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From Vienna's Heritage Luxury to Java's Competitive Hospitality Market
Digital Transformation and Luxury Hotel Brand Performance

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ABSTRACT
This study investigates the effects of Digital Transformation Capability and Global–Local Strategic Orientation on Sustainable Competitive Advantage and Luxury Hotel Brand Performance, with Strategic Agility and Service Innovation Capability acting as intervening variables. Data were collected from luxury hotels in Java, Indonesia. The comparison with luxury hotels in Vienna is included solely for strategic context, emphasizing global brand consistency and local adaptation. A standardized questionnaire was distributed to 110 top- and middle-level management respondents, and the data were analyzed using validity, reliability, multicollinearity, and normality testing, followed by multiple regression, t-test, F-test, and path regression analyses. The findings indicate that Strategic Agility does not significantly influence Sustainable Competitive Advantage, whereas Service Innovation Capability does. Global–Local Strategic Orientation enhances Service Innovation Capability but not Strategic Agility, while Digital Transformation Capability strengthens both. Sustainable Competitive Advantage, in turn, significantly improves Luxury Hotel Brand Performance. These results indicate that competitiveness among luxury hotels in Java is primarily driven by service innovation rather than agility alone, and that digital and global–local capabilities contribute to performance mainly when translated into distinctive, innovation-based service value.

Keywords: *Digital Transformation Capability, Global–Local Strategic Orientation, Strategic Agility, Service Innovation Capability, Sustainable Competitive Advantage, Luxury Hotel Brand Performance.*

1. INTRODUCTION

In recent years, sources of competitive advantage in the luxury hotel industry have shifted toward factors such as online reputation, booking platforms, and the perceived uniqueness of the guest experience, rather than relying solely on physical facilities or brand reputation. This shift requires hotel management to develop strategic capabilities to sense market changes, respond promptly, innovate services, and sustain brand-based advantages. Digital transformation capability and global–local strategic orientation are essential for meeting these requirements.

This study is grounded in three conceptual models: the Resource-Based View (Barney, 1991), Dynamic Capabilities Theory (Teece, 2019), and Service-Dominant Logic (Vargo & Lusch, 2017). The Resource-Based View posits that sustainable advantage arises from resources that are valuable, rare, inimitable, and well organized. Digital transformation capability meets these criteria by integrating customer data and CRM systems into strategic decision-making (Oikonomou et al., 2025). However, possessing valuable assets is insufficient without effective utilization, which is addressed by Dynamic Capabilities Theory: assets confer advantage only when management can sense, seize, and reconfigure them (Nguyen et al., 2023). Service-Dominant Logic conceptualizes hotel value as co-created with guests, extending brand performance beyond financial outcomes to encompass prestige and reputation.

Strategic Agility and Service Innovation Capability are conceptualized as intervening mechanisms rather than outcomes. Strategic Agility denotes management's capacity to respond rapidly to evolving guest preferences and digital platform dynamics, and is considered essential for hotel preparedness in the Industry 4.0 era (Cubillas-Para et al., 2025). In contrast, Service Innovation Capability involves the continuous enhancement of the guest experience through personalization and culturally informed service design. Prior research identifies Service Innovation Capability as the primary channel through which strategic orientation influences hotel performance (Ledi et al., 2024; González-Mohíno et al., 2025).

Global–Local Strategic Orientation, the second independent variable, refers to a hotel's ability to maintain global brand consistency while adapting to local expectations (Mandler et al., 2021; Vaziri et al., 2025). The Ritz-Carlton brand exemplifies this concept: its Vienna property emphasizes architectural restoration and service precision, representing an urban, heritage-driven form of luxury, whereas its Bali property focuses on cultural immersion and social-media-driven advocacy. This contrast demonstrates that luxury strategy cannot depend solely on standardization; it must integrate global consistency with local adaptation.

