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Conceptualizing social dynamic capabilities: Contextual embeddedness in hospitality industry

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ABSTRACT

This study introduces the concept of Social Dynamic Capabilities to address the growing need for hospitality organizations to align business strategies with social sustainability goals. Employing a grounded theory approach, we develop propositions and a conceptual framework delineating social dynamic capabilities from the broader concept of dynamic capabilities. Our research was conducted in two phases: an exploratory phase to identify core skills and practices for social dynamic capabilities and a confirmatory phase to refine the framework. The findings underscore the importance of stakeholder collaboration and community involvement in the operationalization of social dynamic capabilities, leading to the concept of Collaborative Social Transformation. Our study advances the dynamic capabilities framework by extending it into the social domain and providing a practical framework for implementation. This study provides a new perspective on integrating social sustainability issues into long-term organizational practices.

1. Introduction

Many firms fail, not due to their mistakes but because they persist in practices that were once commonly acceptable (Doz and Kosonen, 2010). The social dimension of sustainability is particularly complex and deeply context-dependent (Buzzao and Rizzi, 2020; Strauss et al., 2017). Social impacts are often time-sensitive, making progress difficult to measure. In hospitality, which integrates business and community, firms need to develop capabilities to sense, seize, and transform resources to address social challenges (Elsharnouby and Elbanna, 2021), capabilities we term Social Dynamic Capabilities (SDC). Our conceptualization of SDC is based on the foundational notion of dynamic capabilities, defined by Teece et al. (1997) as "the firm's ability to integrate, build and transform internal and external competencies to address rapidly changing environments" (p. 516) and that these capabilities are contextual and adaptable (Bari et al., 2022). In this study, we extend this view to the social domain where *social dynamic capabilities* are a firm's ability to adapt, innovate, and transform their resource and capability base in response to social needs, expectations and challenges. Eisenhardt

and Martin (2000) defined *dynamic capabilities* as "the organizational and strategic routines by which firms achieve new resource configurations as markets emerge, collide, split, evolve and die" (p. 1107). Practically, these dynamic capabilities can change capabilities, emphasizing the ability of organizations to adapt, innovate, and transform their resource and capability base in response to changing external conditions.

To prevent potential conceptual ambiguity, it is important to clarify that social dynamic capabilities are not synonymous with social capabilities in the organizational sense. While ordinary social capabilities refer to organizational routines that enable firms to manage social relationships effectively, such as community engagement programs or diversity and inclusion initiatives, they are largely operational in nature. These capabilities allow firms to maintain stable relationships and compliance with social expectations but do not inherently provide the adaptive flexibility to reconfigure resources in response to evolving social challenges (Cepeda and Vera, 2007; Shang et al., 2020). In contrast, social dynamic capabilities represent higher-order processes that enable organizations to continuously transform their social strategies and

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structures to generate new forms of social value and competitiveness (Buzzao and Rizzi, 2020; Teece et al., 1997; Wenzel et al., 2020;).

While the concept of dynamic capabilities in organizational management is well-established to environmental sustainability (Bari et al., 2022; Gulino et al., 2020; Yuan and Cao, 2022), its application to the social sphere and sustainability remains nascent (Bari et al., 2022; Salvato and Vassolo, 2017; Wenzel et al., 2020). For example, Teece et al. (1997) emphasized wealth creation and capture by private enterprise firms operating in environments of rapid technological change, shedding light on the organizational-level focus of dynamic capabilities. However, the specificities of social resources and relationships were overlooked. Similarly, Wenzel et al. (2020) revealed a potential gap in addressing the dynamics of social resources and relationships within organizational routines. Moreover, Jiang and McCabe (2021) investigated the impact of dynamic capabilities and information systems on organizational effectiveness, indicating a potential avenue for integrating the specificities of social resources and relationships into the dynamic capabilities framework. This suggests a need for further exploration of the role of social resources and relationships in shaping organizational effectiveness.

Currently there is no data on the nature of dynamic capability in the social dimension, making this issue critical for examination. As the hospitality industry operates in a complex environment which involves diverse stakeholders such as local communities, governments, employees and customers, it can lead to innovative social sustainability practices that contribute to long-term societal benefits while improving its competitiveness (Jiang and McCabe, 2021). Stakeholder engagement and community interactions are central to the operational success in the hospitality industry (Prayag et al., 2024b), therefore, understanding and developing social dynamic capabilities is crucial for companies to navigate the complexities of social sustainability and achieve long-term success. Social dynamic capabilities enable companies to adapt their social strategies, processes, and resources in response to evolving stakeholder expectations, changing social norms, and emerging social challenges (Prayag et al., 2024b).

Several critical areas remain unexplored in the study of dynamic capabilities. Firstly, a clear and comprehensive definition of social dynamic capabilities within the context of sustainability is needed. This definition should integrate core dynamic capabilities principles with the specificities of social sustainability, highlighting the mobilization and transformation of social resources and relationships for positive social outcomes. Secondly, the debate about industry-specific dynamic capabilities must be addressed. We posit the need for industry-specific social dynamic capabilities, in this case, the hospitality industry. Finally, we conceptualize and offer concrete examples of social dynamic capabilities for the benefit of practitioners, due to the industry's inherent reliance on close, continuous interaction with a wide range of stakeholders, from guests to local communities.

This study investigates how hospitality companies understand and respond to stakeholders' social needs better than competitors, and how they employ and adapt social capabilities related to diversity, human rights, well-being, and community development.

RQ1: How do hospitality companies develop and apply social dynamic capabilities to implement social sustainability initiatives in a dynamic and ever-changing environment?

RQ2: How do hospitality companies orchestrate their internal structures, resources and routines to effectively mobilize social dynamic capabilities?

RQ3: How can companies make social dynamic capabilities an inherent part of their daily operations?

