations. We next discuss the sampling and data collection process before presenting the findings. Finally, we discuss the findings and implications for researchers and hotel managers.

## 2. Theoretical background

### 2.1. Human capital

Human capital is often described as a component of the organization's intellectual capital, which depicts the knowledge owned by the organization. This knowledge includes tacit knowledge developed by network relationships and employees' personal knowledge (Hsu & Wang, 2012). According to this perspective, knowledge in the organizational context may reside in three key domains: organization, networks and individuals. The first is labeled as *organizational capital*, consisting of the firm's routines, procedures and policies along with other types of knowledge possessed by the organization rather than its personnel (Baron, 2011). The second is called *social capital*, which encompasses the networks and relationships with different stakeholders that facilitate the knowledge creation and transfer (Baron, 2011). The third is named *human capital* that is grounded on firm personnel competence, including skills, knowledge, expertise and capabilities (Mention & Bontis, 2013). It is also defined as the mixture of attributes such as capabilities, knowledge, relationships and attitudes nurtured in the mind, body and actions of firm personnel (Yusoff, Jantan, & Ibrahim, 2004). Baron (2011) observes another important angle related to individuals' willingness to share their experience, skills and knowledge with the organization to create value.

Advancing on these components, Felício, Couto, and Caiado (2014) considered that human capital is formed by (1) knowledge, (2) experience including business, management/leadership, technical/technological and industry experience, (3) professional proficiency, and (4) cognitive ability including variables related to strategic decision-making, perception of threats and risk, innovativeness, and detection and exploitation of market opportunities. Other authors cite different dimensions of human capital such as talent, ideas, ability to develop and maintain relationships (Stewart, 1997), creativity and innovation (Edvinsson & Malone, 1998). Since the hospitality industry relies heavily on the experience, knowledge and skills of its employees (Ognjanović, 2017), previous studies establish the important role of human capital on hotel performance (e.g., Adeola, 2016; Bontis, Janošević, & Dženopoljac, 2015; Sardo, Serrasqueiro, & Alves, 2018).

Baum (2007), for example, reported the critical skill set required for employees working in the hotel front offices in 4- and 5-star hotels in Northern Ireland. General Managers of these hotels acknowledge that the essential skills for such positions include soft skills; particularly oral communication, customer care, interpersonal skills, teamwork and the

application of ethical standards. In a study of international hotels in Taiwan, communication skills (e.g., managing guest problems with understanding and sensitivity) and adaptation to environmental changes (e.g., acting in an ethical manner) were considered the most important competency for career success (Lin, 2002). Similarly, in the Hong Kong hotel sector, Chan and Coleman (2004) reported that human resources managers rated "to have a professional attitude" as the most critical competency for newly graduated employees.

The little fragmented published research in the GCC hotel sector may delineate a picture about human capital in this sector, which is dominated by highly qualified male migrant labor (Brien et al., 2019; Elbanna & Elsharnouby, 2018). A recent study, for instance, reports that more than 70% of the Dubai hotel workforce is male (Anthonisz, 2018), which contradicts the established gender ratios in the hotel industry in other regions (Evans, 2015). Similarly, in a study of 175 four- and five-star hotels in the UAE and Qatar, Elbanna and Elsharnouby (2018) observe that 95% of the hotels' workforce is expatriate. Although GCC countries have been trying to implement workforce nationalization policies (e.g., Emiratisation, Saudization, Qatarization) to increase the number of national employees, particularly in the private sector (Waxin, Lindsay, Belkhdja, & Zhao, 2018), the effect of such policies is observed only in the hotel senior level (Anthonisz, 2018). Compared to other hospitality studies, GCC workforce is significantly more qualified and multi-cultural due to the highly competitive job benefits packages, which creates increasing levels of turnover across the hospitality industry in this region (e.g., 35% in Dubai) (Anthonisz, 2018).

This workforce scene renders certain skills critical for the migrant employees, particularly those working in marketing and sales departments. Employees working in such departments are required to develop skills such as cultural knowledge to show appreciation and respect for the local culture. Prior research shows that imposing certain cultural values or the failure to have cultural empathy could cause the failure of many international marketing practices (Brady, 2014). Given the legislation nature in most GCC countries, which obliges 51% local ownership, it is expected that the attitude of hotels management to human capital is influenced by the host country culture. In this regard, Arab cultural values and dynastic tribalism have several implications in managing human capital of hotels such as higher levels of centralisation within the firm (Miller & Sharda, 2000), strongly group oriented (Rees & Althakhri, 2008), nepotistic manifestations particularly at senior management level (Najm, 2015). This can limit career progression to those nationalities considered to be 'less valuable' to the firm (Anthonisz, 2018). Al Ariss and Guo (2016) observe that cultural backgrounds and nationality-based stereotypes were the criteria of job allocation rather than competence or skills in the UAE workplace context. For instance, employees from Western developed countries were perceived by locals as possessing better management skills and therefore preferred at the top management level. Arabs, however, were preferred at the middle management level due to their "language skills and intimate knowledge of local contexts as well as being able to interact and communicate in a culturally appropriate way" (Al Ariss & Guo, 2016, p. 583).

### 2.2. Dynamic marketing capabilities

Uncertainty and dynamism in competitive markets renders organizations seek continued rejuvenation. The DCs view attempts to explain how organizations can attain sustainable competitive advantage by renewing and reconfiguring their capabilities and resources (Eisenhardt & Martin, 2000; Teece, Pisano, & Shuen, 1997). Capabilities are "complex bundles of skills and collective learning, exercised through organizational processes that ensure superior coordination of functional activities" (Day, 1994, p. 38). DCs were initially defined as "the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments" (Teece et al., 1997, p. 516). In examining the nature of DCs, scholars have identified DCs as established and learned patterns and highly idiosyncratic in nature and

result of regular and intentional efforts to attune to a new setting (Barrales-Molina, Martínez-López, & Gázquez-Abad, 2014). In changing environments, DCs allow firms to rearrange its resources mix and respond to market changing conditions quickly and efficiently (Landroguez, Castro, & Cepeda-Carrión, 2011; Wang, Hu, & Hu, 2013). DCs enable organizational robustness through (1) anticipating needed organizational changes by sensing markets trends, (2) responding to the changes by reconfiguring current resources in novel ways or acquiring new resources, and (3) determining the appropriate organizational configuration for delivering superior customer value and securing the economic profit to the organization (Teece, 2009).

In considering the micro-foundation of DCs, researchers emphasize that cross-functional marketing capabilities can contribute significantly to DCs creation and business performance (Barrales-Molina et al., 2014). Marketing capabilities can support firms in the creation of DCs through collecting novel market-related knowledge and disseminating it inside the firm (Morgan et al., 2009). Marketing capabilities and resources have a potential to enhance firm performance through understanding customer needs, competitors, and generating market knowledge. Therefore, previous studies have introduced the term DMCs (e.g. Bruni & Verona, 2009; Morgan, 2012).

DMCs refer to a “set of processes that a firm needs to be able to use while responding to market change. They directly influence a firm’s product development, innovative service design, and long-term customer relationships, which jointly define its competitiveness” (Wang et al., 2013, p. 336). DMCs allow firms to determine key market indicators, initiate new processes, design, and implement effective reactions to market changes (Wang, Hub, Huc, 2013). Several forms of DMCs have been examined in the literature including customer-linking, capabilities market-sensing (Day, 1994), new product development, market orientation (Barrales-Molina et al., 2014; Slater & Narver, 1994), customer relationship management, supply chain management (Fang & Zou, 2009), and knowledge management (Landroguez, Castro, & Cepeda-Carrión, 2011).

