“Enhancing guest outcome through perceived dynamic capability and guest-centric strategic agility in Indonesia’s star-related hotel industry”

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ARTICLE INFO	Nurafni Rubiyanti, Evo Sampetua Hariandja and Yokie Radnan Kristiyono (2026). Enhancing guest outcome through perceived dynamic capability and guest-centric strategic agility in Indonesia’s star-related hotel industry. *Innovative Marketing* , *22*(3), 156–174. doi:10.21511/im.22(3).2026.11
DOI	http://dx.doi.org/10.21511/im.22(3).2026.11
RELEASED ON	Friday, 07 August 2026
RECEIVED ON	Monday, 15 December 2025
ACCEPTED ON	Tuesday, 09 June 2026
LICENSE	This work is licensed under a Creative Commons Attribution 4.0 International License
JOURNAL	"Innovative Marketing "
ISSN PRINT	1814-2427
ISSN ONLINE	1816-6326
PUBLISHER	LLC “Consulting Publishing Company “Business Perspectives”
FOUNDER	LLC “Consulting Publishing Company “Business Perspectives”

NUMBER OF REFERENCES	NUMBER OF FIGURES	NUMBER OF TABLES
89	2	7

BUSINESS PERSPECTIVES

LLC "CPC "Business Perspectives"
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Sumy, 40022, Ukraine

www.businessperspectives.org

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ENHANCING GUEST OUTCOME THROUGH PERCEIVED DYNAMIC CAPABILITY AND GUEST-CENTRIC STRATEGIC AGILITY IN INDONESIA'S STAR-RELATED HOTEL INDUSTRY

Abstract

Indonesia's star-rated hotel industry has become increasingly competitive, placing pressure on hotels to adapt to rising guest expectations. This paper examines how perceived dynamic capability and perceived guest-centric strategic agility jointly enhance guest outcomes (satisfaction, loyalty, and advocacy) in the hotel industry using remains underexplored. Data were collected through an online questionnaire using purposive non-probability sampling to Indonesian guests (Gen X, Gen Y, and Gen Z) who stayed in three-star to five-star hotels within the past twelve months in 2025. This segment was selected because upper-tier hotels tend to implement adaptive service practices that are perceivable to guests. A total of 324 valid responses were analyzed using PLS-SEM with SmartPLS 4. The results revealed that perceived dynamic capability positively and significantly influenced both perceived guest-centric strategic agility and guest outcome. There was also a significant mediating effect of perceived guest-centric strategic agility on the relationship between perceived dynamic capability and guest outcome, indicating partial mediation. Age and income showed no significant effects, confirming the main model's robustness across demographic groups. The findings suggest that hotels can enhance guest satisfaction, loyalty and advocacy by developing guest-perceivable dynamic capabilities and translating them into agile service delivery to sustain competitive positioning in a dynamic hospitality environment.

Keywords capabilities, agility, satisfaction, loyalty, advocacy, hospitality, hotels, Indonesia

JEL Classification L83, M31, M10, O32

Type of the article: Research Article

Received on: 15th of December, 2025
Accepted on: 9th of June, 2026
Published on: 7th of August, 2026

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Conflict of interest statement:
Author(s) reported no conflict of interest

INTRODUCTION

The growing number of star-rated hotels in 2024 (Badan Pusat Statistik [BPS], 2024), shows that this industry has a high level of competitiveness. Despite the growth, decreased consumer purchasing power due to inflation and stagnant economic growth has significantly affected consumer spending in the hospitality sector, especially in Indonesia's star-rated hotels, the rate of room utilization (ROR) 50.16% showing a decrease compared to last year (Muhamad, 2025). Such situations encourage hotels to always adapt to shifting market trends and evolving customer expectations to remain competitive and win customer favor (Jokelainen et al., 2024). They need to focus on enhancing their dynamic capabilities (Hussain & Malik, 2022) and strategic agility to remain adaptive and sustain guest satisfaction in the market (Sungthong et al., 2025).

To survive in this competitive business environment, hotels that are able to endure under such conditions demonstrate their ability to prepare, innovate, and adapt in response to emerging challenges

http://dx.doi.org/10.21511/im.22(3).2026.11

(Hariandja et al., 2014), while employing their dynamic capabilities to fulfill guest or customer needs (Ambulkar et al., 2015). Therefore, providing excellent service requires the ability to sense and seize valuable market opportunities effectively and transform resources to navigate market volatility (Teece, 2018; Manhas & Tukamushaba, 2015). To effectively respond to the dynamic changes, it is important for hotels to remain agile by being capable of adapting to market changes and fluctuating consumer preferences (Dehmolaee & Rashnavadi, 2019). By acting as a mediating role, strategic agility enables quick adaptation to market trends and ensures that innovation efforts translate into sustained competitive advantage (Lopez-Gamero et al., 2022).

From the guests' point of view, today's guests are more aware of service quality and expect hotels to continuously adapt and innovate to meet their evolving expectations and needs (Tseng & Lee, 2014). Furthermore, considering the dynamic nature of the hospitality industry, which is driven by guest perceptions, market conditions, and technology, empirical insights are needed to better understand guest perceptions. Previous research in hospitality mostly focused on dynamic capabilities in the organizational or company context rather than from the guest viewpoint. Addressing these gaps, this study is among the first to explore the relationship between the perceived dynamic capability and guest outcome by showing that guest-centric agility mediates this relationship in the hotel industry.

1. LITERATURE REVIEW AND HYPOTHESES

The theoretical foundation of this study integrates three interrelated bodies of the literature: dynamic capabilities, strategic agility, and guest behavioral outcomes in the hotel industry. The following review synthesizes prior to scholarship to establish the conceptual boundaries of each constructs, to trace how earlier research has connected to them, and to identify where empirical knowledge remains incomplete. The discussions progress from a capability-based perspective, through agility as an adaptive mechanism, to guest outcomes as the ultimate behavioral manifestation of hotel performance.

