

# *The Effect of Strategic Planning and Dynamic Capabilities toward Digital Transformation: Case Study of GXDR Hotel*

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**Abstract:** This study employs a case study approach, focusing on a state-owned hotel in western China, to examine the impact of strategic planning and dynamic capabilities on its digital transformation. Based on dynamic capability theory, a theoretical model is constructed encompassing three micro-capability foundations: strategic planning clarity, resource allocation, and sensing, seizing, and reconfiguring. The research surveyed 134 hotel employees and 389 customers via structured questionnaires, utilizing multiple regression analysis and independent samples t-tests for hypothesis testing. Results indicate that all five hypothesized factors exert a significant positive influence on digital transformation, with resource allocation demonstrating the most pronounced impact. No significant difference exists between employees' and customers' perceptions of transformation outcomes, reflecting internal and external consistency in the implementation process. The study reveals the underlying mechanisms of digital transformation in state-owned hotels from dual perspectives of resource dependence and institutional embeddedness. These findings provide a basis for managers to formulate strategic investment and capability-building pathways, while offering reference for policymakers to advance the “policy-to-capability” conversion process.

## 1. Introduction

In recent years, driven by national digital economy policies and post-pandemic market shifts, China's hotel industry has undergone rapid digital transformation. The “Digital China” strategy and smart tourism initiatives have provided clear direction and institutional support for industry development. State-invested hotels, exemplified by GXDR Hotels, however, face a unique “institutional duality” dilemma: despite enjoying policy and resource advantages, they are often constrained by organizational rigidity, lengthy decision-making processes, and insufficient innovation capabilities, resulting in limited transformation outcomes.

Against this backdrop, this study focuses on the key drivers of digital transformation within

China's state-owned hotels, seeking to address three central questions: how do the three dimensions of dynamic capability—sensing, seizing, and reconfiguring—influence transformation outcomes? what role do the clarity of strategic planning and resource allocation play in this process? how can the transformation pathways of GXDR hotels be systematically optimized to provide universally applicable guidance? The answers to these questions not only enrich the theoretical framework but also offer practical operational guidance. "

This study has significant theoretical and practical value. In terms of theory, it extends the application of dynamic capability theory to the institutional context of Chinese state-owned hotels, deepening our understanding of the function of strategic planning and revealing its role as a strategic tool for acquiring “policy legitimacy” and guiding resource allocation. In practice, it provides hotel managers with a framework for prioritising resources and cultivating dynamic capabilities, while guiding policymakers towards new approaches to constructing “policy-capability” conversion pathways. Furthermore, validating internal-external assessment consistency and exploring transformation pathways for GXDR hotels offers the industry an operational paradigm, providing a valuable reference for advancing the regional hotel sector's high-quality development.

Research Objective:

(1) To analyze the strategic planning process for digital transformation of state-owned investment hotels.

(2) To explore the role of dynamic capabilities in transformation.

(3) To summarize the transformation experience of the case hotels and propose targeted optimization suggestions for state-owned investment hotels.

## **2. Literature Review**

### **2.1. Industry Context and Case Background**

Digital transformation in China's hotel industry is shaped by macro-environmental factors including pandemic impacts, anti-corruption policies, and talent shortages<sup>[1]</sup>. State-owned hotels benefit from policy support and financial stability but face systemic constraints such as organizational rigidity and weak innovation incentives<sup>[2]</sup>. GXDR Hotel's SWOT analysis<sup>[3]</sup>[1] reveals strengths in funding and policy, but weaknesses in responsiveness and innovation, with threats from technological backwardness and talent shortages, especially in less developed regions.

### **2.2. Core Concepts and Objectives of Digital Transformation**

Digital transformation goes beyond technological upgrades, representing a systematic reshaping of hotel management, service delivery, and marketing<sup>[4]</sup>. It aims for process optimization, intelligent services, and data-driven decision-making, enhancing competitiveness and customer value. Its effectiveness should therefore be assessed through comprehensive organizational and performance outcomes, rather than through technology adoption alone<sup>[5]</sup>.