To survive and succeed in achieving their service excellence, hotels can use several DMCs such as market sensing and data-driven market targeting and positioning. For instance, Hariandja (2016) observed that some hotels operate in Indonesia employed market sensing capabilities through collecting and analyzing guest comments and complaints, sales reports and profitability analyses in order to detect the evolving market trends. Davis (2018) reported some essential marketing capabilities for ‘future-facing hotels’. These capabilities require hotels to utilize evolving technologies to improve customer engagement and service delivery in today’s digital environment. They include customer-centricity (e.g., a profound understanding of customer expectations, priorities, attitudes and behaviors), iterative learning (e.g., continual learning to refine the extant understanding of customer needs), agile development (e.g., delivering evolving products and services as a response to change in customer needs), and data-readiness and smart business intelligence (e.g., collecting and transforming data into actionable business intelligence). In the Dubai hotel sector, ‘customer-centric orientation’ is reported as a critical marketing capability as a means to improve hotels’ predictability and stability (Anthonisz, 2018).

Since market knowledge is considered as the knowledge linked to customer and competitor domains (e.g. Narver & Slater, 1990), in this study, we specifically focus on DMCs that help firms to sense the market and manage their brands among existing and prospective customers – namely market-sensing capability and brand management capability. Both will be discussed now briefly.

### 2.2.1. Market-sensing capability

Sensing capability is described as “the ability to spot, interpret, and pursue opportunities in the environment”. (Pavlou & El Sawy, 2011, p. 247). Market-sensing capability reveals an organization’s ability to gain knowledge about competitors, customers, and channel members to detect and respond to trends and events in current and potential markets

(Day, 1994). Such capability produces timely market-related knowledge, which is presumed to be crucial for any type of dynamic capabilities (Eisenhardt & Martin, 2000). Market-driven firms have the ability to gain knowledge about customers, competitors, and channel members through systematic and thoughtful gathering, interpreting, and using market information (Day, 1994).

Firms’ ability to create the essential modifications for market changes would depend on the ability to monitor the environment, to assess competitors, and to reconfigure its resources ahead of competition (Teece et al., 1997). These processes require a strong market-sensing capability to monitor market trends and to detect and seize opportunities. Pavlou and El Sawy (2011) suggest three fundamental tasks firms perform when utilizing the market sensing capability: generating market intelligence (e.g., observing market trends, detecting market opportunities), disseminating market intelligence (e.g., analyzing and interpreting market events and trends) and responding to market intelligence (e.g., developing actions to seize the emerging market opportunities).

### 2.2.2. Brand management capability

Brand management capabilities underline the activities and processes that allow a firm to create and retain strong brands (Aaker, 1994). These capabilities are posited to be a vital resource associated with firms’ capacity to generate cash-flows (Morgan et al., 2009). Firms possess these capabilities to develop and sustain high levels of brand equity, through which they can have “the differential effect of brand knowledge on consumer response to the marketing of the brand” (Keller, 1993, p. 1). There has been a transformation in the way researchers view brand management capability from being just an administrative function to a key strategic function (Low & Fullerton, 1994). The importance of such capability is highlighted in the literature to the extent that scholars argue that in some sectors such as consumer-goods companies, brands are the *raison d’être* (Rust, Zeithaml, Lemon, 2004).

## 3. Conceptual framework and hypotheses development

Drawing on DCs theoretical lens, this study develops a model to examines how a firm’s competitive advantage is affected by human capital and/through DMCs. The conceptual framework (see Fig. 1) explicates that human capital influence competitive advantage directly and indirectly through DMCs. We also hypothesize that DMCs would have different effects on firm’s competitive advantage under different market dynamism conditions.

### 3.1. Human capital and dynamic marketing capabilities

Human capital is significantly vital for organizational success particularly in the knowledge-based economy. For firms operating in such economy, educated and qualified individuals are the moving force for the development of organizational activities (Vidotto et al., 2017). Central to human capital concept is knowledge. An advanced level of knowledge grants firm’s personnel with augmented cognitive abilities enabling them to better manage resources, more precisely anticipate outcomes and results, and more efficiently coordinate the new processes resulted from the change (Nieves & Haller, 2014). In the hospitality sector, human capital appears to be a principle factor hotels’ success and is considered the fundamental element of service quality (Sardob, Serasqueiroa, Alvesa, 2018).

The literature suggests multiple antecedent drivers of DCs such as learning intent, embedded learning (Lee, Lin, Chen, & Shyr, 2011), network embeddedness (Zheng, Zhang, Wu, & Du, 2011), autonomy, support (Prieto, Revilla, & Rodríguez-Prado, 2009), process alignment, endogenous, exogenous knowledge (Sher & Lee, 2004), and DCs development (Lee, Chen, & Shyr, 2011). It also proposes that knowledge resources, particularly knowledge related to employees’ skills and abilities (human capital) give the firm a solid foundation to build DCs (Nieves & Haller, 2014). Firms with a higher level of human capital,

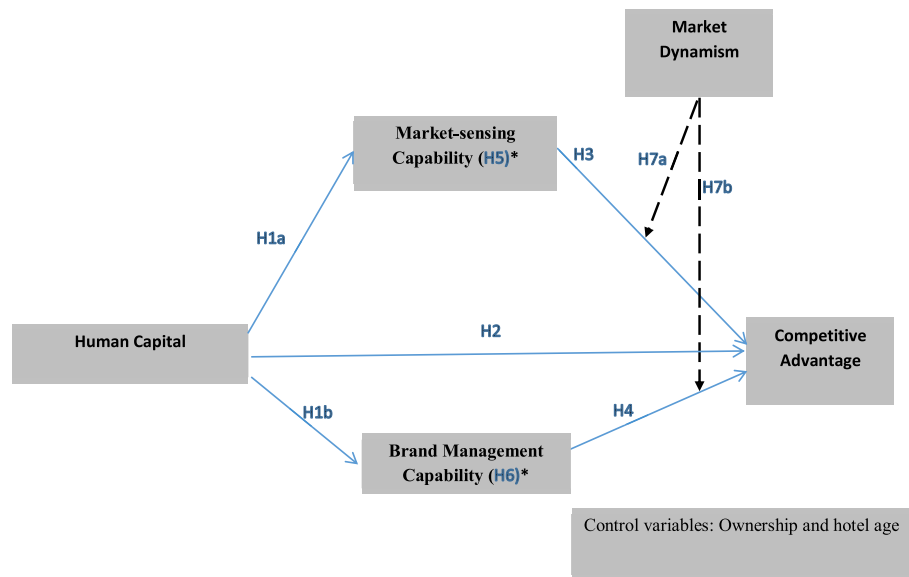


Fig. 1. The conceptual model.

whose employees have high levels of experience and knowledge, are more likely to detect the need for change and react to it swiftly by renewing their resources base (Nieves & Haller, 2014).