1.1. Perceived dynamic capability

Due to the massive changes in the hospitality sector, organizations can no longer rely solely on static assets or established routines to stay competitive (Seyfi et al., 2024). To achieve long-term competitive advantage, a hotel's capacity to identify market changes and respond by developing new capabilities and reconfiguring its resources (Eşitti & Kasap, 2020) is crucial. This ability aligns with Dynamic Capabilities Theory, which emphasizes continuous adaptation and innovation to create new market opportunities (Tseng & Lee, 2014). How hotels renew, integrate, and transform their resources to maintain competitiveness in dynamic markets extends the Resource-Based View (RBV) theory (Schilke et al., 2018; Teece et al., 1997). Recent work has extended this view into the post-pandemic hospitality context (Prayag et al., 2024), demonstrating that dynamic capabilities play a critical role in organizational resilience. According to Hussain and Malik (2022), dynamic capabilities refer to the ability of a hotel to recognize or identify the transformation of guest preferences and quickly implement new technologies and continuously improve the service processes. Hotels with well-developed dynamic capabilities, reflected in their ability to anticipate and respond to changing market needs, tend to outperform in terms of market responsiveness, service innovation, and guest satisfaction (Pereira-Moliner et al., 2021), Hariandja et al., 2021).

Previous researchers measured dynamic capabilities using various approaches. For example, a study by Anning-Dorson and Nyamekye (2020) considered specific hotel management, like creativity and responsiveness, as key adaptive capabilities in the hotel industry. Ali et al. (2020) measured the dynamic capabilities of hotels based on how they integrate, reconfigure, and renew their resources. Other researchers conceptualize dynamic capabilities by how hotels feel, learn, combine, and reconcile their capabilities (Nieves et al., 2015). Building on this line of research, Hoang et al. (2024) further emphasized the role of market-sensing capability in fostering service innovations among hospitality

firms. Yet, most of these studies rely on managerial viewpoints or internal performance data, giving limited attention to how customers or guests themselves perceive and experience these capabilities. As guests become more aware and expressive, especially through digital channels and online reviews, their perception of how hotels adapt and innovate becomes crucial (Sarmah & Rahman, 2018). Guests evaluate not only the outcomes of a service but also the ability of the hotel to stay adaptive, reactive, and redesign its services to match customer expectations. The shifting of this perspective gives rise to the construct of perceived dynamic capabilities. On the other hand, perceived dynamic capabilities refer to the extent to which guests or external stakeholders perceive a hotel as being capable of sensing opportunities, seizing them effectively, and transforming its operations to maintain superior service performance. While traditional dynamic capability theory focuses on firm-level, perceived dynamic capability emphasizes how guests perceive a hotel's responsiveness and adaptability (Teece, 2018; Hariandja et al., 2014; Bonfanti et al., 2021; Guo et al., 2017; Suksutdhi & Boonyanmethaporn, 2022; Pöppelbuß et al., 2011).

Grounded by the Dynamic Capabilities View (Teece, 2018), this study conceptualizes Perceived Dynamic Capability as guests' perception of how hotels are able to combine, establish, and reconstruct their resources to anticipate and react to environmental change. In this study, perceived dynamic capabilities were conceptualized as a construct with three key dimensions: perceived sensing, perceived seizing, and perceived transforming (Hariandja et al., 2021; Pöppelbuß et al., 2011). Guest perceptions of how the hotel understands and anticipates their needs, as well as its attention to guest feedback and market trends, are the definition of perceived sensing (Esitti & Kasap, 2020). Perceived seizing refers to the capability of a hotel to convert the guest insights into actions, such as utilizing new technologies, introducing innovative services, or responding quickly to emerging demands from the point of view of customers or guests (Tseng & Lee, 2014). Lastly, perceived transforming represents the perception of guests regarding hotels' improvements and adaptations in response to shifting expectations and market conditions (Pereira-Moliner et al., 2021).

1.2. Perceived guest-centric strategic agility

Commonly, strategic agility is defined as a firm's capacity to continuously modify its strategic roadmap and innovate to enhance value. It is not limited to reacting to a single crisis or threat. Instead, other research defined it as an organization's ongoing capacity to modify its course of action to sustain competitiveness over time (Weber & Tarba, 2014). Agile companies initiate continuous renewal by adapting existing competencies to a constantly changing environment while reconfiguring their structures and processes to ensure long-term survival and growth (Abdalla et al., 2025; Agarwal & Helfat, 2009). Although strategic agility was originally defined at the organizational level, in the hospitality context, it becomes visible through guest interactions, where customers can directly observe how quickly and flexibly a hotel responds to their needs and unexpected situations (Kwistianus et al., 2023). For example, a hotel's responsiveness to personal needs, flexibility in delivering services, ability to adapt quickly to unexpected situations, personalization of experiences, and resolves issues efficiently, reflect its level of agility (Darvishmotevali et al., 2020). Agile service delivery is reinforced by employees' relational and emotional energy, which shapes guests' perception of responsive services (Rabiul et al., 2024). These guest-perceived behaviors are critical because higher-tier hotels (3-5 stars) compete not only on amenities but also on how well they can co-create adaptive experiences with their guests (Singgalen, 2024; Ciasullo et al., 2020). Moreover, other studies in hospitality have found that hotels with greater agility tend to achieve higher guest satisfaction and loyalty when they demonstrate real time personalization and problem-solving capabilities (Chang et al., 2023).

1.3. Guest outcome

Guest outcomes represent the behavioral and attitudinal consequences that emerge from a guest's evaluation of their hotel experience (Alnawas & Hemsley-Brown, 2019; Prasad et al., 2014). Mostly, guest outcomes are used to explain how evaluations of service quality and experiential perceptions translate into future behaviors that sustain hotel performance (Fernandes & Cruz, 2016).

http://dx.doi.org/10.21511/im.22(3).2026.11

Delivering a positive hotel experience offers an opportunity to enhance guest satisfaction, guest loyalty, and encourage guest advocacy (Naylor et al., 2008; Frow & Payne, 2007). Perceived personalization delivered through small unexpected gestures and tailored service, strengthens the emotional bond between guests and the hotel, reinforcing satisfaction and advocacy outcomes (Lei et al., 2024). Guest satisfaction is described as the initial emotional response to a service experience, which usually arises when the perceived performance of a hotel meets or surpasses guests' expectations (Prasad et al., 2014). It also stands for emotional evaluation of overall experience (Rahmiati et al., 2024). Satisfaction can be defined by multiple aspects such as cleanliness, facilities (Singgalen, 2024), staff responsiveness, comfort, and personalization (Prasad et al., 2014). Several studies have shown that higher satisfaction increases positive behavioral intentions, including guest retention (Worsfold et al., 2016), willingness to recommend products to others (Hosany & Witham, 2010), and loyalty (Alnawas & Hemsley-Brown, 2019). In this study, guest satisfaction is measured through indicators that reflect overall contentment, fulfilment of expectations, and satisfaction with overall quality of services (Fernandes & Cruz, 2016; Hariandja & Vincent, 2022).