The empirical data for this study were collected exclusively in Indonesia, specifically from 110 top- and middle-management personnel in luxury hotels across Java. In contrast to Bali's resort-leisure orientation, the Javanese market includes business travel, MICE activity, and cultural tourism. This analysis addresses three research gaps: the mechanisms linking digital and global–local capabilities to sustainable advantage are seldom articulated; agility and innovation are often examined in isolation; and hotel performance is typically measured operationally rather than through brand-based indicators (Fan et al., 2023). The present study addresses these gaps by examining how Digital Transformation Capability and Global–Local Strategic Orientation influence Strategic Agility and Service Innovation Capability, and how these, in turn, affect Sustainable Competitive Advantage and Luxury Hotel Brand Performance.

Digital Transformation Capability, Strategic Agility, and Service Innovation Capability

Digital Transformation Capability refers to a hotel's capacity to integrate digital technologies, such as CRM systems, booking analytics, mobile platforms, and review monitoring, into both service delivery and strategic decision-making (Oikonomou et al., 2025). This integration enables managers to access online reviews and booking trends more rapidly, allowing for earlier identification of demand shifts, which is particularly relevant in Java's diverse market segment (Cubillas-Para et al., 2025). Additionally, these data support Service Innovation Capability, as personalized packages and digital concierge services are developed using customer information (Pascual-Fernández et al., 2021). The following hypotheses are proposed:

H1: Digital Transformation Capability has a positive effect on Strategic Agility.

H2: Digital Transformation Capability positively affects Service Innovation Capability.

Global–Local Strategic Orientation, Strategic Agility, and Service Innovation Capability

Global–Local Strategic Orientation refers to the challenge international luxury brands face in maintaining global consistency while adapting to local cultural and market expectations (Mandler et al., 2021). Ideally, hotels that effectively balance these demands can adjust their strategies without compromising their luxury identity, potentially enhancing Strategic Agility. However, luxury hotels often operate under standardized brand governance and hierarchical approval processes, which can limit responsiveness even when local understanding is in place. The relationship with Service Innovation Capability is more direct, as transforming local insights—such as cultural narratives, culinary traditions, and wellness practices—into service design constitutes innovation. This is consistent with evidence that strategic thinking and innovation collectively influence hotel performance (Ledi et al., 2024; González-Mohíno et al., 2025). These expectations suggest divergent outcomes:

H3: Global–Local Strategic Orientation positively affects Strategic Agility.

H4: Global–Local Strategic Orientation positively affects Service Innovation Capability.

Strategic Agility, Service Innovation Capability, and Sustainable Competitive Advantage

Sustainable Competitive Advantage is a hotel's capacity to hold a superior market position through differentiation that rivals cannot easily copy. Strategic Agility should, in theory, help hotels respond to change before competitors do, yet many of the responses it enables—price adjustments, temporary promotions—are themselves easy to imitate, raising doubt about whether speed alone is a defensible advantage. Service Innovation Capability appears to be the stronger candidate: personalized and curated local experiences create guest value that is harder to replicate, and prior work treats it as the mechanism linking dynamic capabilities to competitive advantage in hotels (Tawfig & Aggad, 2025; Ruiz-Fernández et al., 2026).

H5: Strategic Agility has a positive effect on Sustainable Competitive Advantage.

H6: Service Innovation Capability has a positive effect on Sustainable Competitive Advantage.

Sustainable Competitive Advantage and Luxury Hotel Brand Performance

Luxury Hotel Brand Performance is not reducible to occupancy or revenue; it also covers brand prestige, perceived exclusivity, guest loyalty, and online reputation (Fan et al., 2023). Hotels that differentiate successfully and maintain

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strong digital visibility would be expected to see that advantage surface in these brand-level outcomes, consistent with evidence that agility and service innovation contribute to customer-based brand equity among Indonesian hotels. The final hypothesis follows directly:

H7: Sustainable Competitive Advantage positively affects Luxury Hotel Brand Performance.

2. RESEARCH METHODS

Figure 1 presents the conceptual framework examined in this study. Digital Transformation Capability and Global–Local Strategic Orientation are identified as antecedents, Strategic Agility and Service Innovation Capability as intervening mechanisms, and Sustainable Competitive Advantage and Luxury Hotel Brand Performance as outcomes, all within the context of luxury hotels in Java, Indonesia. The Vienna–Indonesia comparison is provided solely for strategic context and does not constitute an empirical research site for this study.