Knowledge resources are vital assets that provide firms with the basic foundations to build DCs (Liao, Kickut, & Ma, 2009; Nieves & Haller, 2014). The literature suggests that employees' knowledge determines the firm's ability to solve problems or generate new knowledge (Cross & Baird, 2000), the capacity of building DCs that empower firms to respond to technological changes (Rothaermel & Hess, 2007). Firms with competent individuals have more capabilities to be able sense the need for change and respond to it by updating their resources base (Nieves & Haller, 2014). For example, companies whose employees possess advanced levels of experience and knowledge can learn better about the marketplace in which they operate and its components including customers, competitors, and channel members. Furthermore, the development of brand management capabilities mainly depends on the capabilities of brand managers and their interactions with senior management, other internal managers, and external stakeholders (Iyer, Davari, & Alhidari, 2016, pp. 85–86). This argument suggests that high level of skills, experience and knowledge offers employees with superior ability to absorb and apply new knowledge. Therefore, we presume that human capital has a positive effect on a firm's ability to develop DMCs. Formally.

H1: Human capital positively affects the development of (a) market sensing capabilities (b) brand management capabilities.

### 3.2. Human capital and competitive advantage

Hotel competitive advantage refers to a hotel's ability to maintain a favorable position or to have superior benefits compared to its competitors (Liu, 2017). Singjai, Winata, and Kummer (2018) define competitive advantage as a benefit that a firm has over its main competitors, which resides in either cost or differentiation. For instance, within the hotel domain, implementing an environmentally friendly strategy led to the achievement of competitive advantage through lowering costs (e.g., use of cheaper recyclable supplies/materials, waste-minimization solutions, and energy-saving processes) and providing differentiated offerings (e.g., ability to target the environmentally friendly customer segment) (Leonidou, Leonidou, Fotiadis, & Zeriti, 2013). In dynamic environments, three key attributes of competitive advantage seem critical for firms to remain competitive. These attributes include power, innovative ability and competitive

performance, all of which require knowledge and intellectual capital (Li & Liu, 2018).

Human capital, as represented in employees' knowledge and skills, is essential for organization's success in today's dynamic competitive marketplace. Lepak and Snell (1999, p. 35) commenting that "the value of human capital is inherently dependent on its potential to contribute to the competitive advantage or core competence of the firm". From the knowledge perspective, human capital has become a vital strategic asset for firms to attain a sustainable competitive advantage because of its uniqueness and being difficult to be imitated (Vidotto et al., 2017). Knowledge is considered as the most distinguishing strategic asset to organizations (Kang, Morris, & Snell, 2007). It empowers individuals with cognitive capabilities, leading to more effective and productive workforce (Davidsson & Honig, 2003). Human capital continues to be developed when employees accumulate knowledge, skills, experience and know-how (Hsu & Wang, 2012). This enables them to work effectively and efficiently, thus boosting their individual job performance and ultimately enhance firm performance (Luthans & Youssef, 2004). Empirical research has shown that human capital is an essential driver of firm's overall performance (e.g., Colombo & Grilli, 2005). Therefore, firms with greater stock of human capital are expected to perform better and sustain a competitive advantage (Gimeno et al., 1997; Hsu & Wang, 2012; Ndinguri et al., 2012; Meijerink, Bondarouk, & Kees Looise, 2012). Formally:

H2: Human capital has a positive effect on competitive advantage.

### 3.3. Dynamic marketing capabilities and competitive advantage

DCs approach postulates that the capability of obtaining, integrating, and deploying resources in ways that reflect firm's market environment provides an enduring source of competitive advantage (Morgan, Vorhies & Mason, 2009; Wilke, Costa, Freire, & Ferreira, 2019). Bruni and Verona (2009) observe that DMCs provide an important foundation for managing the innovation process and promoting strategic change. The literature provides empirical evidence to the association between marketing capabilities and organization financial performance (e.g., Fang & Zou, 2009; Hsu & Wang, 2012; Krasnikov & Jayachandran, 2008; Vorhies & Morgan, 2005). Such capabilities may be sources of competitive advantage since they are embedded within the firm and hard to imitate by rivals (Morgan et al., 2009).

Through generating, integrating and releasing market knowledge, DMCs help firms to develop new products and change their capability



base over time (Bruni & Verona, 2009). Through such capabilities superior market knowledge are deployed, which generates economic gains and may be viewed as a basis for sustainable competitive advantage (Morgan, Vorhies, & Mason, 2009). Previous studies highlighted the role of firms' knowledge base as a critical source of differentiation and sustainable competitive advantage (e.g., Nieves & Haller, 2014). In this context, firms should continuously update their knowledge base to sustain competitive advantages (Ambrosini, Bowman, & Collier, 2009). Market-sensing capabilities, as a learning mechanism, can enable firms to adopt ongoing improvement processes to update their knowledge base.

Organizations with superior market sensing capabilities can predict more accurately competitors' responses to procedures designed to attract or retain customers, enhance channel relations, or confront competitors (Day, 1994). Equipped with market-sensing capabilities, firms can sense and respond to rapidly changing markets in order to better serve customers and deliver superior customer value. Such capabilities allows firms to develop and deliver superior customer value by (1) integrating, combining and utilizing organizational resources and (2) responding quickly and efficiently to market changes (Fang & Zou, 2009).

The fundamental theoretical reasoning for expecting a direct relationship between market-sensing capabilities and competitive advantage is based on Dimov and Shepherd's (2005) marketing capability model, which links marketing capability (e.g., market sensing capability) with firm's competitive performance and position. The market intelligence aspects of market-sensing capabilities enable firms to better observe market trends and provide insights into how managers can seize the new market opportunities (Morgan et al., 2009). Advanced market-sensing capabilities enable firms to spot untapped customer segments and areas where competitors' offerings do not fulfill customer expectations (Slater & Narver, 2000). These segments offer good opportunities for firms to expand revenue by serving new customers. Therefore, organizations with robust market-sensing capabilities are expected to possess competitive advantage over rivals. As a result, we expect that:

H3: The development of market sensing capabilities has a positive effect on competitive advantage.

Brand management capabilities reflect a firm's capacity to renew and rearrange its resources mix in a way that is aligned with the market conditions (Morgan et al., 2009). Organizations with robust brand management capabilities are expected to be resided in the consumer minds differently creating better customer value. Superior brand management capabilities allow firms to use consumer insights to create and retain awareness among consumers, identify a unique brand positioning, create positive brand associations in customers' minds, and sustain a favorable brand image; all of which are important to differentiate the brand from rivals. Such capability is distinctive in nature and difficult to imitate because it is a unique mix of diverse personnel and organizational characteristics (Iyer et al., 2016, pp. 85–86).

Several scholars and practitioners acknowledge that creating a unique brand image through branding initiatives is an important source for firms' competitive advantage (Singjai et al., 2018; Zablah, Brown, & Donthu, 2010). Brand management system, as a dynamic marketing capability, can be defined as a set of systems that supports firm's brand building-activities (Lee, Park, Baek, & Lee, 2008) and allows firms to achieve a competitive advantage by (1) allocating resources to adapt to evolving markets; and (2) developing a strong corporate culture and an organizational commitment to its consistent product/service delivery (Santos-Vijande, del Río-Lanza, Suárez-Álvarez, & Díaz-Martín, 2013). Firms with robust brand management system carry out well-planned and coordinated branding activities, which allows for continuous renewal of the firm's resources and skills essential to achieve a sustainable competitive advantage (Santos-Vijande et al., 2013). Therefore, it is expected that branded hotels usually outperform non-branded ones (Xia, Vu, Law, & Li, 2019). In order to enhance the market value, hotels use

branding activities to reduce search costs and perceived risks for customers (Kayaman & Arasli, 2007) and enhance occupancy, revenue, reinvestment rate and financial performance (Forgacs, 2003). Therefore, it is plausible to hypothesize that:

H4: The development of brand management capabilities has a positive effect on competitive advantage.