Willingness to return despite many alternatives and sustained preferences for a specific hotel are indicators of guest loyalty (Sipe & Testa, 2017). The component of loyalty usually combines attitudinal (which involves emotional attachment and trust) and behavioral loyalty (repeat visits and preference over competitors (Li & Petrick, 2010). Guests' decisions to return are often based on their positive experience and sense of belonging to the brand (Sipe & Testa, 2017). In line with Wu (2025), loyal guests can evolve into advocates who are willing to recommend the hotel by sharing positive stories and promoting it through online reviews or word of mouth. With the era of digital platforms, guest advocacy becomes the main power of brand reputation and differentiation (Shimul et al., 2025), which represents the highest form of post-consumer behavior (Sweeney et al., 2020). Guest advocacy can also reduce marketing costs and enhance customer trust (Handoyo, 2024). Prior research also noted that online reviews serve as a digital extension of guest advocacy, amplifying post-stay behaviors that shape future booking decisions (Cho, 2023). Taken together, these guest outcomes illustrate how a carefully managed hotel experience can deepen guests' emotional bonds, thereby encouraging them to actively support and promote the hotel brand.

1.4. Perceived dynamic capability and perceived guest-centric strategic agility

Dynamic capabilities provide the foundation for strategic flexibility and responsiveness in dynamic environments (Teece, 2018). Hotels that effectively sense opportunities, seize them through innovation, and transform resources tend to reconstruct their operations easily when conditions change (Pereira-Moliner et al., 2021). As noted by Hariandja et al. (2014), hotels must invest greater effort in investigating guests' needs and expectations to strengthen brand image and profitability. From guests' perspective, when guests observe that a hotel consistently introduces new features, adopts technology to improve convenience, and refines its offering based on guests' feedback, they interpret these actions as signs of agility and responsiveness (Weber & Tarba, 2014). This perception aligns with previous findings that argue that dynamic capabilities are the foundation of strategic agility, enabling hotels to act quickly, adjust strategies (Hussain & Malik, 2022), and reconfigure internal processes to stay aligned with external change (Bechtel et al., 2023). The alignment between perceived dynamic capability and perceived agility suggests that hotels recognized by guests as capable of continuous renewal are also seen as agile service providers.

1.5. Perceived guest-centric strategic agility and guest outcome

Perceived guest-strategic agility in hospitality management is associated with enhanced customer values, including satisfaction, loyalty (Lopez-Gamero et al., 2022), and advocacy (Sweeney et al., 2020). When guests observe that a hotel demonstrates agility by resolving issues promptly, adapting to unique requests, or personalizing service delivery, guests tend to perceive a higher level of care and responsiveness, which strengthens overall satisfaction (Mandić et al., 2023). Studies from

Pertusa-Ortega et al. (2025) confirmed that hotel agility improved customer satisfaction, while Hosany and Witham (2010) revealed that responsiveness and adaptability significantly predicted guests' willingness to recommend the brand. Agility not only improves immediate satisfaction but also cultivates long-term emotional attachment, which further drives loyalty and advocacy behaviors (Anderson, 2023). Integrating cutting-edge technologies with responsive marketing practices strengthens guests' perception of service agility and consequently their post-stay advocacy behavior (Bilgihan & Ricci, 2024). Taken together, when guests perceive a hotel as agile, such as being capable of adjusting its services and acting proactively, they are more likely to experience satisfaction, develop loyalty, and advocate for the brand (Hariandja et al., 2026).

1.6. Perceived dynamic capability is positively and significantly associated with guest outcome

Dynamic capabilities allow hotels to anticipate shifts in guest preferences and deliver consistent innovation and quality in service to enhance customer-related performance (Fernandes & Cruz, 2016; Anuzis et al., 2025). When guests perceive a hotel as capable of adapting its offerings and introducing meaningful improvements, they interpret these actions as evidence of reliability, innovation, and commitment to service excellence (Tang et al., 2015). A study by Lopez-Gamero et al. (2022) discovered that dynamic capabilities affect the performance of hotels, including customer satisfaction, quality of product, and productivity. Hotels with well-developed dynamic capabilities are more effective in delivering services that can increase guest satisfaction and loyalty (U. Ramanathan & R. Ramanathan, 2013; Pöppelbuß et al., 2011). Dynamic capabilities also contribute positively to perceived performance and customer evaluations by allowing hotels to maintain service consistency while introducing innovations (Fernandes & Cruz, 2016; Nieves et al., 2015). These outcomes align with the argument that dynamic capabilities are not merely internal strategic resources but externally observable drivers of superior customer experience (Teece, 2018). Furthermore, the technology acceptance in digital hospitality transformation improves both perceived service quality and guests' intention to revisit (Jayawardena et al., 2023). Consequently, perceived dynamic capabilities serve as a signal that the hotel is reliable and committed to excellent service, which in turn enhances positive guest outcomes (Hariandja & Santo, 2026).

1.7. The mediating role of perceived guest-centric strategic agility in guest outcome

While perceived dynamic capabilities provide hotels with the foundation to sense, seize, and transform opportunities, their influence on guest outcomes depends on how these capabilities are perceived to manifest in service interactions (Hussain & Malik, 2022). Perceived guest-centric strategic agility functions as a mediating mechanism, translating adaptability into visible actions, such as responsiveness, flexibility, and proactive service improvement (Pertusa-Ortega et al., 2025). The strategic agility in attracting a target audience and successfully managing various regulations and cultural differences is an important factor in hotel operations (Tarba et al., 2023). Organizational agility has been shown to function as a dynamic capability that mediates the influence of practices on performance in the hotel industry (Paulino et al., 2025). The idea of guest-based strategic agility as a mediating role between perceived dynamic capabilities and guest outcome has become increasingly relevant, especially in helping hotels remain adaptable and maintain a strong position in dynamic market environments (Mata et al., 2023; Vrontis et al., 2023; Rafiq et al., 2024). In this study, the guests-perceived dynamic capability acts as the foundation that enables hotels to operate flexibly and respond to changes, while guest-centric agility transforms such as capabilities into personalized guest experiences, fosters willingness to return, and promotes positive word-of-mouth advocacy (Agag et al., 2025; Khraim, 2022).