The conceptualization of social dynamic capabilities addresses a critical gap in how hospitality firms can effectively respond to the pressing social challenges of our time. This study advances the theoretical discourse on dynamic capabilities and offers actionable insights for practitioners in an industry deeply embedded in local communities. The findings also provide a framework for leveraging organizational

processes to foster sustainable social transformation, addressing the urgent need for strategies that balance economic success with positive social impact (Prayag et al., 2024a; Teece, 2018).

2. Literature review

2.1. Dynamic capabilities: foundational perspectives

The dynamic capabilities approach extends the Resource-Based View (RBV) and is rooted in Schumpeter's (1934) concept of creative destruction, emphasizing the need to reshape resources to maintain competitiveness in changing environments. The RBV framework integrates elements, such as capabilities, core competencies, and the knowledge-based view, to explain firms' competitive advantages (Ireland et al., 2003). However, Teece et al. (1997) argued that RBV alone was insufficient to explain how firms achieve timely responsiveness, rapid innovation, and effective coordination of resources in volatile environments. Their seminal work introduced dynamic capabilities as the ability to adapt, integrate, and transform organizational resources to meet evolving challenges (Teece et al., 1997). Further, Eisenhardt and Martin (2000) proposed that commonalities exist between firms in their structure and function, enabling them to succeed in different industries.

Recent studies have integrated these foundational views. For example, Buzzao and Rizzi (2020) emphasized that dynamic capabilities must be continually adapted to their specific contexts, reflecting the influence of external stimuli. Specific to hospitality research, Jiang et al. (2021a) developed a typology of dynamic capabilities based on three dimensions—disaster lifecycle stage, source of resources, and deployment mode—revealing how hospitality organizations adapt capabilities to different phases of disruption. This reinforces the notion that dynamic capabilities varies in form and function depending on environmental demands and the nature of the challenge faced. Complementing this, Jiang et al. (2021b) adopt a processual view of resilience, showing how dynamic capabilities is used iteratively through sensing, seizing, and transforming to build organizational resilience in a disaster context. Recent studies have also highlighted dynamic capabilities' application across diverse settings, from sustainability to sector-specific challenges, underscoring the flexibility and relevance of dynamic capabilities in addressing organizational transformation and long-term competitiveness (Croes et al., 2020; Elsharnoubi and Elbanna, 2021; Jiang and McCabe, 2021; Mousavi et al., 2018; Pereira-Moliner et al., 2021).

2.2. Theoretical foundations of dynamic capabilities

Three clarifications are essential to advance the conceptualization of social dynamic capabilities: Outlining the foundations of dynamic capabilities, distinguishing dynamic capabilities from ordinary capabilities, and examining extensions of the concept. Dynamic capabilities are often contrasted with ordinary capabilities, which pertain to the day-to-day operational activities that enable firms to maintain and enhance efficiency (Leemann and Kanbach, 2022; Teece, 2018; 2020). Ordinary capabilities are defined as measurable, replicable practices focused on resolving immediate challenges and achieving operational effectiveness (Gulino et al., 2020). Teece (2020) categorized strong ordinary capabilities as those that yield best-practice performance and can be benchmarked against industry standards.

In contrast, the dynamic capabilities framework posits that dynamic capabilities operate at a higher level, governing the creation, modification, and transformation of ordinary capabilities (Wenzel et al., 2020). Dynamic capabilities enable organizations to adapt to environmental shifts by reconfiguring internal and external resources. Moreover, Jiang et al. (2023) identify key enablers and barriers in building dynamic capabilities in hospitality, such as knowledge assets, relational networks, and structural flexibility, which may also underpin the development of social dynamic capabilities. Thus, dynamic capabilities are essential for firms seeking to navigate dynamic landscapes, particularly

in achieving sustainable outcomes (Buzzao and Rizzi, 2020). They allow firms to leverage existing resources more effectively, enabling progression to higher levels of strategic and operational performance (Aladag, 2023; Khan et al., 2023).

Dynamic capabilities are anchored in three core processes: Sensing, seizing, and transforming (Teece, 2007), which enable firms to detect, respond to, and adapt to environmental changes, ensuring resilience and competitive advantage. Sensing capability involves identifying opportunities and threats by scanning the external environment and evaluating stakeholder perceptions (Chatterjee et al., 2022; Leemann and Kanbach, 2022). Firms with strong sensing capabilities actively seek opportunities and monitor emerging trends, fostering innovation and proactive engagement with dynamic markets (Dias and Lages, 2021; Leemann and Kanbach, 2022). The capability is socially embedded, relying on networking with stakeholders to gather diverse perspectives and insights (Ellonen et al., 2011).

Seizing focuses on mobilizing resources and designing structures to capitalize on opportunities through strategic actions and resource allocation (Teece, 2007). Seizing includes optimizing resource allocation and forming collaborative partnerships (Irwin et al., 2022) to leverage external resources and knowledge (Teece, 2020). It includes defining strategies that align with the firm's long-term goals and adapting business models to meet changing market demands (Gebauer, 2011). Seizing can be subdivided into building and adapting business models, defining strategies and tactics, or structuring evaluation and decision-making (Leemann and Kanbach, 2022).

Transforming (or reconfiguring) emphasizes the continuous alignment of resources and processes to sustain long-term success. It involves restructuring, sharing knowledge, and adapting organizational strategies to evolving conditions (Teece, 2007). This capability relies on acquiring and circulating knowledge through internal and external networks to foster innovation and adaptability (Dixon et al., 2014; Kanbach). It also includes reconfiguring internal and external resources to enhance co-specialization and leverage synergies (Ellonen et al., 2011).

The dynamic capabilities framework has been extended to address specific contexts, such as marketing dynamic capabilities and international dynamic marketing capabilities, which highlights the framework's adaptability and its relevance in diverse organizational settings. For instance, dynamic marketing capabilities have been shown to mediate the relationship between market expansion and organizational performance during economic crises in volatile environments (Buccieri et al., 2020). Khan et al. (2023) further emphasized their importance in supporting hybrid market offerings in diverse contexts, showcasing their adaptability and responsiveness.