### **2.3. Strategic Planning and Dynamic Capabilities Theory**

#### **2.3.1. Strategic Planning Theory**

The foundation of strategic planning theory lies in its role as a systematic process for setting objectives and charting pathways through environmental analysis and resource assessment<sup>[6]</sup>. This tradition, further refined by competitive positioning<sup>[7]</sup> and critiques of formalized planning<sup>[8]</sup>,

consistently emphasizes that strategic clarity is paramount for aligning organizational efforts. Subsequent research confirms that such clarity is a critical antecedent to effective resource allocation<sup>[9]</sup>. This linkage is particularly salient for state-owned hotels, where strategic plans often serve a dual purpose: guiding internal actions while also securing external “policy legitimacy” and institutional support<sup>[2]</sup>.

### 2.3.2. Dynamic Capabilities Theory

Dynamic capabilities—sensing, seizing and reconfiguring—enable adaptation in changing environments<sup>[10][11]</sup>. Specifically in the context of digital transformation, these capabilities are conceptualized as the core of an ongoing process of strategic renewal<sup>[12]</sup>. Sensing identifies shifts, seizing translates opportunities into actions, and reconfiguring optimizes structures and processes. In state-owned hotels, sensing is strong due to policy sensitivity, but seizing and reconfiguring are often constrained by institutional inertia<sup>[13]</sup>.

Based on strategic planning and dynamic capability theories, this study develops a conceptual framework (As shown in Figure 1) that positions strategic planning clarity and resource allocation and sensing, seizing, and reconfiguring capabilities as the core drivers of digital transformation in state-owned hotels. These elements collectively shape transformation outcomes, forming the theoretical basis for hypothesis development and empirical analysis.

### 2.4. Conceptual Framework

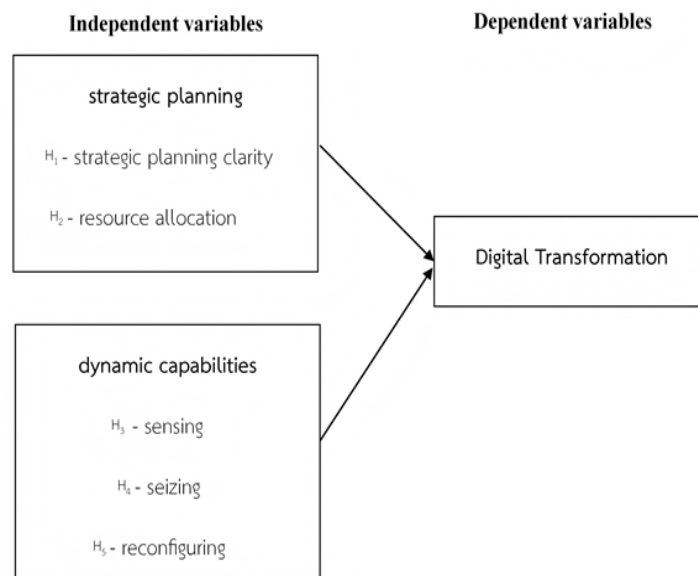


Figure 1: Conceptual framework.

## 3. Research Method

### 3.1. Research Design

A quantitative survey was conducted using structured questionnaires. The instrument was developed based on literature review, covering strategic planning clarity, resource allocation, and dynamic capabilities (sensing, seizing, reconfiguring), plus digital transformation outcomes. Items were rated on a 5-point Likert scale.

Instrument Quality: Content validity was assessed via the IOC method with three experts. Reliability was confirmed with Cronbach’s  $\alpha$  (all scales  $\alpha > 0.7$ ).

### 3.2. Population and Sampling

Employee samples were selected using quota sampling to ensure a reasonable proportion of management and frontline staff across different departments and positions, thereby reflecting the hotel's overall personnel structure. Customer samples were obtained through convenience sampling by randomly distributing questionnaires to guests who had stayed at the hotel within the past year, aiming to cover diverse customer segments and enhance sample representativeness.