Taken together, the reviewed literature consistently positions dynamic capabilities as the internal foundation of adaptability, strategic agility as the operational mechanism through which adaptability becomes visible to guests, and guest outcomes as the behavioral manifestation of perceived service value. However, prior research has largely examined these constructs in isolation or from or-

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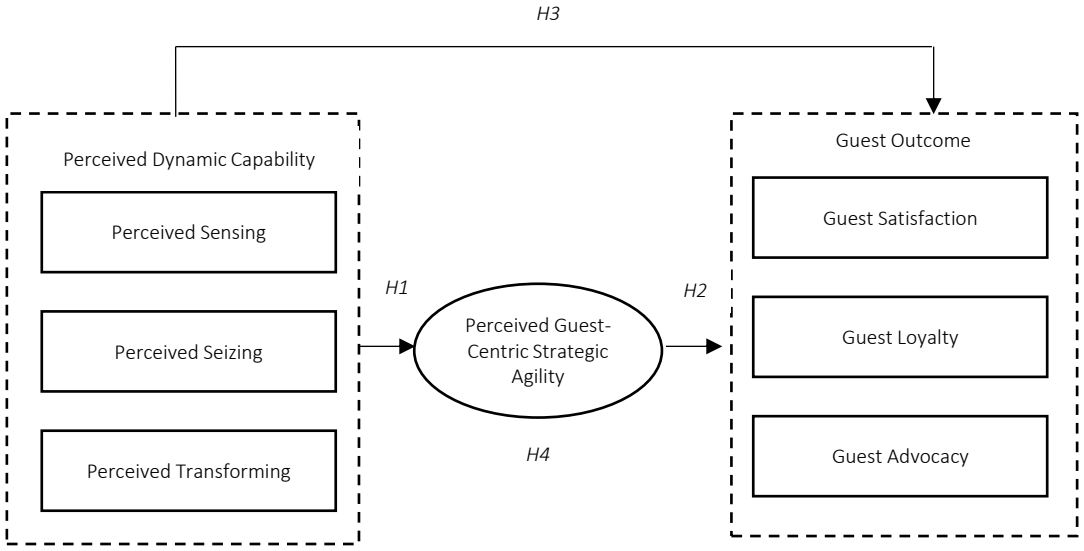

Figure 1. Research framework

ganizational viewpoints, leaving an unexamined gap regarding their integrated operation from the guest perspective in emerging market hospitality contexts.

The present study therefore aims to examine how perceived dynamic capability and perceived guest-centric strategic jointly enhance guest outcome within Indonesia's star-rated hotel industry, while also testing whether agility mediates the capability-outcome relationship. Based on the reviewed literature, the following hypotheses are proposed:

H1: Perceived Dynamic Capability is positively and significantly associated with Perceived Guest-Centric Strategic Agility.

H2: Perceived Guest-Centric Strategic Agility is positively and significantly associated with Guest Outcome.

H3: Perceived Dynamic Capability is positively and significantly associated with Guest Outcome.

H4: Perceived Guest-Centric Strategic Agility significantly mediates the relationship between Perceived Dynamic Capability and Guest Outcome.

Based on the theoretical discussions, the research framework is summarized in Figure 1.

2. METHODOLOGY

This study adopts a quantitative cross-sectional survey design to test the proposed hypotheses using structural equation modeling (PLS-SEM). The procedure was conducted in three sequential stages: (1) questionnaire development based on validated instruments from prior published studies; (2) online data collection; (3) model estimation using SmartPLS 4.1. A five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree), was used to capture measurable evaluations of guest perceptions. The questionnaire comprised two categories: 1) demographic information and 2) measurement items related to perceived dynamic capability, guest-centric strategic agility, and guest outcomes. The questionnaire was adapted entirely from previously validated instruments in peer-reviewed publication, which justifies the absence of additional item generation in this study. Only minor contextual adjustments were made to fit the Indonesian hotel industry.

Perceived dynamic capability was operationalized as a multidimensional construct comprising perceived sensing (5 items), perceived seizing (5 items), and perceived transforming (5 items), adapted from Hariandja et al. (2021) and Pöppelbuß et al. (2011). Guest-centric strategic agility was measured using five items adopted from Ciasullo et al. (2020) and Darvishmotevali et al. (2020). Guest outcome was conceptualized as a three-dimensional construct: guest satisfaction, guest loyalty,

and guest advocacy, where each construct was assessed using five items from Fernandes and Cruz (2016) and Hariandja and Vincent (2022). Details of all measurement items are provided in Table 1. Furthermore, age and income were incorporated as control variables to identify possible demographic influences on the dependent variables and to reduce confounding effects (Satar et al., 2023; Bartram, 2020). Table 2 presents the operationalization of these control variables.

2.1. Respondents, sampling procedure, and research ethics

Data were collected online between August and September 2025 using a structured questionnaire distributed via a digital survey platform (tSurvey-id). Indonesia was selected as the research context because it represents a large and rapidly evolving emerging-market hospitality sector. It is marked by intense domestic competition, providing a relevant setting to examine how dynamic capabilities and strategic agility influence guest outcomes (Amar et al., 2021).

The study population comprised Indonesian guests from Generations X, Y, and Z who had stayed at three- to five-star hotels in Indonesia within the past 12 months (Hariandja et al., 2021; Hussain & Malik, 2022). This segment was chosen because higher-tier hotels are more likely to implement adaptive strategies and innovative service designs. These features reflect stronger dynamic capabilities (Pereira-Moliner et al., 2021). Limiting participation to guests with recent hotel stays helps ensure the accuracy of recalled experiences and consistency in perceived service quality.

A purposive non-probability sampling technique was employed to ensure that respondents met the predefined criteria: (a) Indonesian residency; (b) belonging to Generations X, Y, or Z; and (c) having stayed at a three- to five-star hotel in Indonesia within the previous 12 months. The questionnaire was disseminated via tSurvey, a digital survey platform developed by Telkomsel that uses telecommunications big data profiling to send SMS-based survey invitations to eligible respondents across Indonesia. A screening question at the beginning of the survey ensured that only respondents meeting these criteria were allowed to proceed.

To reduce potential bias, the questionnaire did not refer to any specific hotel brand. Instead, respondents were asked to evaluate a hotel of their own choice based on their most recent qualifying stay. Prior to participation, respondents were presented with an introductory page outlining the study's title, purpose, voluntary nature, right to withdraw, and assurance of confidentiality. The survey was administered without collecting personally identifiable information, ensuring respondent anonymity.

All participants took part voluntarily, and informed consent was obtained digitally before completing the questionnaire. The anonymity and confidentiality of respondent data were fully guaranteed to ensure unbiased and reliable responses.