2.3. Bridging dynamic capabilities and sustainability

Previous research has emphasized the multifaceted nature and impact of dynamic capabilities on organizational performance (e.g., Aladag, 2023; Eisenhardt and Martin, 2000; Mousavi et al., 2018; Pereira-Moliner et al., 2021). Eisenhardt and Martin (2000) highlighted dynamic capabilities' idiosyncratic and path-dependent nature while also underscoring the commonalities across firms. Furthermore, Gulino et al. (2020) expanded the dynamic capabilities framework by focusing on owner capabilities in social infrastructure projects. Their research underscored the need to broaden the understanding of dynamic capabilities by incorporating owner transformational capabilities throughout the project life cycle.

In addition, Cho et al. (2022) explored the effects of entrepreneurial strategic orientation on organizational effectiveness and the mediating role of organizational learning, a core component of dynamic capabilities. This research underscored the intricate relationship between strategic orientation, organizational learning, and overall organizational performance, reinforcing the pivotal role of dynamic capabilities in mediating these relationships. Moreover, the work of Eikelenboom &

Jong (2019) translates the concept of strategic dynamic capabilities into a sustainability context, emphasizing the firm's ability to modify functional capabilities to address evolving sustainable expectations.

While dynamic capabilities have been studied in many contexts, there has been a growing tendency to use it to frame and study sustainability from organizational and management perspectives (Aladag, 2023; Buzzao and Rizzi, 2020). There has been ample research on dynamic capabilities and the topic has evolved to include green capabilities (Khan et al., 2023), green dynamic capabilities (Yuan and Cao, 2022), business sustainability (Chatterjee et al., 2022), corporate sustainability performance (Shang et al., 2020), sustainability dynamic capabilities (Strauss et al., 2017), and green innovation (Yuan, and Cao, 2022). Other studies have emphasized the innovative aspect of dynamic capabilities through entrepreneurial and innovative capabilities (Mousavi et al., 2018), open innovation (Teece, 2020), and innovation toward sustainability (Mousavi et al., 2018). Past research has also focused on specific industries, such as the hospitality industry, with hotels at the forefront (Elsharnouby and Elbanna, 2021; Hussein and Malik, 2022). While these works show the importance of dynamic capabilities and advances our understanding of it, previous studies have not dealt with the social dimension, particularly in sectors like hospitality. Our paper addresses one aspect of sustainability: social sustainability and the dynamic capabilities that are crucial to its successful implementation in the hospitality industry.

2.4. Toward social dynamic capabilities

To better understand this topic, we have conceptualized social dynamic capabilities as a mathematical equation that adds one element to another, leading to a clear definition. First, it is important to understand ordinary (or operational) capabilities. These are the operational abilities that ensure the day-to-day functioning of an organization, encompassing both core and support activities (Cepeda and Vera, 2007). Building on this, *ordinary social capabilities* represent an organization's capacity to effectively manage relationships with its broader community and stakeholders (Shang et al., 2020), including the ability to leverage social relationships and networks to achieve sustainability goals. An example of an ordinary social capability is a company's ability to implement standardized employee training programs on diversity and inclusion to ensure respectful workplace interactions.

To conceptualize social dynamic capabilities, we draw from the literature on capabilities (Day, 1994), dynamic capabilities (Teece et al., 1997), and sustainability. Capabilities are defined as "a complex set of skills and knowledge embedded in the organizational processes by which the available resources of an organization are transformed into valuable inputs" (Day, 1994, p. 37). Building on this, dynamic capabilities refer to a firm's ability to sense, seize and transform internal and external resources in response to rapidly changing environments (Teece et al., 1997). Within the sustainability context, sustainability dynamic capabilities reflect a firm's capacity to reconfigure resources to meet the evolving demands of its sustainability strategy, requiring a simultaneous balance between business and societal goals (Strauss et al., 2017).

Extending this logic to the social domain, we posit that social dynamic capabilities are focused explicitly on the social dimension of sustainability, representing a higher-order, adaptive competence distinct from routine ordinary capabilities. While ordinary capabilities refer to the day-to-day practices that ensure efficient operations (e.g. standard CSR programs or community outreach tasks), dynamic capabilities operate at a meta-level by governing the creation, modification, and reconfiguration of those ordinary practices. They are also not static but rather a continuous process of learning, adapting, and evolving. This provides two important distinctions. First, it highlights that SDC are a second-order capability – enabling continuous social innovation and adaptation – rather than a collection of fixed CSR routines (Teece, 2018; Wenzel et al., 2020). Second, differentiates them from general dynamic capabilities by considering the idiosyncrasies of each destination, the

local embeddedness of the social activities, and the long-term and hard-to-measure effects of the social projects. As such, this ensures that organizations can remain responsive to the ever-changing social landscape and effectively address emerging sustainability challenges.

For the definition of social dynamic capabilities, we followed the five essential structural elements outlined by [Di Stefano et al. \(2014\)](#) that characterize dynamic capabilities: objective, aim, nature, agent and process. The first element is the object, corresponding to what dynamic capabilities influence. Hospitality firms are deeply embedded in local communities and environments, playing a vital role in promoting social cohesion and contributing to the well-being of their destinations. As such, the outcomes are associated with positive social transformation within destinations, following [Strauss et al.'s \(2017\)](#) argument that sustainability dynamic capabilities must harmonize business objectives with the evolving demands of social sustainability.

The second element is the aim of assisting hospitality companies in addressing complex, locally dependent social issues and adapting to the ever-evolving social and community dynamics. The third element is the nature of the concept. Considering the hospitality industry's high intensity of human interaction and service orientation, organizational processes should enable hospitality firms to sense, seize, and transform resources while embodying [Day's \(1994\)](#) conceptualization of capabilities as mechanisms for transforming resources into valuable outcomes.