The final sample comprised 134 employees and 389 customers, determined using the Yamane formula (95% confidence, 5% margin of error).

### 3.3. Data Collection

523 valid responses were obtained via structured questionnaires.

### 3.4. Data Analysis

SPSS was used for descriptive statistics, multiple linear regression (testing H1–H5), and independent samples t-tests (comparing employee/customer perceptions about the digital transformation).

## 4. Research Results

### 4.1. Descriptive Statistics

Table 1: Descriptive analysis.

Construct	Mean	S.D.	Skewness	Kurtosis	Interpretation of Performance
Employee=134					
Strategic Planning Clarity (SPC)	3.785	0.563	-0.235	-0.176	High
Resource Allocation (RA)	3.784	0.621	-0.342	-0.46	High
Dynamic Capabilities					
(1) Sensing Capability (SC)	3.81	0.575	-0.492	0.593	High
(2) Seizing Capability (SZC)	3.654	0.529	-0.343	0.006	High
(3)Reconfiguring Capability (RC)	3.827	0.522	-0.580	0.374	High
Digital Transformation (DT)	3.851	0.761	-0.629	0.097	High
Customers=389					
Digital Transformation (DT)	3.809	0.733	-0.518	-0.117	High

Both employees (Mean=3.851, SD=0.761) and customers (Mean=3.809, SD=0.733) perceived the hotel's digital transformation favorably (as shown in Table 1). All independent variables also received high mean scores, suggesting a positive overall assessment of the hotel's strategic efforts.

## 4.2. Hypothesis Testing

Table 2: Hypothesis test results based on research objectives.

Hypothesis	Independent Variable	Dependent Variable	Standardized Coefficient ( $\beta$ )	t	P value	VIF
H1	Strategic Planning Clarity (SPC)	Digital Transformation (DT)	0.193	2.989	0.003**	1.667
H2	Resource Allocation (RA)	Digital Transformation (DT)	0.323	5.004	<0.001**	1.666
H3	Sensing Capability (SC)	Digital Transformation (DT)	0.222	3.481	0.001**	1.631
H4	Seizing Capability (SZC)	Digital Transformation (DT)	0.182	2.963	0.004**	1.506
H5	Reconfiguring Capability (RC)	Digital Transformation (DT)	0.151	2.278	0.024*	1.766

All five hypotheses were supported: As shown in Table 2, Impact of Strategic Planning (H1 & H2): Both Strategic Planning Clarity ( $\beta = 0.193$ ,  $p = 0.003$ ) and Resource Allocation ( $\beta = 0.323$ ,  $p < 0.001$ ) have a significant positive impact on Digital Transformation, confirming H1 and H2. Notably, Resource Allocation is the single most influential predictor in the model.

Impact of Dynamic Capabilities (H3, H4 & H5): All three dimensions of dynamic capabilities significantly positively affect Digital Transformation: Sensing Capability ( $\beta = 0.222$ ,  $p = 0.001$ ), Seizing Capability ( $\beta = 0.182$ ,  $p = 0.004$ ), and Reconfiguring Capability ( $\beta = 0.151$ ,  $p = 0.024$ ), thus confirming H3, H4, and H5. The relative strength of these effects shows a descending trend from Sensing to Reconfiguring.

## 4.3. Employee vs. Customer Perceptions

The independent samples t-test found no statistically significant difference between the perceptions of employees and customers regarding digital transformation ( $t = 0.566$ ,  $p = 0.571$ ). This indicates a high degree of internal-external alignment. This consistency in perceptions indicates that internal transformation efforts have successfully translated into a high-quality digital service ecosystem, garnering positive market feedback and robustly validating the strategy's effectiveness.

## 5. Research and Discussion

This study confirms that all three dimensions—strategic planning clarity, resource allocation, and dynamic capabilities—exert a significant positive influence on the digital transformation of GXDR hotels. However, the more crucial finding lies in the differences in influence among these variables and the unique transformation mechanisms of state-owned hotels they reveal.