G-Power was applied to determine the minimum sample threshold using an F-test for examining relationships among latent variables in PLS-SEM. The analysis was conducted using a 0.05 significance level, 0.95 statistical power, a medium effect size ($f^2 = 0.15$), and two predictors (Hair et al., 2021; Cohen, 2013), yielding a minimum required sample size of 107 respondents. A total of 324 valid respondents, exceeding the minimum required sample size by a factor of three. The demographic profile of the final sample is presented in Table 3.

2.2. Data analysis procedure

PLS-SEM was employed to evaluate the as-proposed model and hypotheses, including the evaluation of both the outer and inner models and the estimation of latent variable relationships (Ilmalhaq et al., 2024). PLS-SEM was selected due to its suitability for examining complex models with higher-order constructs (dynamic capability and guest outcome were modeled as second-order constructs) and its robustness under non-normal data distributions (Hair J. et al., 2021). The outer model was assessed through tests of convergent and discriminant validity as well as reliability (Table 3 and Table 4). The inner model, including R-square values and VIF, is presented in Table 5. Hypotheses and mediation testing were conducted using the bootstrapping procedure in SmartPLS version 4.1.1.4 with a 5% significance level. The evaluation considered path coefficients, t-statistics, and p-values, with the hypotheses being accepted when t-statistics exceeded 1.64 for a

http://dx.doi.org/10.21511/im.22(3).2026.11

Table 1. Measurement items

Variable	Dimension	Indicators	Items	Sources
Perceived Dynamic Capability	Perceived Sensing Capability	The hotel understands my needs and preferences well.	SN1	Hariandja et al. (2021), Pöppelbuß et al. (2011)
		The hotel can anticipate my needs as a guest in the future.	SN2	
		The hotel actively seeks and listens to feedback from guests.	SN3	
		The hotel uses my feedback to improve its services.	SN4	
		The hotel seemed to already know what I wanted before I even asked for it.	SN5	
	Perceived Seizing Capability	Hotels are quick to implement new services or features that benefit guests.	SZ1	
		The hotel offers personalized services according to my personal needs.	SZ2	
		The hotel quickly adopted new technology to improve my comfort during my stay.	SZ3	
		Hotels effectively tailor their offers based on guest feedback.	SZ4	
		I see hotels introducing innovative solutions to improve the guest experience.	SZ5	
	Perceived Transforming Capability	Hotels are constantly adapting their services based on changing guest needs.	PT1	
		The hotel makes visible improvements based on feedback from guests.	PT2	
		Hotels easily adapt their operations to new situations or challenges.	PT3	
		The hotel's physical environment and facilities are regularly updated to meet guests' expectations.	PT4	
		I consider that the hotel is committed to continuously improving my experience as a guest.	PT5	
Perceived Guest-Centric Strategic Agility	Perceived Guest-Centric Strategic Agility	The hotel was very responsive to my personal needs during my stay.	GC1	Ciasullo et al. (2020), Darvishmotevali et al. (2020)
		The hotel showed flexibility in providing services to suit my requests.	GC2	
		The hotel quickly adapted to unexpected situations in order to maintain my comfort.	GC3	
		The hotel provided a very personalized experience and tailored to me.	GC4	
		The hotel was effective in resolving any issues or complaints I raised quickly.	GC5	
Guest Outcome	Guest Satisfaction	Overall, I felt satisfied with my experience at this hotel.	GS1	Fernandes and Cruz (2016), Hariandja and Vincent (2022)
		My experience at this hotel met or exceeded my expectations.	GS2	
		I am happy with the quality of services provided by this hotel.	GS3	
		I would recommend this hotel to others based on my satisfaction.	GS4	
		I felt that my needs were well met during my stay.	GS5	
	Guest Loyalty	I intend to stay at this hotel again in the future.	GL1	
		I consider myself a loyal customer of this hotel.	GL2	
		I will choose this hotel over other hotels for my next visit.	GL3	
		My decision to return to this hotel is based on consistently positive experience.	GL4	
		I feel an emotional attachment to this hotel.	GL5	
	Guest Advocacy	I would recommend this hotel to my friends and family.	GA1	
		I will speak positively about this hotel to others.	GA2	
		I am willing to write positive reviews or comments about this hotel online.	GA3	
		I am willing to actively promote this hotel to others.	GA4	
		I feel proud to be a guest at this hotel.	GA5	

one-tailed test. This approach ensures a 95% confidence level in determining the significance and direction of relationships among constructs.

Table 2. Control variables

Variable	Categories	Scale
Age	Gen X	0
	Gen Y	1
	Gen Z	2
Income	Low	0
	Middle	1
	High	2

The outer model was assessed through tests of convergent and discriminant validity as well as reliability (Table 3 and Table 4). The inner model, including R-square values and VIF, is presented in Table 5. Hypotheses and mediation testing were conducted using the bootstrapping procedure in SmartPLS version 4.1 with a 5% significance level. The evaluation considered path coefficients, t-statistics, and p-values, with the hypotheses being accepted when t-statistics exceeded 1.64 for a one-tailed test. This approach ensures a 95% confidence level in determining the significance and direction of relationships among constructs.

A descriptive summary is presented in Table 3. Almost half of the participants (48%) belonged to Generation Z, and 42% were considered high-income guests. Most respondents (48%) stayed at the hotel for a vacation trip, followed by staycations within the same city (26.5%) and work-related travel (25.0%), with only one respondent reporting multiple purposes. Overall, the sample characteristics align well with the objectives of this study.

3. RESULTS

This study included a higher-order construct category and was processed using an embedded two-stage approach. This construct helps researchers represent a concept in an abstract dimension and its detailed subdimensions (Sarstedt et al., 2019). The reflective measurement model indicates that the dimensions function as representative indicators in measuring perceived dynamic capability and guest outcome variables (Ilmalhaq et al., 2024). A two-stage approach requires measuring the validity and reliability of each lower-order component individually, followed by the evaluation of the higher-order component (Ghazali & Yaacob, 2025).

At the first-order level, the outer model test was conducted for the multidimensional variables (dynamic capability and guest outcome) to assess their validity and reliability level. An item of perceived seizing (SZ2) was removed because its factor loading failed below the acceptable criteria. According to Hair et al. (2012), the outer model can be measured by convergent validity (AVE and factor loadings), discriminant validity (cross-loading), reliability test (composite reliability), and internal reliability test (Cronbach's Alpha). The results of the measurement model (first-order) are displayed in Table 4.