The fourth element is the agent. This means responding to the question: Who implements them? In this case, social dynamic capabilities are fundamentally executed by the management of hospitality companies, who must foster an environment that promotes a shared vision. The final element is process, leading to integrate [Teece et al.'s \(1997\)](#) dimensions of sensing, seizing, and transforming while accounting for the dynamic nature of addressing social challenges and opportunities within specific contexts. Against this background, social dynamic capabilities can be defined as organizational processes that enable hospitality firms to sense, seize, and transform resources to effectively respond to social challenges and opportunities, ultimately contributing to positive social transformation within the destination.

The focus on the hospitality industry is deliberate, as it provides a uniquely suitable empirical and conceptual setting to explore the development of social dynamic capabilities. Hospitality organizations are deeply embedded in their communities and rely heavily on continuous interaction with a diverse set of stakeholders (e.g., employees, residents, tourists, or public authorities) making social responsiveness central to their competitiveness ([Jiang and McCabe, 2021](#); [Prayag et al., 2024b](#)). Moreover, the industry's service orientation and relational intensity amplify the importance of developing adaptive mechanisms that balance business objectives with social well-being ([Croes et al., 2020](#); [Elsharnouby and Elbanna, 2021](#)). Thus, while the conceptual framework of social dynamic capabilities may be transferable to other sectors, hospitality offers an ideal field for theory building due to its strong social embeddedness and dynamic stakeholder interdependencies.

3. Methodology

3.1. Research design

This study employs a grounded theory approach to explore and conceptualize social dynamic capabilities in the hospitality industry. Grounded theory was selected due to its capacity to generate new theoretical insights in areas with limited prior research while maintaining a rigorous and systematic approach to data collection and analysis ([Glaser, 2007](#); [Charmaz, 2000; 2006](#)). The research design included two stages: an exploratory phase with workshops (24 managers) to identify core skills, and a confirmatory phase (19 managers) to validate and refine categories. We used co-design and participatory action research, recruiting a diverse sample of managers ([Matteucci and Gnoth, 2017](#)).

To enhance methodological transparency and rigor, the study

followed a constructivist grounded theory orientation ([Charmaz, 2006](#)), emphasizing co-construction of meaning between researchers and participants. Data triangulation was achieved through multiple participatory workshops involving managers from different segments of the hospitality industry, ensuring diversity of perspectives. The iterative data collection and analysis process continued until theoretical saturation was reached, that is, when no new categories or relationships emerged from the data ([Glaser, 2007](#); [Matteucci and Gnoth, 2017](#)). Ethical considerations were carefully observed: all participants provided informed consent, anonymity was maintained throughout, and workshop discussions were recorded and transcribed with participants' permission.

3.2. Focus group workshops

Our study consisted of two parts, involving 43 participants. In the first phase during the months of April and May 2024, two groups of international hospitality professionals in decision-making roles ($n = 11$ and $n = 13$) participated in an exploratory study to gauge their ability to identify dynamic capabilities in their properties. Using a participatory action research approach ([Bertella et al., 2021](#)), the sessions were conducted in a workshop style to allow rich discussion and spontaneous content creation.

Participants were recruited through the university's industry-academic partnership mailing list, which includes hospitality professionals engaged in executive and professional-level programs. This network provided access to managers and senior practitioners from a variety of hospitality subsectors, including hotels, resorts, and tourism service organizations. Participants were invited via email and selected based on their direct involvement in strategic or community-oriented roles, ensuring their experience was relevant to the study's focus on Social Dynamic Capabilities.

In the exploratory sessions, participants were asked to respond to the following prompts after presenting the SDC definition: 1. Can you think of instances where your company has adapted its social interaction practices to address a specific challenge or opportunity? 2. How do you leverage relationships with external stakeholders (e.g., local businesses, community organizations) to create a competitive advantage? 3. Have you observed any social trends (e.g., increased focus on sustainability) that required your company to adjust its approach to customer engagement?

The three guiding questions were designed to align directly with the study's research questions and the dynamic capabilities framework. The first question corresponds to RQ1 and aims to uncover how firms sense social needs and stakeholder expectations. It is important to note that the first question was intentionally formulated to elicit observable instances of social capabilities, that is, concrete examples of how organizations have adapted their social interaction practices in response to specific challenges or opportunities. This phrasing was designed to ground the discussion in tangible experiences familiar to participants, allowing them to describe "what" they did rather than abstract strategic processes. During the analysis, these accounts were interpreted at a higher level of abstraction to identify the dynamic processes—such as sensing, seizing, and transforming—underpinning those actions. The second question addresses RQ2 by exploring how firms seize social opportunities and translate them into organizational practices. Although the term competitive advantage was used, it served primarily as an entry point in managerial language, allowing participants to relate social initiatives to their strategic priorities. As the analysis unfolded, these discussions naturally evolved toward a broader understanding of positive social transformation as the ultimate outcome of SDCs. Finally, the third question relates to RQ3 and captures the transforming dimension of dynamic capabilities, emphasizing ongoing learning and adaptation. Together, these questions ensured conceptual coverage of all three dimensions of SDCs while allowing participants to articulate their experiences in familiar strategic terms ([Matteucci and Gnoth, 2017](#); [Teece](#)

et al., 1997).

Each focus group workshop began with a brief introduction by the facilitator, who explained the study objectives and encouraged open, reflective dialogue among participants. The discussions were guided by the exploratory questions presented above but evolved organically as participants shared experiences, challenged each other's views, and identified collective patterns in their social and organizational practices. The facilitator's role was to prompt reflection rather than direct the conversation, ensuring a balance between structure and spontaneity. During the sessions, participants co-constructed meanings through examples and storytelling, which revealed the social dynamics and adaptive processes underlying their organizations' responses to community challenges. Notes were taken alongside audio recordings to capture key expressions, turning points, and group reactions that reflected shared understanding.