### 3.4. The mediating role of dynamic marketing capabilities

DMCs is believed to mediate the impact of human capital on competitive advantage. DCs view posits that for human capital to lead to competitive advantage, firms should constantly renew and reconfigure their resources and capabilities. In such way, firm's human capital is dynamic in nature and possess valuable competences of which other competitors are unable to imitate (Hsu & Wang, 2012). Possessing the recourses as such is not sufficient to lead to better firm performance; capabilities should exist to leverage these resources (Hsu & Wang, 2012). DMCs can act as the transformational process by which human capital are exploited to yield better organizational performance (Dutta, Narasimhan, & Rajiv, 2005). We argue that the utilization and deployment of human capital in combination with DMCs can better differentiate the firm from competitors. Hence, we hypothesize that DMCs mediate the impact of human capital on competitive advantage:

H5: Market sensing capabilities mediate the positive effect of human capital on competitive advantage.

H6: Brand management capabilities mediate the positive effect of human capital on competitive advantage.

### 3.5. The moderating role of market dynamism

Market dynamism refers to the rate of change in customer preferences and technological development in the industry (Jaworski & Kohli, 1993). Li and Liu (2014) describe dynamism as unpredictability, which signals the speed of innovation and change in an industry in addition to the uncertainty of actions by customers. Market dynamism reflects the pace of change in customer tastes and demand, production or service technologies, and competition, all of which is difficult to predict (Miller, 1987). It is manifested by the amount and uncertainty of change in consumers' demand and competitors' behaviors. Previous studies categorized market dynamism into product and technology market domains (Wang & Chen, 2010). Product market dynamism refers to volatility in customer needs and demand for certain products, which triggers the need for the continuous development of new products. Technology market dynamism is associated with the unpredictability in technology trends and advances in an industry (Wang & Chen, 2010). Hotels currently compete in a dynamic market where both customer preferences and technology adopted to deliver and market hotels products are highly changeable (Aarstad, Ness, & Haugland, 2015). For instance, new vocational rental alternatives such as Airbnb, HomeToGo, and FlipKey have been arising, making hotels compete not only against each other, but also with lodging firms. Furthermore, the impact of technological advances in mobile applications for hotel guest reviews render market changes ever more inevitable.

A key premise behind DMCs is empowering firms to sense and react to market changes quickly and efficiently (Teece, 2009; Wang et al., 2013). Previous studies suggest that DMCs is a crucial stimulus for maintaining a competitive advantage and enjoying a better firm-level performance (e.g., Hsu & Wang, 2012; Morgan et al., 2009). We would expect that the influence of DMCs on hotel competitive advantage is reliant upon the nature of market dynamism.

When the speed of changes in the market is high, firms need to tap into supplementary information from diverse sources to facilitate the offering of new products and services, meeting evolving customer needs and granting swift entry into new markets and segments (García-Villa-verde, Elche, & Martínez-Pérez, 2020). In such conditions, volatile markets diminish the value of current capabilities forcing firms to

execute frequent changes; hence, dynamic capabilities can play a more critical role (Li & Liu, 2014). (D'Aveni, Dagnino, & Smith (2010)) observe that in hyper-dynamic markets, firms have difficulties in obtaining resources, thus timely sensing and making quickly needed adjustments, to respond to market changes, is a fundamental way to get competitive advantages. More dynamic markets oblige firms to maintain advanced levels of dynamic capabilities, thus to respond effectively to changes in customer preferences and technological shifts (Jiao, Alon, Koo & Cui, 2013). Therefore, when the amount and uncertainty of change in consumers' demand is high, DMCs would help hotels to predict changes in the market quickly, and attend to them efficiently. This is because DMCs offer hotels with higher ability to detect and respond to shifts in consumer demand. In addition, when changes in competitors' behaviors become unpredictable, hotels are expected to protect and enhance its competitive status through the development of DMCs (Fang & Zou, 2009) in order to generate and deliver better customer value and establish and sustain customer loyalty (Day, 1994).

On the other side, in relatively stable markets with no continuous technological advances or minor changes in customer preferences, strong dynamic capabilities are probably unjustified due to the high cost to obtain and maintain such capabilities (Schreyögg & Kliesch-Eberl, 2007). Thus, the link between dynamic capabilities and competitive advantages may become weaker (Li & Liu, 2014). This argument suggests that under low market dynamism firms can employ the current resources to meet customer demand and maintain competitive advantages, and hence rendering dynamic capabilities may not be so essential (Li & Liu, 2014). Therefore, we postulate that:

H7: The effects of (a) market-sensing capabilities and (b) brand management capabilities on competitive advantage are stronger under high market dynamism than under low market dynamism condition.

## 4. Methodology

### 4.1. Sample and data collection

The population in this study was limited to the top-ranking hotels, namely, four and five-star hotels to ensure that management and marketing practices in the sampled hotels would be sufficiently performed and developed and hence show some variance in the data analysis (see Alvarez-Gil, Jiménez, & Lorente, 2001). As recommended by related research in the GCC hotel sector (Abdel-Maksoud, Kamel, & Elbanna, 2016; Elbanna, 2016), we used a structured questionnaire form to collect data by an international reputable market research company using individual personal interviews.

174 questionnaires were collected and nine were excluded for reasons such as being incomplete or completed by irrelevant respondents. The final 165 useable questionnaires were employed in the data analysis. We targeted the main cities in four GCC countries, namely, Saudi Arabia, Qatar, United Arab Emirates and Bahrain. These are Jeddah, Riyadh (Saudi Arabia, 69 hotels), Dubai, Abu Dhabi (UAE, 50 hotels), Doha (Qatar, 30 hotels) and Manamah (Bahrain, 16 hotels). The sampled hotels in the successful interviews were 57.6% and 42.4% for the surveyed 4- and 5-star hotels respectively. 73% of the sampled hotels belonged to hotel chains while 27% did not. Of the 165 respondent hotels, 142 (86.1%) belonged to the private sector, 5 hotels were publicly held (3%), and 18 were joint ventures (10.9%). The average number of employees in the sample is 218 employee. In 94.5% of the sample, expatriates represent 50% or more of hotel employees, which is in line with recent research in the hospitality sector in the GCC countries (Elbanna & Elsharnouby, 2018) (see appendix 1).

Because of the nature of data required, the data for this study was collected from marketing and/or sales managers only. No firm in our sample provided more than one questionnaire. To assess the content validity, we explained the purpose and nature of the research in the cover page of the questionnaire and indicated at the beginning of the interview that targeted respondents should be marketing or sales

managers in their respected hotels. Voluntary participation, confidentiality and anonymity were confirmed when interviewing each respondent.

70% of participants were male and 30% were female. Respondents had an average experience of 5 and 12 years in their current hotels and the hotel industry consequently, which shows good familiarity of their hotels and industry. 73% of participants had a university degree, 26% had a higher degree (Diploma, Master or PhD) and only 1% had a high school degree. Moreover, 69% of respondents requested a summary of the research results, which indicates their interest in the research topic and boost our confidence in their responses.