The convergent validity was conducted by examining the factor loading values (> 0.6 = considered sufficient) (Hair et al., 2012) and AVE values (> 0.5) (Hair et al., 2012). All items had factor loadings above 0.6 (see Table 2) and AVE values > 0.5, confirming the convergent validity of the constructs. Next, discriminant validity was assessed by evaluating the value of cross-loading to ensure low intercorrelations among variables (Indrawati, 2015). All constructs met the recommended threshold, with cross-loadings exceeding 0.60 (Henseler et al., 2016). Moreover, for the reliability test, all di-

Table 3. Respondents' demographics

Category	Group	Total respondents (N = 324)	Percentage
Generation	Generation X (between 1965 and 1980)	74	23%
	Generation Y (between 1981 and 1996)	94	29%
	Generation Z (between 1997 and 2012)	156	48%
Monthly income	Low income (<Rp. 2.040.262)	60	19%
	Middle income (Rp. 2.040.262 – Rp. 9.909.844	129	40%
	High income (>Rp. 9.909.844)	135	42%
Purpose on vacation	Places to stop on vacation	156	48%
	Staycation in the same city	86	26%
	Employment affairs	81	25%
	Other (multiple purposes)	1	1%

http://dx.doi.org/10.21511/im.22(3).2026.11

Table 4. Measurement model (first-order)

Variables and dimensions	Validity test				Reliability test	
	Items	Factor loadings	Convergent validity (AVE)	Discriminant validity	Cronbach's Alpha	Composite reliability
Perceived Dynamic Capability						
Perceived Sensing	SN1	0.800	0.508	Valid	0.756	0.837
	SN2	0.698				
	SN3	0.659				
	SN4	0.708				
	SN5	0.689				
Perceived Seizing	SZ1	0.752	0.539	Valid	0.714	0.824
	SZ3	0.746				
	SZ4	0.731				
	SZ5	0.707				
Perceived Transforming	PT1	0.798	0.513	Valid	0.761	0.840
	PT2	0.655				
	PT3	0.700				
	PT4	0.680				
	PT5	0.740				
Guest Outcome						
Guest Satisfaction	GS1	0.816	0.545	Valid	0.790	0.856
	GS2	0.724				
	GS3	0.667				
	GS4	0.714				
	GS5	0.763				
Guest Loyalty	GL1	0.763	0.509	Valid	0.759	0.838
	GL2	0.720				
	GL3	0.659				
	GL4	0.740				
	GL5	0.681				
Guest Advocacy	GA1	0.774	0.504	Valid	0.752	0.835
	GA2	0.723				
	GA3	0.675				
	GA4	0.609				
	GA5	0.756				

mensions in the perceived dynamic capability and guest outcome were reliable (composite reliability above 0.7). Internal reliability was assessed using Cronbach's Alpha, with values ranging from 0.610 to 0.819 (Hair et al., 2014), indicating that all constructs met the recommended reliability threshold. Following the first-order evaluation, the outer measurement model of the higher-order construct was assessed using the same validity and reliability criteria. As presented in Table 3, all indicators satisfied the established thresholds, confirming the adequacy of the measurement model.

To estimate causal relationships among latent variables, the inner model as a structural model was assessed in terms of significance levels and R-square values. The condition for inner model analysis is the absence of multicollinearity issues (Hair et al., 2014). To avoid multicollinearity problems between variables, the internal VIF value must be above 5. The estimated inner VIFs were all less than 5, suggesting a low level of multicollinearity among the variables, or in other words, indicating that the parameter estimates are unbiased (Table 6).

According to Ghozali (2014), there are three levels of R^2 values: weak (0.19), moderate (0.33), and high (0.67). Additionally, Hair et al. (2014) explained that higher R^2 values indicate greater explanatory power, with values closer to 1 reflecting a stronger structural model. Table 5 displays the R-square values of perceived dynamic capability, perceived guest-centric strategic agility, and guest outcome, indicating a strong model. Each endogenous construct is strongly explained by its corresponding exogenous variables.

Table 5. Measurement model (second-order)

Variable and items	Validity test			Reliability test	
	Factor loadings	Convergent validity (AVE)	Discriminant validity	Cronbach's Alpha	Composite reliability
Perceived Dynamic Capability					
Perceived Sensing	0.895	0.508	Valid	0.756	0.837
Perceived Seizing	0.911	0.539	Valid	0.714	0.824
Perceived Transforming	0.926	0.513	Valid	0.761	0.840
Perceived Guest-Centric Strategic Agility					
GC1	0.793	0.544	Valid	0.789	0.856
GC2	0.718				
GC3	0.708				
GC4	0.696				
GC5	0.767				
Guest Outcome					
Guest Satisfaction	0.935	0.545	Valid	0.790	0.856
Guest Loyalty	0.937	0.509	Valid	0.759	0.838
Guest Advocacy	0.907	0.504	Valid	0.752	0.835

Table 6. Structural (inner) model

Variable	R-square	VIF
Perceived Dynamic Capability	0.809	1.026
Perceived Guest-Centric Strategic Agility	0.738	1.017
Guest Outcome	0.661	

In the last stage, the hypotheses and mediation were tested using the bootstrapping method by SmartPLS in Figure 2. The phase three path model was evaluated using bootstrapping with 5,000 samples. Path coefficients, t-values, and p-values were measured to determine the statistical significance among the variables. Table 7 presents the direct and indirect effects of the variables' relationship.

The hypotheses testing results revealed that both the direct and indirect effects were significant, indicating support for all proposed relationships. For the direct effects relationship, the perceived dynamic capability significantly influenced perceived guest-centric strategic agility (= 0.857, t = 33.555, $p < 0.05$). As a result, *H1*, which states that the perceived dynamic capability is positively and significantly associated with perceived guest-centric strategic agility, was supported, demonstrating a strong positive effect. The perceived guest-centric strategic agility also significantly influenced the guest outcome (= 0.482, t = 6.807, $p < 0.05$), which means *H2*, which states that the perceived guest-centric strategic agility is positively and significantly associated with guest outcome, was accepted, demonstrating a strong positive effect. Furthermore, based on the results, it can be concluded that the perceived dynamic capability was positively and significantly associated with guest outcome and had a strong positive effect (= 0.384, t = 4.835, $p < 0.05$). Thus, *H3*, which states that the perceived dynamic capability is positively and significantly associated with guest outcome, was supported.