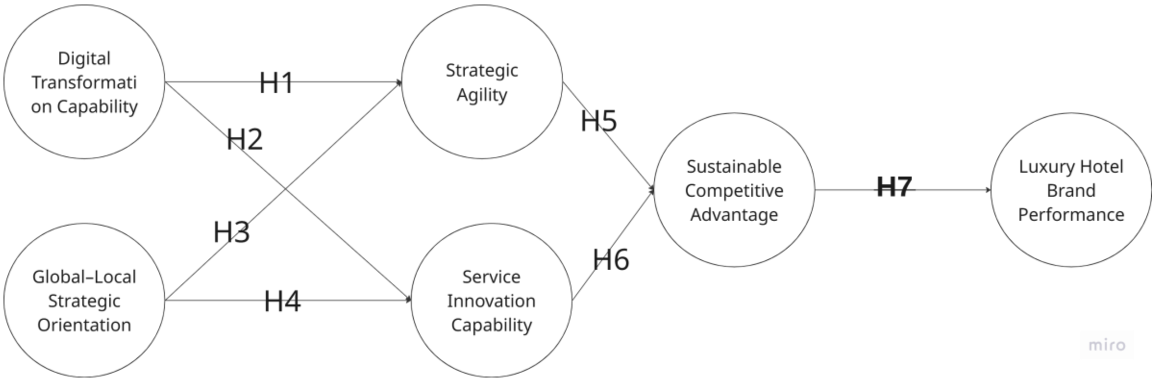

Figure 1 Research Model

Data collection relied on a structured questionnaire administered to 110 top to middle management respondents across luxury hotels in Java. Respondents were selected purposively, on the basis of their familiarity with hotel strategy and competitive positioning rather than at random; Table 1 profiles them by hotel location and department.

Six variables were measured—Digital Transformation Capability, Global–Local Strategic Orientation, Strategic Agility, Service Innovation Capability, Sustainable Competitive Advantage, and Luxury Hotel Brand Performance—each on a five-point Likert scale (1 = Strongly Disagree, 5 = Strongly Agree). The seven hypotheses were then examined in SPSS, beginning with validity, reliability, and multicollinearity checks, and proceeding to multiple regression, t-tests, F-tests, and path regression analysis.

3. RESULTS AND DISCUSSIONS

Respondent Profile

Middle managers comprised the majority of the sample (76 respondents, 69.1%), reflecting their direct involvement in implementing digital transformation and service innovation initiatives. Top managers represented 34 respondents (30.9%), providing strategic perspectives on positioning and brand performance. The distribution of respondents by hotel location and department is detailed in Table 1.

Table 1. Characteristics of Respondents Based on Hotel Location and Department

No	Hotel Location	Qty	%	No	Department	Qty	%
1	Jakarta	25	22.7%	1	Operations	18	16.4%
2	Surabaya	20	18.2%	2	General Management	16	14.5%
3	Bandung	15	13.6%	3	Marketing & Sales	16	14.5%
4	Yogyakarta	14	12.7%	4	Food & Beverage	14	12.7%
5	Semarang	12	10.9%	5	Front Office	12	10.9%
6	Tangerang/Banten	10	9.1%	6	Revenue Management	10	9.1%
7	Malang	8	7.3%	7	Human Resources	8	7.3%

8	Solo	6	5.5%	8	Finance	8	7.3%
				9	Guest Experience	8	7.3%
	Total	110	100%		Total	110	100%

Source: Questionnaire respondents, 2026

The sample is primarily concentrated in Jakarta and Surabaya, Java's principal business and MICE-oriented hotel markets, with the remainder distributed across six additional Javanese cities. Respondents represent various departments, including operations, management, marketing, and other guest-facing functions, ensuring a comprehensive range of managerial perspectives.