After completing the data analysis, we conducted three in-depth interviews with senior marketing/sales managers from three hotels to explore specific research enquiries that our quantitative data analysis could not address (Ateş, Tarakci, Porck, van Knippenberg, & Groenen, 2018; Malhotra & Birks, 2007). These enquiries include exploring human capital portfolio and essential sources of knowledge for hotels in the Middle East, the kind of marketing capabilities crucial to stay competitive, and how hotels can reconfigure resources to meet customer needs and get repeat business.

### 4.2. Variables and measures

Since we intended to focus on the broader level of overall organization practices and performance, we adopted the organization as our unit of analysis. This decision allowed us to avoid the ambiguity issue in the causal ordering that would appear with the choice of different levels of analysis (Elbanna, 2006; Pearce, Freeman, & Robinson, 1987). Given the effect of context and the rarity of relevant research on the GCC setting, a two-stage review of the questionnaire was conducted by the researchers themselves and three academicians before asking four marketing executives to participate in a pilot study in order to elicit feedback to accordingly revise the questionnaire.

We adopted a human capital measure with five items from Nieves and Haller (2014) (composite reliability = 0.82). A sample item is 'Our employees are experts in their particular jobs and functions.' Appendix 2 shows the full texts for all items. Following Morgan et al. (2009), we examined DMCs in terms of two aspects, namely, market-sensing capability (composite reliability = 0.88) and brand management capability (composite reliability = 0.89), each by five-item scale. A sample item of the former is 'Learning about the broad market environment' and that of the later is 'Maintaining a positive brand image relative to competitors'. A three-item scale of competitive advantage, adopted from Fang and Zou (2009), was used (composite reliability = 0.84). A sample item is 'Our hotel has gained strategic advantages over our competitors'. Following Leonidou et al. (2013), we measured market dynamism by six-item scale (composite reliability = 0.83). A sample item is 'The mix of products/services available changes very frequently'.

Two control variables were employed in the research: hotel age and type of ownership. Hotel age is measured by the number of years since each hotel had first been inaugurated. A dummy variable was employed to differentiate between private and joint venture hotels. As shown in the next section on data analysis, the measures employed in this research exhibits a satisfactory level of both reliability and validity and hence our results can be presented with a reasonable level of confidence in terms of measurement error.

## 5. Analysis and results

To assess whether the data exhibit a normal distribution, skewness and kurtosis of all measurement items were calculated as shown in Appendix 2. The skewness and kurtosis values for all constructs' items were below the upper thresholds of 3 and 10 respectively, demonstrating no serious non-normality concern (Kline, 2015). We assessed the psychometric properties of the measuring scales using the reliability and validity of the model constructs. Prior to examining the

measurement model, we ran a series of exploratory factor analyses (EFA). Our findings indicate that all measurement items loaded highly on their corresponding latent variables. As indicated in Table 1, composite reliability indices were between 0.82 and 0.89 for all scales, indicating a satisfactory level of internal consistency. The average variance extracted (AVE) for all model constructs surpassed the suggested threshold of 0.50 (Nunnally & Bernstein, 1994).

To evaluate discriminant validity, we compared AVEs with squared correlations between all pairs of constructs (Hair, Black, Babinand, & Anderson, 2010). For all variables, AVEs surpassed squared correlations between all pairs of constructs, indicating satisfactory discriminant validity. All correlation coefficients were well below 0.50, collinearity tolerances were more than 0.1 and VIF statistics were less than 3; thus, multicollinearity concerns were not observed. Then, a confirmatory factor analysis (CFA) was performed. The standardized factor loadings for all variables were greater than 0.50, revealing acceptable convergent validity (Hair et al., 2010). Finally, according to the CFA results, all the fit indices were satisfactory. The measurement model goodness of-fit measures were as follows:  $\chi^2 = 370.217$ , degrees of freedom [df] = 220,  $p < 0.001$ ,  $\chi^2/df = 1.683$ , IFI = 0.922, TLI = 0.909, CFI = 0.921, RMSEA = 0.065, PClose = 0.021.

Common method bias was considered a potential concern to the validity of the results since data were gathered by only one questionnaire at a specific point of time. We attempted to overcome this concern by (1) informing respondents that their responses were anonymous and would be kept confidential and would be used for research purposes only; (2) collecting data only from hotel marketing/sales managers who intimately involved in designing and implementing their hotels' marketing strategies (i.e. aware of their market sensing and branding capabilities); (3) excluding small hotels (only 4 and 5 stars hotels were included) which do not probably perform formal marketing sensing and branding activities; (4) arranging the survey so that the dependent variable followed the independent variables; (5) offering respondents to receive a summary report including some suggestions for improving managerial and marketing practices in their hotels, which would be rendered meaningless in the absence of valid data; and (6) further diminishing bias concerns by examining complex relationships since it is doubtful that respondents were able to predict our moderated-mediation hypotheses.

After data collection, we conducted two tests to examine whether common method bias was a potential concern. First, we created a latent construct capturing the common method variance and added it to the measurement model. We allowed this latent construct to load on all of the indicators. The results show that the constrained and unconstrained models are invariant demonstrating no signs for specific response bias affecting the model (Unconstrained model:  $\chi^2 = 310.5$ ,  $df = 197$ , fully constrained model:  $\chi^2 = 370.217$ ,  $df = 220$ ,  $p > 0.1$ ). Second, we run the Harman single factor test to assess the possibility of a common method bias by performing an exploratory factor analysis (Podsakoff & Organ, 1986). We found several factors and the first factor explained below 30% of the variance in the data. Moreover, as shown below, we found empirical support for hypothesized interaction effects which, along with the results of the above two tests, demonstrate that our findings are not inflated by a common method bias (Evans, 1985).

**Table 1**  
Descriptive statistics.

	Mean	SD	Composite reliability	AVE	1	2	3	4	5	6	7
1. Human Capital	3.65	.49	0.82	0.61	1						
2. Market-sensing Capability	3.84	.42	0.88	0.50	.53***	1					
3. Brand Management Capability	4.36	.69	0.89	0.62	.68***	.67***	1				
4. Competitive Advantage	4.19	.56	0.84	0.63	.57***	.70***	.68***	1			
5. Market Dynamism	2.22	.51	0.83	0.51	-.06	.34***	-.09	.09	1		
6. Ownership	1.25	.64			.04	-.06	.06	.02	-.07	1	
7. Hotel age	15.01	14.04			.05	.12	-.03	-.01	.25**	.06	1

Note: N = 165, \*\*p < 0.01, \*\*\*p < 0.001.

### 5.1. Direct effects

The research conceptual model was examined using SEM. The path model demonstrated satisfactory fit:  $\chi^2 = 3.274$ ,  $df = 3$ ,  $p < 0.001$ ,  $\chi^2/df = 1.09$ , IFI = 1.00, TLI = 0.99, CFI = 1.00, RMSEA = 0.024, PClose = 0.520, implying that the proposed model fits the data well. Therefore, we proceeded to examine the study hypotheses. Table 2 depicts the study model's estimated standardized path coefficients. As hypothesized, the path from the human capital to market-sensing capabilities was positive and significant ( $\beta = 0.53$ ,  $p < 0.001$ ), thereby supporting H1a. We also hypothesized that human capital positively affects brand management capabilities. The path from human capital to brand management capabilities was statistically significant and positive ( $\beta = 0.67$ ,  $p < 0.001$ ), thereby supporting H1b. Human capital explains 30 per cent and 46 per cent of the variance in both market sensing and brand management capabilities respectively.