In the second phase, we extended our study in September 2024 by inviting a third group of hospitality managers in decision-making positions ($n = 19$) to participate in a confirmatory study. They were asked to brainstorm responses on how social dynamic capabilities could be concretely implemented in their respective workplaces. The responses were written on posters with colored markers to draw connections between the concepts. On the first poster, participants listed all the social projects or activities they have already implemented at their properties and identified short- and long-term skills, processes, and outcomes to implement these activities and projects effectively.

On the second poster, participants completed the same task for future social projects and activities they would like to implement. They provided the same information regarding the necessary short- and long-term skills, processes, and outcomes. Once these posters were completed, random participants shared their social projects.

To ensure the data's relevance to the research focus, a rigorous cleaning process was undertaken by removing entries from the initial lists that were not specifically related to the social dimension of sustainability or did not clearly fall within the short-term/long-term skill distinction. For instance, entries like "Energy efficiency analysis" and "Sustainable design and architecture" were removed as they belong to the environmental aspect of sustainability.

The choice of focus group workshops over individual interviews was deliberate and theoretically aligned with the constructivist grounded theory approach adopted in this study. Focus groups allow for interactive meaning-making, enabling participants to co-construct ideas through dialogue and reflection rather than isolated individual accounts (Charmaz, 2000). This method was particularly advantageous in the hospitality context, where social and collaborative practices are central to daily operations. The group setting encouraged participants to exchange diverse perspectives, debate interpretations, and collectively identify shared challenges and adaptive practices. Such interaction provided richer, more nuanced data on organizational processes and social dynamics than would likely emerge from individual interviews (Matteucci and Gnoth, 2017). Moreover, the workshop format fostered trust and mutual inspiration among participants, aligning with the principles of participatory action research that emphasize collaboration and experiential knowledge creation (Bertella et al., 2021). All focus group sessions were audio-recorded with participants' consent and subsequently transcribed verbatim for analysis. The transcripts were anonymized to protect confidentiality and stored securely. Recording and transcription enabled the researchers to capture interactional nuances, such as tone, agreement, and disagreement, which were later valuable for identifying patterns of shared meaning. These records formed the primary dataset for the grounded theory analysis.

3.3. Data analysis

Consistent with grounded theory principles, data analysis began early in the research process and proceeded iteratively. The coding process followed the systematic principles of grounded theory, with

three distinct stages: open, axial, and theoretical coding. During open coding, data from workshop transcripts were broken down into discrete units of meaning, generating initial codes that captured participants' responses (Matteucci and Gnoth, 2017). For example, "community engagement" and "social innovation" emerged frequently and were flagged as potential indicators of recurring themes.

Axial coding was then applied to group related codes into broader categories, linking them to the theoretical dimensions of dynamic capabilities: sensing, seizing, and transforming. Axial coding involved regrouping these initial codes into broader categories based on their relationships and contexts—for instance, codes related to "adaptive social initiatives" and "long-term vision" were consolidated under the category of "strategic social action." Finally, theoretical coding integrated these categories into a cohesive framework, identifying the overarching processes of sensing, seizing, and transforming as key dimensions.

The constructivist orientation of the grounded theory approach emphasizes the co-construction of meaning between researchers and participants (Charmaz, 2000). To ensure the credibility and transparency of the research (Matteucci and Gnoth, 2017), reflexivity was integrated throughout the data collection and analysis process. Researchers diligently documented their assumptions, decisions, and interpretations at each stage of the study through reflective journaling. Furthermore, regular team discussions facilitated the critical examination of emerging themes and potential biases, promoting a collaborative and iterative analytical approach (Mruck and Mey, 2007). To further enhance the trustworthiness of the findings, participant feedback was actively sought during workshops.

Throughout the analysis, we employed constant comparison and iterative validation to strengthen the trustworthiness of the findings (Charmaz, 2000). Reflexive memos were used to document interpretive decisions, and emerging themes were regularly reviewed in team discussions to ensure intersubjective agreement and minimize researcher bias (Mruck and Mey, 2007). Reflexivity played a central role throughout the research process. Each member of the research team maintained a reflective journal to document personal assumptions, emotional responses, and evolving interpretations after each workshop session. This practice helped the researchers remain aware of how their prior experiences in hospitality and sustainability could influence data interpretation. For instance, in the early stages, the team tended to view "social engagement" primarily as community outreach. However, through reflective discussions and journaling, the researchers recognized that participants were describing more systemic forms of engagement, involving partnership networks and institutional collaboration, which led to a deeper conceptualization of Collaborative Social Transformation.

Additionally, preliminary results were shared with participants for member validation, allowing them to confirm or refine the researchers' interpretations. The combination of transparent documentation of coding decisions allowed to enhance the credibility and confirmability of the study's grounded theory approach (Buzzao and Rizzi, 2020; Matteucci and Gnoth, 2017). To ensure analytic rigor, the coding process was conducted collaboratively by three researchers who independently coded the initial transcripts and then compared and refined their interpretations through several rounds of discussion. Rather than calculating a formal inter-coder reliability coefficient, which is less compatible with constructivist grounded theory (Charmaz, 2000), we focused on inter-coder agreement through consensus, achieved via constant comparison and reflective dialogue (Matteucci and Gnoth, 2017; Mruck and Mey, 2007).

4. Results and discussion

This study applied co-design and participatory action research that is rooted in grounded theory to conceptualize social dynamics capabilities in the hospitality industry. The results demonstrate how hospitality

firms can develop and leverage social dynamic capabilities to address social challenges. The exploratory phase revealed key long-term social skills needed to operationalize social dynamic capabilities. The 24 managers identified skills aligned with dynamic capability dimensions, confirming the importance of stakeholder engagement and innovation. Further research is needed to develop a more structured categorization, and the additional workshop provided an opportunity to refine the framework to ensure it is comprehensive and well-defined.