For indirect effects (mediation analysis), the perceived guest-centric strategic agility positively and significantly mediated the relationship between

Table 7. Summary of hypotheses testing results

Hypotheses	Coefficient	t-values	p-values	Results
Direct effects				
H1: Perceived Dynamic Capability → Perceived Guest-Centric Strategic Agility	0.857	33.555	0.000	Supported
H2: Perceived Guest-Centric Strategic Agility → Guest Outcome	0.482	6.807	0.000	Supported
H3: Perceived Dynamic Capability → Guest Outcome	0.384	4.835	0.000	Supported
Indirect effects				
H4: Perceived Dynamic Capability → Perceived Guest-Centric Strategic Agility → Guest Outcome	0.413	6.962	0.000	Supported

http://dx.doi.org/10.21511/im.22(3).2026.11

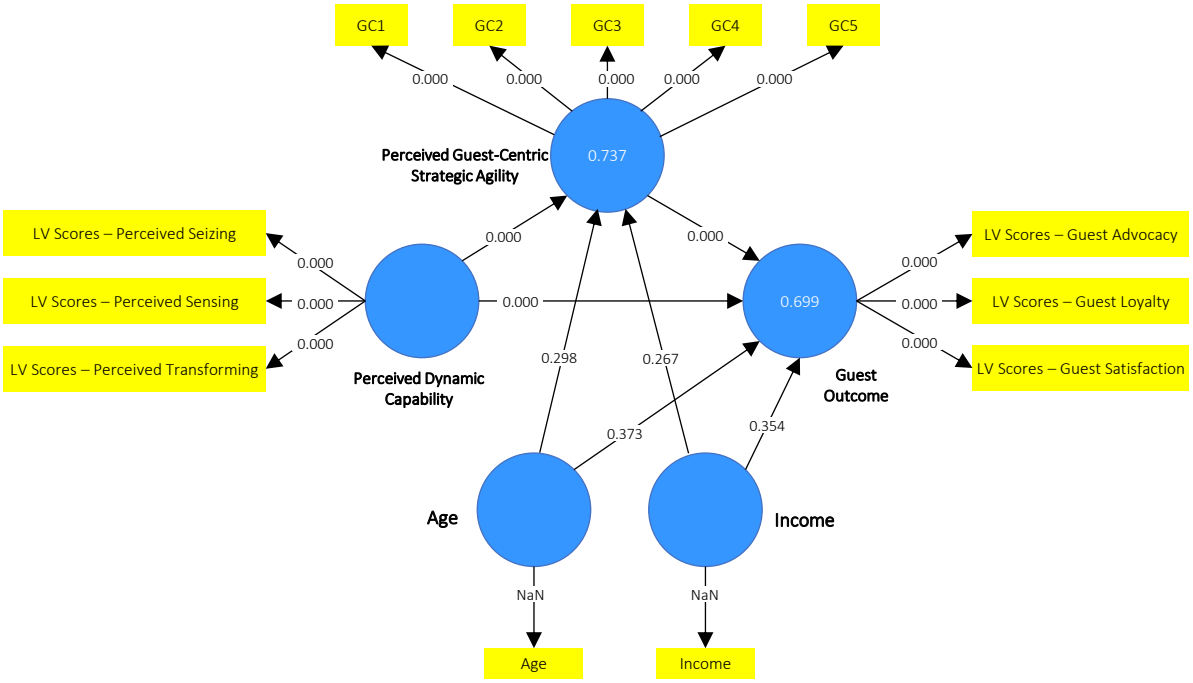

Figure 2. Structural model results

perceived dynamic capability and guest outcome (= 0.413, t = 6.962, p < 0.05). Therefore, *H4*, which states that the perceived guest-centric strategic agility positively and significantly mediates the relationship between perceived dynamic capability and guest outcome, was supported, demonstrating a strong positive effect. Based on these findings, the role of perceived guest-centric strategic agility can be considered as partial mediation, meaning that the influence of perceived dynamic capability on guest outcome is stronger when mediated by the perceived guest-centric strategic agility. Additionally, control variables (age and income) were included in the model; however, neither variable had a significant effect on guest-centric strategic agility or guest outcome (p > 0.05). This means that the main structural model is robust and not influenced by demographic factors.

4. DISCUSSION

The findings of this study provide empirical evidence that guest-centric strategic agility plays a mediating role in the relationship between perceived dynamic capability and guest outcome. This study reveals that hotels with stronger dynamic capabilities tend to demonstrate greater levels of guest outcome (satisfaction, loyalty, and advocacy) when they demonstrate greater agility and responsiveness based on guest needs. The key results are outlined further.

First, the analysis revealed a strong and statistically significant positive relationship between dynamic capability and perceived guest-centric strategic agility, thus supporting *H1*. The strong positive effect (= 0.857, p < 0.0001) also suggested that dynamic capabilities and strategic agility were deeply interconnected rather than merely correlated. Evidence from the hotel industry in the United Arab Emirates (UAE) during the COVID-19 pandemic demonstrated that agile adaptation and the utilization of new opportunities were primary means of dealing with disruptions, and that such capabilities helped hotels mitigate and leverage challenges as opportunities (Hussain & Malik, 2022). On the other hand, the current study advances this perspective by examining the guest perspective, particularly guests' perceptions about the understanding of hotels to sense emerging trends, seize opportunities, and transform resources to meet evolving expectations. From this perspective, such capabilities translate into strategic agility to personalize interactions based on guest preferences and anticipate market shifts (Padma & Ahn, 2020; Pereira-Moliner et al., 2021). These findings imply that hotels cannot develop

strategic agility without first developing strong dynamic capabilities.

Second, this study found that perceived guest-centric strategic agility significantly influenced guest outcome with a strong positive effect (= 0.482, $p < 0.0001$) (*H2*). This finding aligns with the results reported by Hadjielias et al. (2022), who reported that agility improves hotel customer satisfaction. Similarly, in the technology context, strategic agility can help hotels detect market demands and become more proactive in enhancing their abilities in dynamic environments (Cubillas-Para et al., 2025). However, the present findings emphasize that strategic agility is customer-oriented and specifically provides a deeper understanding of guest outcomes, including satisfaction, loyalty, and advocacy behaviors. This result underscores the strong coefficient value, which reflects the crucial role of guests' perceptions of hotels' flexibility, responsiveness, and proactive service adaptation in shaping their overall experience.