When testing the direct effects of human capital and the two marketing capabilities on competitive advantage, results support our hypotheses. We find that human capital has a significant positive effect on competitive advantage ( $\beta = 0.13$ ,  $p < 0.05$ ), thereby supporting the second hypothesis. Furthermore, both market sensing capabilities ( $\beta = 0.48$ ,  $p < 0.001$ ), and brand management capabilities ( $\beta = 0.29$ ,  $p < 0.001$ ) have positive significant effects on competitive advantage, offering support to both the third and fourth hypotheses. Our results clearly indicate that human capital and DMCs explain 63 per cent of the variance in firm's competitive advantage.

### 5.2. Mediating effects

To test the mediations, Hayes' process module was employed (Hayes, 2018). As recommended by Jose (2013), Hayes (2013) & Preacher and Hayes (2008), p. 95 per cent confidence intervals were generated

**Table 2**  
Estimated standardized coefficients for the hypothesized model.

Path From	Path to		
	Market-sensing Capability	Brand Management Capability	Competitive Advantage
Human Capital	0.53***	0.68***	0.13*
Ownership	-0.09	0.04	
Hotel age	0.09	-0.06	
Market-sensing Capability			0.48***
Brand Management Capability			0.29**
Market Dynamism			-0.09
Market-sensing Capability x Market Dynamism			0.25***
Brand Management Capability x Market Dynamism			-0.10
R <sup>2</sup>	0.30	0.46	0.63

Note: \*p < 0.05, \*\*p < 0.01, \*\*\*p < 0.001.

through bootstrapping (5000 samples) to test for statistical significance. The mediation test was performed to examine the indirect effect of human capital on competitive advantage mediated through both market-sensing capabilities and brand management capabilities. The results indicate that the link between human capital and competitive advantage is mediated through market-sensing capabilities ( $\beta = 0.29$ , LL = 0.16, UL = 0.37); and brand management capabilities ( $\beta = 0.29$ , LL = 0.09, UL = 0.38), offering support for both the fifth and sixth hypotheses (see Table 3).

5.3. Moderating effect of market dynamism

We run a moderated-mediation analysis using the process module provided by Hayes (2018), p. 95 per cent confidence intervals were generated through bootstrapping (5000 samples) to identify whether market dynamism moderates the mediated relationship between human capital and competitive advantage via market sensing capabilities and brand management capabilities. We find that market dynamism only moderates the mediated relationship between human capital and competitive advantage via market sensing capabilities ( $\beta = 0.33$ , LL = 0.15, UL = 0.54); offering support to only H7a (see Table 4). We further find that the mediated relationship between human capital and competitive advantage via market sensing capabilities is not significant at the lower market dynamism, and the indirect effect of human capital is greater at the high market dynamism level compared to medium level ( $\beta = 0.46$ , LL = 0.30, UL = 0.64 and  $\beta = 0.30$ , LL = 0.16, UL = 0.46).

Fig. 2 illustrates that the strength of the positive effect of market-sensing capability on competitive advantage becomes stronger at the high market dynamism level. In other words, market dynamism strengthens the positive relationship between market-sensing capability and competitive advantage.

5.4. Post-hoc analysis

We conducted three in-depth interviews with marketing/sales managers from three hotels to further understand: (1) what constitutes competitive human capital portfolio and essential sources of knowledge for hotels in the Middle East; (2) what kind of marketing capabilities are crucial to the hotel to stay competitive? (3) how do hotels reconfigure resources to meet customer needs for getting repeat business?

The interview data reveal that personnel working in marketing departments of hotels need a set of core skills (e.g., oral and written communication, teamwork, creativity, willingness and readiness to learn) in addition to a set of supplementary skills that evolve over time (e.g., digital and social media skills, design skills, content writing skills, being dynamic and planning skills). These skills are developed through education, experience, observing and engaging with customers on social media and cooperation with other hotel departments. Managers relate the skills portfolio to the target market segment. For instance, informants acknowledge that the ability to make customers feel valued and appreciated is a crucial skill for marketers working with individual

consumers. Eman, marketing and public relations manager in a five-star hotel, illustrates the kind of skills needed for this segment:

“Engagement with guests on social media, good sense of identifying potential valued customers, management of guests reviews on important platforms such as Booking.com and TripAdvisor .... We encourage our staff to surprise guests with unexpected things ... we sense this from either negative or positive comments ... we also use these reviews as a way to reward or train our employees when guests refer to specific employees’ names.”

On the other side, knowledge about the business customers segments and their needs, understanding the local culture and corporate culture, strong connections with corporates, and robust knowledge about the competition are considered essential for marketers managing corporate accounts.

Hotel services are largely people-oriented services and hence human capital in terms of knowledge resources would give hotels a solid foundation in competition. Informants agree that the knowledge extracted from networking is critical for marketers. This knowledge can be gained from being an active member in professional associations, attending tourism and travel conferences and workshops, and collaborating with other hotels and travel agencies. Some international conferences and exhibitions such as ATM (Arabian Travel Market) and ITB (Internationale Tourismus-Börse) were recounted as a means for developing networking with other hotels and key accounts in addition to being an essential source of knowledge related to new market and technology trends. Another prevailing theme that cut across informants’ narratives is germane to the vital importance of individual knowledge in the hotel industry. Informants reiterate the centrality of marketing employees’ individual knowledge that can be gained from several sources, such as performance reports (e.g., room occupancy and revenues of hotel services), guests review and feedback, and prior hotel or marketing-related experience. Our interviewees demonstrate that they use individual knowledge in different business-related tasks such as forming marketing/sales teams, work allocation and performance appraisal.

Marketing capabilities are recounted as crucial to hotels in order to remain competitive. Informants recount examples of these capabilities, including market sensing, market research, competitive analysis and social media analytics. These research activities are usually conducted by the regional headquarter or specialized marketing agencies. Hotels’ role in these studies is to supply the data needed (e.g., conducting surveys with guests, collecting insights from collaborating hotels). However, the hotel can conduct small-scale research exercises in-house. Ahmed, a marketing director in a five-star hotel, refers to an example in his discussion:

“We wanted to attract the millennials segment. So, we wanted to know the places they prefer when going out, their favorite ambience, and spending power. We talked to people into this business; companies which produce products for this segment, we also visited and tried out the places they prefer (cafes, restaurants and clubs), checked the prices and menus of the services. This was helpful when we designed special offerings for this segment”.

Informants provided some examples to show how they collect data about the market and competition. For instance, marketers use materials published by business associations (e.g., bulletins published by the chamber of commerce that shows a complete list of the new firms segregated by sector) to understand the business customer segment and update the prospective customer list. Understanding the competition can be performed by simple direct methods such as visiting the competitors’ websites and social media pages or indirect methods such as informal connections with other hotels.

Informants assure that the configuration of hotel resources is mainly based on meeting customers’ needs and expectations. For instance, some hotels have tailored offerings to target customers who prefer using other lodging providers (e.g., Airbnb, HomeToGo, and FlipKey) for an extended stay or a family accommodation. Some hotels responded to

Table 3 Mediation analysis.