Firstly, resource allocation (RA) emerges as the most potent predictor of digital transformation ( $\beta = 0.323$ ). GXDR hotels benefit from policy-driven resource advantages within their state-owned context, yet these represent merely “static resource endowments”. Digital transformation constitutes a continuous investment-driven process, whose success hinges on the precise and efficient allocation of potential resource endowments to specific digital initiatives<sup>[14]</sup>. In our case, GXDR Hotels prioritized capital, talent, and technology towards customer relationship management systems and intelligent service facilities, directly enhancing service processes and customer

experience – outcomes directly stemming from resource allocation decisions. Thus, resource allocation behavior constitutes the core conversion mechanism through which state-owned hotels transform the externally dependent resource of “policy dividends” into internal “market competitiveness”. This explains why, among state-owned hotels sharing identical policy advantages, only those implementing effective resource reallocation emerge as leaders.

Secondly, the impact of dynamic capabilities exhibits a diminishing trend from “sensing” to “seizing” and finally to “reconfiguring”. This precisely reflects the typical predicament of state-owned enterprises under institutional duality. The strongest sensing capability primarily stems from the institutional embeddedness between state-owned hotels and the governmental system. As pivotal nodes for policy implementation and resource allocation, they possess an inherent sensitivity and informational advantage regarding national digital economy policies and industry guidelines. This grants them a cognitive head start in identifying external drivers and strategic directions for digital transformation.

The relatively diminished capacity for seizing opportunities reflects barriers in translating awareness into action. Existing organizational processes and entrenched vested interests incline management towards conservatism in new technology investments, as change may disrupt established power structures and operational workflows. Conventional performance evaluation systems often fail to adequately reward the uncertain returns of digital innovation while severely penalizing failure, thereby diminishing the incentive to pursue new opportunities.

The minimal impact on reconfiguring capabilities profoundly reveals the deep-seated challenges of digital transformation within state-owned enterprises. Restructuring involves not only resource reallocation but, more critically, the systematic reshaping of organizational structures, processes, and culture. State-owned hotels often exhibit pronounced conservatism and bureaucratic cultural traits, with staff accustomed to following established procedures and adopting a cautious stance towards breaking conventions. Even when management implements new digital processes (such as intelligent front desk systems or data-driven marketing strategies), frontline staff may persist with traditional methods due to path dependency, skill gaps, or insufficient incentives, resulting in “systems going live while processes remain unchanged”. This cultural inertia not only slows organizational responsiveness but also diminishes the practical impact of restructuring capabilities in digital transformation, rendering it the most challenging link to overcome in the dynamic capability chain.

Furthermore, traditional performance evaluation systems often fail to adequately reward the uncertain benefits of digital innovation while severely penalizing failure, thereby dampening the motivation to catch new opportunities. Moreover, complex internal approval processes significantly slow down the pace of transformation, preventing organizations from achieving the agility seen in private enterprises. Thus, the gap between sensing-seizing-reconfiguring fundamentally reveals the core pain points of state-owned hotels: highlighting a “knowing-doing gap,” with reconfiguring representing the most significant hurdle. The core challenge of digital transformation lies in precisely in the reconstruction of organizational and business processes, where institutional rigidity constitutes the primary obstacle.

Finally, the consistency in how employees and customers perceive the outcomes of digital transformation is a positive signal worthy of deeper exploration. Traditional transformation studies often attribute failure to “internal-external cognitive dissonance”<sup>[15]</sup>. In this case, the hotel's digital investments (such as smart front desks and online service responses) represent not merely one-way technological deployment. While staff utilize these tools to enhance operational efficiency (internal value), they simultaneously deliver smoother, more convenient service experiences to customers (external value). Positive customer feedback further reinforced staff recognition of the transformation's value. Within this process, digital platforms became interfaces for co-creating

value between staff and customers. The enhancement of internal efficiency and improvement of external experience stemmed from the same digital system, enabling synchronized positive perceptions across internal and external groups. This signifies the transformation's leap from “technology application” to “value network enhancement”.