Third, the results highlight the significant role of perceived dynamic capability in improving guest outcomes (= 0.384, $p < 0.0001$) (*H3*). This implies that hotels with stronger dynamic capabilities are more likely to deliver better guest experiences. In other words, when guests perceive a hotel as innovative, adaptive, and responsive to change, they are more likely to form positive behavioral intentions toward the brand. This extends previous research on the relationship between dynamic capabilities and guest outcomes. For example, Hariandja et al. (2021) found that dynamic capability positively influenced both service excellence and customer satisfaction of the hotel brand. Similarly, the companies in the automotive context should focus on developing dynamic capabilities to improve customer experience (Miguel et al., 2022). This implies that the observable signals of capability are legible to guests and translate into behavioral outcomes.

Finally, the mediation analysis showed that the perceived guest-centric strategic agility significantly mediated the relationship between perceived dynamic capability and guest outcomes (= 0.413, $p < 0.0001$) (*H4*). The finding that perceived guest-centric strategic agility plays a partial mediating role indicates that dynamic capability directly contributes to improved guest outcomes, where its influence becomes even stronger when mediated by strategic agility. In other words, hotels with dynamic capabilities can achieve better guest outcomes primarily by becoming more agile and responsive to guest needs. This implies that agility acts as a critical mechanism that translates internal capabilities into tangible guest value (Pertusa-Ortega et al., 2025).

Regarding control variables, this research showed that age and income were included in the structural model to assess the potential influence of demographic characteristics on perceived guest-centric strategic agility and guest outcomes. The absence of significant effects suggests that the main structural relationships in this study are not biased by demographic background. Demographic variables frequently behave as noisy controls rather than substantive predictors one psychological mechanisms are specified (Bartram, 2020; Satar et al., 2023).

This research carries both theoretical and practical implications. Theoretically, by validating the proposed relationships through strong path coefficients, it develops an integrated research framework linking organizational dynamic capabilities and strategic agility to enhance guest experiences within the hospitality industry. This extends recent research by demonstrating that dynamic capabilities influence not only firm performance and innovation outcomes but also guest-related outcomes (Pereira-Moliner et al., 2021). This research addresses a gap in the literature and provides a fresh theoretical perspective by empirically validating dynamic capabilities, which play a critical role in shaping agility from the guests' perspective. The present study further advances dynamic capabilities theory by extending the foundational framework proposed by Teece et al. (1997), demonstrating the specific mechanism through which sensing, seizing, and transforming capabilities translate into customer-centric outcomes. Strategic agility represents the operational manifestation of dynamic capabilities in service contexts, reflecting how dynamic capabilities appear when activated in guest-facing situations. The partial mediation pattern of perceived guest-centric agility reveals that while agility amplifies the impact of dynamic capabilities on guest outcomes, dynamic capabilities retain independent

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value. Hotels, therefore, cannot substitute agility for capability development, nor can they rely solely on capabilities without agile implementation. The robust finding that neither age nor income significantly influenced the structural relationships suggests that future research may focus on universal psychological mechanisms rather than segment-specific effects. The importance of hotels not only developing strong capabilities and agile practices internally but also communicating these strengths clearly so that guests can recognize, feel, and appreciate the value created for them, is highlighted in this study.

Practically, the findings of this study offer valuable insights for businesspeople in the hotel industry aiming to prioritize building strong dynamic capabilities, such as investing in systems that help hotels to understand what guests want (data analytics), mobilize resources quickly to meet guest needs (empowered staff), and adapt operations when necessary (adaptive culture). Hotels also must translate these capabilities into guest-centric strategic agility through operational practices by empowering frontline employees to make immediate decisions that customize guest experiences. The implementation of real-time personalization systems, such as mobile apps or preference- tracking tools, can help address problems before they escalate. Recent research confirms that modern technology, like AI and dynamic systems, can enhance guest satisfaction by enabling on-demand service customization, underscoring the competitive advantages (Manoharan & Ashtikar, 2025).

CONCLUSION

This study set out to examine how perceived dynamic capability and perceived guest-centric strategic agility jointly enhance guest outcome in Indonesia's star-rated hotel industry, and to test whether agility mediated the capability and outcome relationship. The structural analysis supported all four proposed hypotheses and revealed that guest-perceived agility plays a partial, rather than full mediating role in linking adaptive capability to guest behavioral outcomes, with the capability, agility and outcome mechanism remaining robust across age and income subgroups. It follows that dynamic capability functions as a foundational driver of hospitality value when it is visibly enacted through agile service delivery; that agility serves as the perceptual bridge though which internal adaptability is translated into guest satisfaction, loyalty, and advocacy. The proposed model is generalizable within Indonesian upper-tier hotel segment regardless of respondent's demographic profile.

Although this research advances existing knowledge, it is not without limitations. Addressing these shortcomings in future studies could enhance understanding of the influence of dynamic capabilities and strategic agility on guest outcomes in hospitality contexts. Future research may benefit from extending the research scope, adopting more robust methodologies, and exploring additional theoretical frameworks. Despite the current research measures perceived constructs that align with service dominant logic that emphasizes perceived value, such perceptions may not always reflect objective performance. Future research could integrate with objective performance metrics such as occupancy rate or repeat bookings to assess how perceived and actual capabilities interact to shape outcomes. The use of a cross-sectional design represents an additional limitation, as it measures perceptions at a single time. In contrast, adaptability is an evolving process driven by technological change, strategic repositioning, and market competition. Future research may adopt longitudinal designs to provide richer insights. Furthermore, the sample was limited to 3-5-star hotels within the hospitality industry in Indonesia. A deeper analysis across wider service sectors, such as tourism, airlines, or healthcare, may offer a comprehensive understanding of whether the capability, agility, and outcome relationships hold consistency or vary in strength across contexts.

AUTHOR CONTRIBUTIONS

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ACKNOWLEDGMENT

Conflict of interest: The authors declare that there are no conflicts of interest related to this study.

AI USAGE STATEMENT

The use of artificial intelligence tools in this manuscript was limited to language editing and writing assistance. All conceptual development, theoretical framing, research design, data analysis, interpretation of results, and final manuscript preparation were conducted entirely by the authors.

ETHICAL APPROVAL

Ethical approval was not required for this study, as it did not involve human participants.

FUNDING

The authors express their gratitude to Telkom University for providing financial support for this research and its publication. The study was made possible through internal funding from the university, which contributed to its successful completion and dissemination.

INFORMED CONSENT

Informed consent was not required for this study, as it did not involve human participants.

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