Relationship	Direct effect	Indirect effect	Lower limit	Upper limit
Human Capital →Market-sensing Capability →Competitive Advantage	0.16*	0.26*	0.16	0.37
Human Capital →Brand Management Capability →Competitive Advantage	0.16*	0.23*	0.09	0.38
	Total indirect effect	0.49	0.33	0.66

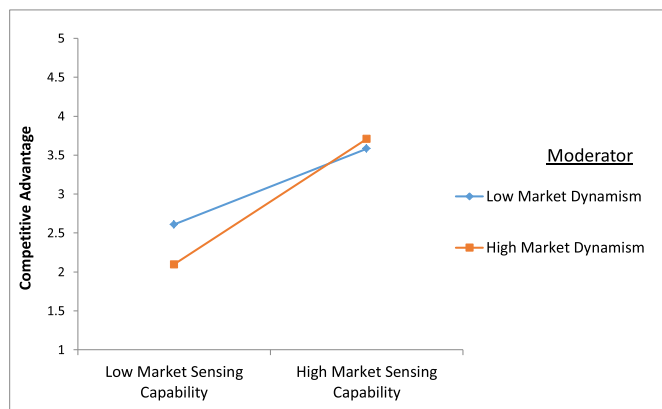
Note: \*coefficients are significant at the 0.05 significance level.



**Table 4**  
Moderated-mediation analysis.

	Human Capital →Market-sensing Capability →Competitive Advantage				Human Capital →Brand Management Capability →Competitive Advantage			
	Indirect effect	Boot SE	Lower limit	Upper limit	Indirect effect	Boot SE	Lower limit	Upper limit
Index of moderated mediation	0.33*	0.10	0.15	0.54	- 0.14	0.13	- 0.38	0.12
Market Dynamism								
Low	0.11	0.10	-0.08	0.32	0.30	0.17	- 0.03	0.63
Medium	0.30*	0.08	0.16	0.46	0.22	0.11	0.02	0.43
High	0.46*	0.09	0.30	0.64	0.15	0.07	0.001	0.30

**Note:** \*coefficients are significant at the 0.05 significance level.



**Fig. 2.** The moderating effect of market dynamism.

this by enlarging some rooms’ spaces, providing kitchen facilities to accommodate families and long-stay travelers, opening kids area, and offering extra beds and accommodating kids below specific age free of charge. Other hotels convey the ‘family-oriented hotel’ theme in their communications with guests (e.g., use family lifestyle shoot on their websites and other touchpoints, through which target guests can relate).

**6. Discussion and conclusion**

Using data from 165 hotels operating in four GCC countries and three in-depth interviews, this study provides empirical evidence for the critical impact of human capital on competitive advantage directly and indirectly through DMCs. Furthermore, human capital plays a critical role on the development of DMCs and market dynamism moderates the mediated relationship between human capital and competitive advantage via market sensing capabilities. Overall, these findings provides a fresh perspective of how and under which market dynamism conditions hotels can build certain DMCs to attain competitive advantage.

**6.1. Theoretical implications**

This research contributes to the marketing and hospitality management literature in many ways. First, it examines the DMCs development through human capital and the role it plays in generating competitive advantages. Prior studies investigated the influence of either human capital (e.g., Gimeno et al., 1997; Luthans & Youssef, 2004; Ndinguri et al., 2012; Vidotto et al., 2017), or DMCs on firm performance (e.g., Fang & Zou, 2009; Hsu & Wang, 2012; Krasnikov & Jayachandran, 2008). The contribution of this research, hence, resides in its examination of how human capital of hotels explains variation in hotel’s competitive advantage through two specific DMCs. The identification of the mediation role of market-sensing and brand management capabilities is an important contribution to the existing literature. Our findings highlights that both market-sensing and brand management capabilities enhance human capital – competitive advantage association.

Second, our study contributes to the DMCs literature by indicating how DMCs affect competitive advantage under different market dynamism conditions. The findings reveal that how hotels utilize human capital to develop DMCs may differ on whether the hotels operate in highly dynamic market or in markets that are less volatile. One of the novel findings of this study is that hotels operating in highly dynamic environments attain competitive advantages by utilizing their human capital to develop market-sensing capabilities better than those operate in less dynamic markets. Taken into consideration the dynamic nature of the GCC hospitality sector and its vulnerability to economic volatility and political crises (Elbanna & Elsharnouby, 2018), the study suggests that maintaining the appropriate human capital portfolio that is needed to develop the relevant DMCs is even more important in such context.

Third, our study indicates that the DCs approach can offer a robust theoretical backdrop for explaining what is needed from hotels to maintain DMCs and the outcomes of having such capabilities in different conditions of market dynamism. Hotels that possess superior human capital i.e. employees who have higher levels of experience, capabilities knowledge and creativity compared to competitors, will be more likely to maintain market-sensing and brand management capabilities. Given the nature of the hospitality sector, which depends heavily upon human resources, human capital in terms of knowledge resources would give hotels a solid foundation to build and maintain DMCs. This finding supports the argument that individuals’ knowledge is a vital asset that provides firms with the ability to sense the need for change and respond to it by updating their resources base (Liao, Kickut, & Ma, 2009; Nieves & Haller, 2014).

Fourth, the study explores largely under-researched areas in the hospitality literature germane to the characteristics of human capital and the types of marketing capabilities crucial to hotels in order to remain competitive. These themes were explored by reviewing studies conducted in different regions around the world including GCC countries. The hospitality sector in GCC countries attract highly qualified multi-cultural expatriates because of the highly competitive packages of job benefits (Anthonisz, 2018; Brien et al., 2019; Elbanna & Elsharnouby, 2018). Previous studies in this sector shows that the attitude of hotels management to human capital is influenced by the Arab culture (e.g., centralisation within the firm, group oriented workforce, and nepotism) (Miller & Sharda, 2000; Najm, 2015; Rees & Althakhri, 2008). The qualitative post-hoc analysis provides also empirical evidence on the human capital portfolio, essential sources of knowledge for hotels, and vital marketing capabilities for hotels.

**6.2. Managerial implications**

The findings provide important implications for hotel managers aiming to achieve superior competitive advantage. The empirical results provide strong evidence that hotels operating in highly dynamic environments are required to develop specific DMCs. These capabilities are desired to better sense the market (e.g., learn about customer needs and channel members, discover competitors’ strategies and tactics, and identify market trends) and manage their brands (e.g., achieve higher levels of brand awareness, identify a desired brand positioning, establish

required brand associations in customers' minds, and maintain a positive brand image). These capabilities are found to have a direct influence on competitive advantage of hotels. Further, the qualitative post-hoc analysis highlights the notion that large-scale marketing activities needed to sense and respond to market changes and competition are usually conducted by the hotel regional headquarter or specialized marketing agencies. Hotels may support these activities by providing the data needed as well as performing small-scale research exercises. These capabilities enable hotels to perform the classic marketing activities (e.g., targeting, market segmentation and positioning) in an insightful and data-driven manner.