To address this gap, the second stage of this research included additional workshops with 19 hospitality directors aiming to establish a more robust link between the conceptual framework of social dynamic capabilities and the practical skills required for implementation. The refined lists were analyzed using open coding, the first stage of grounded theory analysis. Researchers examined the data line-by-line to identify initial concepts and categories that emerged directly from the participants' responses. Table A1 (appendix) presents these open codes, their connection to the dynamic capabilities framework, and the specific participant responses from which they were derived. It highlights the long-term skills for social initiatives that attempt to fill the alignment gap with dynamic capabilities, responding to RQ1. For example, "Community-Centric Communication" and "Continuous Social Learning" are classified as sensing capabilities. This finding extends the previous literature, which suggested that sensing capabilities reflect the ability of organizations to identify and interpret social needs and trends through information technology such as social listening tools and surveys (Croes et al., 2020). Further, our findings confirm that sensing capabilities in hospitality firms are vital for building resilience during disruptions by identifying emerging community needs and leveraging stakeholder networks (Prayag et al., 2024a). In addition, our findings also show that organizational learning and stakeholder engagement are central to fostering dynamic capabilities that enhance sustainable practices (Khan et al., 2023).

Responses such as "Long-Term Vision" and "Culture of Social Responsibility" suggested a more holistic approach toward the seizing and transforming capabilities required for embedding social values into organizational strategies. These elements resonate with Schilke et al. (2018), who identified that dynamic capabilities enable organizations to adapt, ovate, and reconfigure internal processes to maintain competitive advantages in rapidly changing environments. Similarly, coupling these capabilities with community empowerment initiatives echoes the knowledge management perspective proposed by Cepeda and Vera (2007), which asserts that effective utilization of dynamic capabilities depends on the organization's ability to codify and operationalize learning into actionable strategies.

To further refine the analysis, the research employed axial coding, a key stage in grounded theory analysis (Mruck and Mey, 2007). Through this process, four interconnected themes emerged: Social Intelligence, Strategic Social Action, Embedded Social Responsibility, and Community-Driven Development, which together constitute the core dimensions of social dynamic capabilities in the hospitality context. While axial coding served as the analytical process to relate and organize the initial open codes, these four themes represent the conceptual outcomes of that process (Charmaz, 2000; Matteucci and Gnoth, 2017). Accordingly, in the following discussion, we refer to these as social dynamic capability dimensions rather than as axial codes to reflect their theoretical status.

Table A2 presents the axial coding framework developed from the open codes, along with their linkages to the dynamic capabilities' framework and a brief description of each category to provide a deep theoretical grounding to the responses to RQ1. Each category is linked to the dynamic capabilities' framework-sensing, seizing, and transforming. Social Intelligence integrates community-centric communication and continuous learning, focusing on sensing capabilities to understand social trends and community needs. This supports prior findings that sensing capabilities are crucial for identifying community needs and shaping long-term strategies (Prayag et al., 2024a; Schilke et al., 2018).

Applying grounded theory principles of constant comparison and iterative coding, we synthesize the results presented in Table A2 to address research question two, cross-referencing these insights with the raw data from the interviews and secondary sources to develop four propositions. These interdependent propositions guide academic discourse and future studies. The first two propositions examine the dynamic capabilities needed for understanding and responding to social needs, while the latter two investigate how these capabilities are integrated within the organization's structure and their broader impacts on the community and the firm's competitiveness.

Hospitality organizations can develop a deep understanding of the social environment by engaging in continuous dialogue with the community and stakeholders, utilizing information technology tools and methods to track social trends, needs, and sentiments, and fostering cultural sensitivity (Jiang and McCabe, 2021). Within this dimension, cultural sensitivity emerged from the data as a crucial subdimension that enables hospitality organizations to interpret social cues and understand diverse stakeholder perspectives. Participants frequently described the ability to recognize and adapt to cultural differences as fundamental for sensing social needs and maintaining effective dialogue with employees, guests, and community partners (Hurst et al., 2021; Koc, 2020; Prayag et al., 2024a). Consequently, cultural sensitivity is conceptualized here as an element of Social Intelligence, reinforcing its role in the sensing stage of Social Dynamic Capabilities. This comprehensive approach allows organizations to gather valuable insights into the community's needs and preferences, enabling them to tailor their strategies effectively. By actively listening and monitoring social dynamics, hospitality organizations can stay attuned to the evolving social landscape and respond proactively.

Proposition 1: *hospitality organizations that actively engage in continuous dialogue with stakeholders, social monitoring, and cultivate cultural sensitivity are better equipped to understand and navigate the social environment.*

Strategic Social Action (seizing) and Embedded Social Responsibility (transforming) are closely linked. Strategic Social Action involves planning initiatives to address social challenges, while Embedded Social Responsibility aligns resources and fosters community links, creating positive social impact (Khan et al., 2023; Prayag et al., 2024b). Further, Croes et al. (2020) posit that valued and recognized employees are privy to and create more opportunities to thrive.

Designing and implementing programs that address social challenges and promote well-being can significantly enhance the organization's social footprint. As highlighted by Croes et al. (2020), "tourism competitiveness, then, can lead to well-being" (p. 2), indicating the link between competitiveness and positive social outcomes. Collaborating with local organizations and stakeholders to leverage resources and expertise further strengthens such initiatives. Additionally, encouraging and supporting employees to participate in social action fosters a culture of social responsibility within the organization.

Proposition 2: *hospitality organizations that identify and act upon social opportunities through strategic initiatives, community partnerships, and employee empowerment can create significant positive social impact.*

On the other hand, Embedded Social Responsibility reflects the organization's integration of social values into its operational ethos, enabling adaptive transformation. Cepeda and Vera (2007) elaborated on the importance of knowledge management processes in enhancing these adaptive capabilities, ensuring that organizational learning is accumulated and effectively utilized to reconfigure operational routines.

To support social initiatives and embed social responsibility into their DNA, hospitality companies must adapt their internal structures, processes, and culture (Aladağ, 2023). Eikelenboom & Jong (2019) argue that sustainability is a dynamic and complex process characterized by constant and unpredictable changes. Therefore, dynamic capabilities are essential for firms to adapt and respond to these changes

effectively and align organizational values with social values, dedicating resources to support social initiatives, and fostering a culture of continuous social learning.