### 5.1. Discussion in Relation to Existing Literature and Theory

The findings provide robust support for the core tenets of the dynamic capability's theory<sup>[10]</sup>, which posits that enterprises must sense, seize, and reconfigure capabilities within dynamic environments to sustain competitive advantage. GXDR Hotel demonstrated particularly strong capabilities in sense, exhibiting keen insight into policy shifts and validating the sensitivity of perceptual capabilities in this context. However, its seizing and reconfiguring capabilities were constrained by institutional inertia and organizational structure, hindering the rapid transformation of capabilities. This phenomenon reflects that while policy dividends provide valuable resources, their conversion into market competitiveness remains dependent on internal resource allocation efficiency and transformative capacity.

Concurrently, the study validates the importance of strategic planning theory, emphasizing that clear strategic objectives and adequate resource allocation are critical drivers of organizational change. By integrating these two theories, this research elucidates how state-owned hotels achieve transformation and upgrading under the dual pressures of policy incentives and market competition.

Secondly, this study reveals a distinct transformation path within China's hotel industry that diverges from mainstream narratives. While comprehensive research exists on the sector's development, such studies often focus on highlighting the market-driven agility and innovation of privately-owned hotels (e.g., large chain hotels, and small and medium-sized independent hotels<sup>[16]</sup>) and overseas investment in luxury hotels<sup>[17]</sup>, or Sino-foreign joint venture hotels. In contrast, the GXDR case demonstrates a distinct pathway shaped by institutional embeddedness. The case also shows that within state-owned enterprise contexts, the “sense” and “seize” capabilities of dynamic capability theory are primarily realized through the practical action of “resource allocation”. However, the reconfiguration of these capabilities remains constrained by the slow pace of organizational change. This process validates the relationship between “policy advantage” and “market capability”, underscoring the critical role of the institutional environment in capability transformation.

All hypotheses were supported, indicating the strong explanatory power of this theoretical framework. However, variations in variable influence (e.g., resource allocation being paramount) reveal the distinctive logic of SOE hotel transformation: “policy advantages” must undergo effective “resource conversion” to become genuine “market capabilities”. The alignment between employee and customer perceptions also contrasts with literature emphasizing “internal-external disconnect” as the primary cause of transformation failure<sup>[15]</sup>), indicating GXDR hotels have achieved phased success in this regard.

### 5.2. Research Limitations

This study has the following limitations:

Due to the difficulty in obtaining a complete population list (particularly for customers), random sampling was not feasible. Convenience sampling was employed for operational practicality. To ensure sample representativeness, quota sampling was integrated—for instance, ensuring a certain proportion of management and frontline staff were included.

The findings are based on an in-depth analysis of a single case, caution is warranted when generalizing conclusions to other regions or hotels with different ownership structures.

Cross-sectional survey data can reveal correlations between variables, it cannot dynamically capture their causal evolution.

The research model fails to encompass all potential influencing factors, such as leadership style and organizational culture, which may play significant moderating roles during the transformation process.

## 6. Research Recommendations

Based on the research findings—particularly the critical role of resource allocation and the current imbalance in dynamic capabilities—the following recommendations are proposed for hotel management and policymakers:

(1) Hotels should translate macro-level strategic objectives into an actionable digital transformation roadmap featuring clear milestones and key performance indicators.

(2) Hotels should establish budget and talent acquisition/development mechanisms aligned with the digital strategy, positioning resource investment as the “primary driver” of transformation.

(3) Hotels should streamline approval procedures and establish fast-track decision-making channels for digital transformation to enhance organizational agility.

(4) To address the core bottleneck of weak reconfiguration capabilities, Hotels should establish a fault-tolerant incentive scheme and specialized assessment mechanism to motivate middle managers to actively drive process reengineering and business restructuring.

(5) Governments should shift support from purely financial aid toward cultivating a digital capability ecosystem (e.g., through training platforms and expert consultations).

(6) Hotels and industry associations should facilitate knowledge exchange between digitally advanced hotels and lagging enterprises (such as most state-owned hotels).

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