Validity, Reliability, and Multicollinearity

Table 2. Validity, Reliability, and Multicollinearity Test

Variable	**Validity Test (item correlations)**	**Reliability (Alpha)**	**Tolerance**	**VIF**
Digital Transformation Capability (DTC)	DTC1 = 0.779; DTC2 = 0.784; DTC3 = 0.802; DTC4 = 0.776; DTC5 = 0.777	0.915	0.643	1.555
Global–Local Strategic Orientation (GLSO)	GLSO1 = 0.676; GLSO2 = 0.686; GLSO3 = 0.823; GLSO4 = 0.729; GLSO5 = 0.735	0.888	0.643	1.555
Strategic Agility (SA)	SA1 = 0.732; SA2 = 0.767; SA3 = 0.809; SA4 = 0.804; SA5 = 0.794	0.914	0.607	1.647
Service Innovation Capability (SIC)	SIC1 = 0.765; SIC2 = 0.746; SIC3 = 0.700; SIC4 = 0.796; SIC5 = 0.770	0.902	0.607	1.647
Sustainable Competitive Advantage (SCA)	SCA1 = 0.759; SCA2 = 0.715; SCA3 = 0.743; SCA4 = 0.738; SCA5 = 0.761	0.896	1.000	1.000
Luxury Hotel Brand Performance (LHBP)	LHBP1 = 0.750; LHBP2 = 0.776; LHBP3 = 0.811; LHBP4 = 0.826; LHBP5 = 0.819	0.922	–	–

Source: SPSS, 2026. Minimum corrected item-total correlation (validity) threshold = 0.187 ($n = 110$, $\alpha = 5\%$).

All indicators surpass the 0.187 minimum r-table threshold for $n = 110$ on corrected item-total correlation, confirming that each item measures its intended construct (Table 2). Reliability is high, with Cronbach's Alpha values ranging from 0.888 to 0.922, exceeding the conventional 0.70 benchmark. Furthermore, tolerance and VIF values indicate no significant multicollinearity in the regression models.

Normality Test

Table 3. Normality Test

No.	**Equation**	**Asymp. Sig. (2-tailed)**	**Critical Number**	**Description**
1	DTC, GLSO → SA	0.073	0.05	Normal
2	DTC, GLSO → SIC	0.091	0.05	Normal
3	SA, SIC → SCA	0.064	0.05	Normal
4	SCA → LHBP	0.118	0.05	Normal

Source: SPSS, 2026

Asymp. Sig. values from the Kolmogorov-Smirnov test (Ghozali, 2017) are greater than 0.05 for all four regression equations (Table 3). Therefore, the residuals are normally distributed, allowing for subsequent regression analyses.

Hypothesis Testing and Discussion

Table 4 presents the standardized coefficients and significance values for all seven hypotheses. Five hypotheses are supported, while two are not.

Table 4. Multiple Regression and T-Test

Variable	Standardised Coef.	Sig.	Description
DTC → SA	.421	.000	Hypothesis Accepted
DTC → SIC	.268	.002	Hypothesis Accepted
GLSO → SA	.155	.088	Hypothesis Rejected
GLSO → SIC	.446	.000	Hypothesis Accepted
SA → SCA	.024	.769	Hypothesis Rejected
SIC → SCA	.599	.000	Hypothesis Accepted
SCA → LHBP	.611	.000	Hypothesis Accepted

Source: SPSS, 2026

H1. Digital Transformation Capability has a positive and significant effect on Strategic Agility ($\beta = .421$, $p = .000$). The mechanism is fairly direct: hotels with stronger digital capabilities gain earlier access to booking data, reviews, and CRM records, allowing managers to detect demand shifts sooner. Nguyen et al. (2023) report a similar pattern more broadly among tourism firms.

H2. The same capability also strengthens Service Innovation Capability ($\beta = .268$, $p = .002$), supporting H2, though more modestly than for H1. Customer data and digital platforms evidently help hotels develop more personalized packages, in line with González-Mohíno et al. (2025), who link digital capabilities and innovation capability to a stronger online reputation.