Proposition 3: *hospitality organizations that adapt their internal structures, processes, and culture to support social initiatives and embed social responsibility are more likely to achieve sustainable social impact.*

Effective social dynamic capabilities lead to enhanced social impact, stronger stakeholder relationships, competitive advantage, and resilience (Croes et al., 2020). Measurable improvements in community well-being, social equity, and quality of life are direct outcomes of these capabilities. Community-Driven Development plays a critical role in aligning organizational outcomes with the specific needs and priorities of local communities, consequently fostering deeper and more meaningful connections between organizations and their social environments. Additionally, increased trust and collaboration with the community and other stakeholders strengthen the organization's social fabric (Aladag, 2023). Differentiation based on social responsibility and community engagement provides a competitive edge, while the capacity to adapt to social change and address future challenges enhances organizational resilience (Croes et al., 2020).

Proposition 4: *Effective social dynamic capabilities result in enhanced social impact, stronger stakeholder relationships, competitive advantage, and increased resilience.*

Fig. 1 illustrates how Social Intelligence, Strategic Social Action, and Embedded Social Responsibility interact dynamically to give rise to Community-Driven Development. Conceptually, Community-Driven Development can be understood both as a composite capability, the integrative mechanism through which organizations align and coordinate their sensing, seizing, and transforming processes toward social goals, and as the desired social outcome of effectively deploying these capabilities (Wenzel et al., 2020; Salvato and Vassolo, 2017; Prayag et al., 2024a). As a composite, higher order capability, Community Driven Development aligns with previous research (e.g. Teece et al., 1997; Eisenhardt and Martin, 2000; Cepeda and Vera, 2007) that dynamic capabilities may be an aggregation of lower order routines such as conducting internal climate surveys, feedback sessions (sensing) or updating SOPs and holding cross-department learning sessions (transforming). At the same time, Community-Driven Development can also reflect the desired social outcome generated when capabilities dimensions are effectively orchestrated. Several lines of evidence (e.g. Buzzao and Rizzi, 2020; Strauss et al., 2017; Wenzel et al., 2020) suggest that capabilities both enable and manifest in new resource configuration, producing outcomes that recursively reinforce capabilities. This dual role is consistent with research conceptualizing Community-Driven

Development as an emergent capability that reinforces the other two capabilities others through feedback and learning, reflecting the iterative nature of dynamic capabilities. Hence, the framing of Community Driven Development as both an emergent capability and a social impact outcome is theoretically grounded and reflects the recursive, path-dependent nature of dynamic capabilities (Di Stefano et al., 2014; Salvato and Vassolo, 2017). In addition, as described, as described in the following subsection, Collaborative Social Transformation emerged from the theoretical coding stage as the core category that integrates these three social dynamic capabilities into a unified framework. It represents the overarching mechanism through which hospitality organizations mobilize their sensing, seizing, and transforming processes collaboratively with stakeholders and communities. Accordingly, Collaborative Social Transformation is positioned at the center of the conceptual model as both the integrative capability and the enabling condition for achieving sustainable, community-driven outcomes (Prayag et al., 2024a; Salvato and Vassolo, 2017; Wenzel et al., 2020).

Cultural Sensitivity is included as a subdimension of Social Intelligence (sensing), reflecting its inductive emergence from the data as a key component of understanding and navigating the social environment.

The following description provides details of the relationships between each category.

4.1. Social intelligence and strategic social action

Social intelligence, or understanding and navigating social contexts effectively, provides a crucial foundation for strategic social action (Aladag, 2023). This is primarily due to the role of information flow in shaping organizational understanding and response to social environments (Schilke et al., 2018). For effective decision-making, social intelligence, or the organization's ability to gather, interpret, and utilize information about its social environment to achieve its objectives (Sterelny, 2007), is crucial. Social intelligence is often gathered through internal and external channels: Internal social intelligence may be derived from discussions with staff, internal surveys, or an analysis of organizational culture. External social intelligence, on the other hand, can be acquired through surveys of stakeholders, social listening tools that monitor online conversations, or engagement with community groups. Organizations can better navigate their social environment by leveraging internal and external sources.

The relationship between social intelligence and strategic social action is dynamic and mutually reinforcing (Prayag et al., 2024a). Organizations engaging in social initiatives gain valuable insights and knowledge about the social landscape, which creates a continuous feedback loop, enabling ongoing learning and adaptation (Cho et al., 2022). For instance, community events (a form of strategic social action)

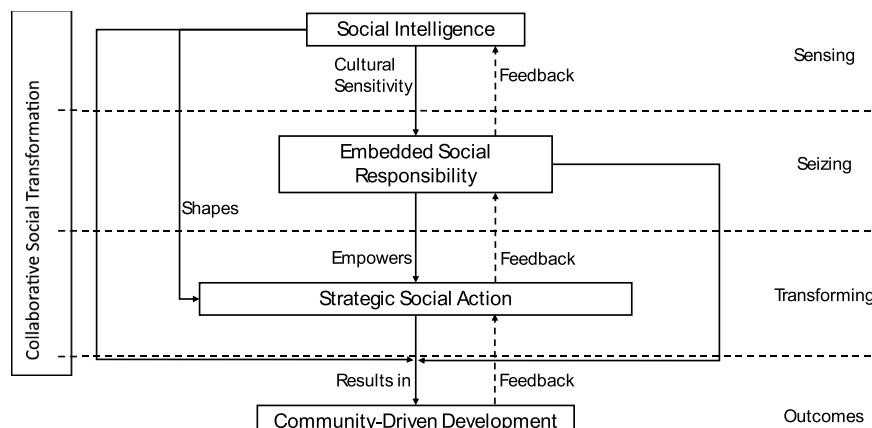


Fig. 1. A model of social dynamic capabilities. Note: The model positions Collaborative Social Transformation at its center as the core category that integrates the three social dynamic capability dimensions identified through grounded theory analysis.

can provide feedback that reveals previously unknown community needs or cultural sensitivities, ultimately enhancing an organization's social intelligence.