Essential to develop these capabilities is to possess highly skilled, knowledgeable creative and bright employees, who perform better than their counterparts working for major competitors. The direct weak impact of human capital and the higher indirect impact through DMCs on competitive advantage demonstrates that when maintaining certain DMCs, hotels can attain better competitive advantage by maintaining superior human capital. It also implies that it is not adequate for a hotel to possess highly skilled and knowledgeable employees to attain the desirable competitive advantage. It is not human capital *per se* that lead to a sustainable competitive advantage, without utilizing the hotel's human resources in developing certain DMCs, reaching this end would be more challenging. The qualitative post-hoc analysis delineates a picture about human capital portfolio in marketing departments of hotels. For example, personnel working in marketing departments require a set of core skills in addition to another set of supplementary skills that evolve over time and are determined by the target market segment (i.e., retail vs. corporate).

Hilton Hotels and Resorts, as a global brand in the hospitality sector, is a good example on how they have been developing their DMCs to gain competitive advantage. To this end, Hilton achieved the alignment between its DMCs and market requirements by streamlined its operations and products to reflect the market needs. Examples of Hilton product innovation evolved from the strong market-sensing capabilities include high-digitalized rooms where guests can personalize and control every aspect of their stay from their mobile device, digital check-in service in HHonors mobile application and special rooms for exercise enthusiasts (Hilton, 2019). In 2013, around 70 per cent of Hilton's brand rooms were franchised to independent companies and operators (Karmin, 2013). This necessitate strong branding capabilities to manage the global partners' portfolio in a way to enhance the global brand positioning.

6.3. Limitations and future research

While our research generates novel insights into how human capital, dynamic marketing capabilities, and market dynamism influence competitive advantage in the hotel sector, we recognize that our research has a number of limitations, some of which offer fruitful avenues for future research. First, this research was conducted in the hospitality sector in four GCC countries. Thus, caution should be taken when attempting to generalize the results beyond the hospitality sector

Appendix A. Supplementary data

Supplementary data to this article can be found online at <https://doi.org/10.1016/j.tourman.2020.104184>.

Appendix 1. Sample Description

Hotel Characteristic		Frequency	Percent
<b>Ownership</b>			
	Private	142	86.1
	Public	5	3.0

(continued on next page)

or in other regions. Second, the study examined the mediating effect of two specific marketing capabilities, market-sensing capability and brand management capability. Future research could investigate other important marketing capabilities such as customer relationship management, service innovation and new product development and the synergistic effects between capabilities. This could provide a better understanding into the appropriate marketing capabilities portfolio to the firm. Third, we tested the influence of both human capital and DMCs on hotel competitive advantage. Future research could examine the possible effects on other aspects of hotel performance such as financial performance or market performance. Fourth, although common method bias may not be a key concern in this study given the procedural and statistical remedies we applied in this study as discussed in the analysis and results section, the use of multiple key informants, in future research, would provide stronger support for the relationships investigated.

Impact statement

The study provides recommendations to hotel managers aiming to achieve superior competitive advantage. The results provide strong evidence that hotels operating in highly dynamic environments are required to develop specific dynamic marketing capabilities. These capabilities are desired to better sense the market and manage their hotels' brands. These capabilities enable hotels to perform the classic marketing activities in an insightful and data-driven manner. Essential to develop these capabilities is to possess highly skilled, knowledgeable creative and bright employees, who perform better than their counterparts working for major competitors. However, it is not human capital *per se* that lead to a sustainable competitive advantage, without utilizing the hotel's human capital in developing certain marketing capabilities, reaching this end would be more challenging. In addition, the study delineates a picture about human capital portfolio in marketing departments of hotels.

Short note

Both authors have collaborated in developing the research model, designing the survey and collecting the data. Dr. Elsharnouby has developed the theoretical background and hypotheses development sections. Dr. Elbanna has developed the methodology section. Both authors have collaborated in conducting the data analysis and writing the analysis and discussion sections.

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Declaration of competing interest

None.

(continued)

Hotel Characteristic	Frequency	Percent
Joint venture	18	10.9
	Total	165
<b>Countries</b>	Qatar	30
	Bahrain	16
	Saudi Arabia	69
	UAE	50
	Total	165
<b>Ranking</b>	4 star	95
	5 star	70
	Total	165
<b>Chain</b>	No	45
	Yes	120
	Total	165
<b>% of Expatriate</b>	Less than 50%	9
	50%-75%	46
	More than 75%	110
	Total	165
<b>Participant experience in hotel industry</b>	Less than 5 Years	19
	5-10 years	75
	More than 10 years	71
	Total	165

**Appendix 2 Means, Standard deviations, Skewness, and Kurtosis for measuring items**

Construct	Items	Mean	Std. Deviation	Skewness		Kurtosis	
				Statistic	Std. Error	Statistic	Std. Error
Human capital	Our employees are highly skilled.	4.27	.702	-.651	.189	.071	.376
	Our employees are considered the best compared to our major competitors.	4.15	.838	-.922	.189	.486	.376
	Our employees are creative and bright.	4.22	.699	-.979	.189	2.453	.376
	Our employees are experts in their particular jobs and functions	4.28	.714	-.784	.189	.446	.376
	Our employees develop new ideas and knowledge	4.11	.749	-.622	.189	.276	.376
Market-sensing capability	Learning about customer needs.	4.38	.639	-.541	.189	-.632	.376
	Discovering competitors' strategies and tactics.	4.32	.724	-1.062	.189	1.914	.376
	Gaining insights about the channel members (tour operators, travel agencies, etc.).	4.27	.791	-1.275	.189	2.553	.376
	Identifying and understanding market trends.	4.42	.682	-.772	.189	-.553	.376
	Learning about the broad market environment.	4.44	.657	-.897	.189	.294	.376
	Identifying and targeting attractive (profitable) customers.	4.39	.730	-1.053	.189	.691	.376
	Focusing on meeting target customers' long-term needs to ensure repeat business.	4.52	.640	-.975	.189	-.129	.376
	Maintaining loyalty among attractive customers.	4.53	.712	-1.300	.189	.615	.376
	Enhancing the quality of relationships with attractive customers.	4.49	.668	-1.083	.189	.508	.376
Brand management capability	Using customer insights to identify a valuable brand positioning.	4.10	.874	-1.035	.189	.947	.376
	Establishing desired brand associations in customers' minds.	3.98	.969	-.766	.189	-.136	.376
	Maintaining a positive brand image relative to competitors.	4.29	.804	-1.432	.189	2.955	.376
	Achieving high levels of brand awareness in the market.	4.19	.796	-.951	.189	1.153	.376
Competitive advantage	Tracking brand image and awareness among target customers.	4.15	.838	-1.111	.189	1.395	.376
	Our hotel has gained strategic advantages over our competitors.	4.16	.826	-1.024	.189	1.212	.376
	Our hotel has gained benefits that enable the hotel to compete more effectively in the marketplace	4.30	.685	-.586	.189	-.256	.376
	Our hotel has successfully achieved strategically important outcomes.	4.33	.717	-.780	.189	.075	.376
Market dynamism	The mix of products/services available changes very frequently	3.46	.940	-.241	.189	-.338	.376
	Marketing strategies change very frequently	3.76	.938	-.439	.189	-.428	.376
	Service standards change very frequently	3.24	1.179	.073	.189	-1.174	.376
	Customer preferences in product/service features change very frequently	3.54	.978	-.349	.189	-.604	.376
	The technology employed changes very frequently	3.57	1.007	-.175	.189	-1.038	.376
The frequency of major competitors entering/leaving the industry is very high	3.53	1.118	-.228	.189	-1.046	.376	

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