H3. H3 is rejected: Global–Local Strategic Orientation has a positive but non-significant effect on Strategic Agility ($\beta = .155$, $p = .088$). Balancing global standards with local adaptation is apparently not enough on its own to speed up decision-making—plausibly because luxury hotels operate under formal brand governance that constrains responsiveness, even where local understanding is strong. The result nuances Vaziri et al. (2025), who show that global and local brand elements support consistency without necessarily driving identical outcomes.

H4. Its effect on Service Innovation Capability tells a different story ($\beta = .446$, $p = .000$): H4 is supported, with the second-largest coefficient in the model. Global–local orientation functions more as a driver of innovation than of speed, consistent with Ledi et al. (2024). In Java, this points toward converting local insight into wellness, culinary, and cultural service design.

H5. H5 is rejected. Strategic Agility has a positive but non-significant effect on Sustainable Competitive Advantage ($\beta = .024$, $p = .769$), running counter to the intuitive assumption that responding quickly automatically confers advantage. Fast responses, such as price adjustments, are just as easy for competitors to copy; agility must be made more distinctive before it becomes a durable source of differentiation (Ruiz-Fernández et al., 2026).

H6. Service Innovation Capability fares better: its effect on Sustainable Competitive Advantage ($\beta = .599$, $p = .000$) is the strongest relationship in the model, so H6 is well supported, echoing Tawfig and Aggad (2025), who find that service innovation mediates the link between dynamic capabilities and competitive advantage.

H7. Finally, H7 holds: Sustainable Competitive Advantage has a positive and significant effect on Luxury Hotel Brand Performance ($\beta = .611$, $p = .000$). Hotels with more defensible differentiation translate it into brand prestige and guest loyalty, echoing evidence that Indonesian hotels' organizational capabilities are noticed by customers and converted into brand equity (Fan et al., 2023).

Table 5. F-Test

Variable	Sig.	Standard	Hypothesis
DTC, GLSO → SA	0.000	0.05	Hypothesis Accepted
DTC, GLSO → SIC	0.000	0.05	Hypothesis Accepted
SA, SIC → SCA	0.000	0.05	Hypothesis Accepted
SCA → LHBP	0.000	0.05	Hypothesis Accepted

Source: SPSS, 2026

All four regression models demonstrate overall statistical significance (Table 5, p = .000). Notably, the model predicting Sustainable Competitive Advantage from both Strategic Agility and Service Innovation Capability remains significant, even though Strategic Agility alone is not significant in Table 4. This result is primarily attributable to Service Innovation Capability, which accounts for the majority of the explanatory power.

Two key implications arise from these findings. Theoretically, the results extend the Resource-Based View and Dynamic Capabilities Theory by demonstrating that digital and global–local resources must be transformed into service innovation to generate competitive advantage. In practice, the Vienna–Bali comparison offers a strategic lesson for hotels in Java: combining the precision, heritage, and consistency of the Vienna model with the warmth, local authenticity, and experiential innovation characteristic of the Indonesian luxury context is preferable to relying solely on standardization or localization.

4. CONCLUSION

This study investigated the influence of Digital Transformation Capability and Global–Local Strategic Orientation on Strategic Agility, Service Innovation Capability, Sustainable Competitive Advantage, and Luxury Hotel Brand Performance among 110 top- and middle-management respondents from luxury hotels in Java, Indonesia. Five of the seven hypotheses were supported. The primary finding is that Service Innovation Capability, rather than Strategic Agility, serves as the mechanism linking digital and global–local capabilities to sustainable competitive advantage and, subsequently, to brand performance.

Speed alone does not drive competitiveness in this context. More important is transforming digital and local insights into service experiences that are difficult to replicate. Digital transformation should be leveraged primarily as a tool for guest insights, rather than solely as a technological upgrade, with service innovation prioritized as the main pathway to brand performance. Addressing organizational rigidity that restricts strategic agility is also essential.

Several limitations qualify these conclusions: the cross-sectional design, a sample restricted to 110 respondents in Java, reliance on self-reported perceptions, and the use of Vienna solely as a contextual rather than empirical comparison. Future research could directly test the same model in Bali and Vienna, ideally employing a longitudinal design and objective indicators such as RevPAR, occupancy, and online review ratings.

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