4.2. Embedded social responsibility and strategic social action

Embedded Social Responsibility is crucial for ensuring that Strategic Social Action aligns with an organization's values and long-term goals, fostering a sense of purpose and commitment that enhances the sustainability of social initiatives. The link between sensing capabilities and organizational practices is essential within the dynamic capabilities approach (Teece, 2018). More specifically, Wu et al. (2014) found that deploying dynamic capabilities enables firms to achieve a strategic fit between external CSR expectations and internal resource configurations. Furthermore, Ramachandran (2011) identifies two key dynamic capabilities—sense-and-respond and execution—essential for successful CSR initiatives. These capabilities encompass knowledge generation, social issue identification, solution development, and impact assessment, primarily focusing on the internal perspective.

Our findings highlight the importance of fostering an open mindset, creating a culture inclined toward sustainability initiatives, and empowering resilient employees to lead and support each other. Prayag et al. (2024b) recognized that employee resilience positively influences dynamic capabilities. Furthermore, prioritizing CSR and making social responsibility a key focus underscores the importance of allocating a budget for social initiatives. Embedded Social Responsibility ensures that the necessary resources (financial, human, and organizational) are available to support Strategic Social Action.

4.3. Social intelligence and embedded social responsibility

Social intelligence can inform embedded social responsibility by providing insights into the cultural values and norms of the community. This process is based on the learning patterns (Salvato and Vassolo, 2017) supported by frequent and reciprocal interactions, where dialogue enhances knowledge creation and transfer. This, in turn, enhances Cultural Sensitivity, allowing for the development of policies and practices that are respectful and inclusive. Understanding the social environment aligns with the concept of cultural sensitivity, which Hurst et al. (2021) emphasized as crucial for fostering respectful intercultural relationships. Cultural sensitivity extends beyond mere awareness of cultural differences; it involves actively seeking to understand and value diverse cultural worldviews, landscapes, and traditions (Koc, 2020).

Embedded Social Responsibility can also influence Social Intelligence by shaping the organization's values and priorities and guiding the collection and interpretation of social information. Wu et al. (2014) emphasized that deploying dynamic capabilities helps firms align their internal resources with external CSR expectations. Ramachandran (2011) highlighted the importance of collaboration and knowledge sharing in CSR initiatives, which enhances social intelligence by fostering environments where individuals learn from each other and develop a collective understanding of social issues. Prayag et al. (2024a) noted that dynamic capabilities, particularly the sense-and-respond capability, require organizations to adapt and respond to social changes.

4.4. Community-driven development and other themes

Community-Driven Development represents the desired outcome of social dynamic capabilities. While Community-Driven Development is presented as the desired outcome of social dynamic capabilities, it can also be viewed as a composite capability that emerges from the interaction of Social Intelligence, Strategic Social Action, and Embedded Social Responsibility. In this sense, it operates both as a higher-order integrative capability, reflecting the organization's ability to coordinate and align its social efforts with community needs, and as the result of effectively deploying sensing, seizing, and transforming processes in

the social domain (Prayag et al., 2024a; Salvato and Vassolo, 2017; Wenzel et al., 2020). This interpretation reconciles the role of Community-Driven Development in the axial coding framework, emphasizing that it is not an isolated capability but the emergent manifestation and outcome of the coordinated enactment of multiple social dynamic capabilities. Accordingly, the iterative and reciprocal nature of Community-Driven Development must be considered within the dynamic capabilities approach (Qiu et al., 2022). It represents an ongoing process that feeds back into sensing, seizing, and transforming activities, fostering a cycle of mutual learning and adaptation between hospitality organizations and their communities.

For example, regular employee and stakeholder meetings (Community-Driven Development) can enhance the continuous gathering of feedback from both internal and external sources to refine and improve environmental strategies and practices (Forés et al., 2023) (Strategic Social Action). Furthermore, Jiang et al. (2019) found that organizations with strong dynamic capabilities are better equipped to utilize feedback effectively (Social Intelligence). Specifically, they mention processes such as learning from past experiences, iterative learning and adaptation, and knowledge sharing and collaboration. Finally, Community-Driven Development can lead to adjustments in organizational policies and practices (Embedded Social Responsibility). For example, Prayag et al. (2024b) found that engagement with the community helps firms build trust and mutual understanding, which are essential for effective long-term partnerships, thereby influencing their CSR practices.

4.5. Collaborative social transformation

Following the identification of the four social dynamic capability themes through axial coding, theoretical coding was conducted to explore the overarching relationships among them. This step involved examining how these categories interacted and collectively explained the process of social adaptation and transformation in hospitality organizations (Matteucci and Gnoth, 2017). Through constant comparison and iterative reflection, a unifying category of Collaborative Social Transformation emerged, capturing the integrative essence of the preceding themes. Specifically, it reflects how Social Intelligence (sensing), Strategic Social Action (seizing), and Embedded Social Responsibility (transforming) operate synergistically through stakeholder collaboration to enable community-driven outcomes. Although these capabilities reflect a distinct facet of social dynamic capabilities, our findings indicate that these dimensions do not operate in isolation. Instead, hospitality firms can only effectively enact these four social dynamic capabilities when they collaborate with their employees, stakeholders and communities. In other words, collaboration is the enabling condition that would activate and strengthen each social dynamic capability. This emphasis on collaboration and stakeholder engagement gives rise to the core category of Collaborative Social Transformation, as shown in Fig. 2.

Furthermore, Table A2, which identifies the skills under each process, underscores that social transformation cannot occur in isolation, further strengthening the argument that it requires a collaborative effort. Collaborative social transformation concept also embraces

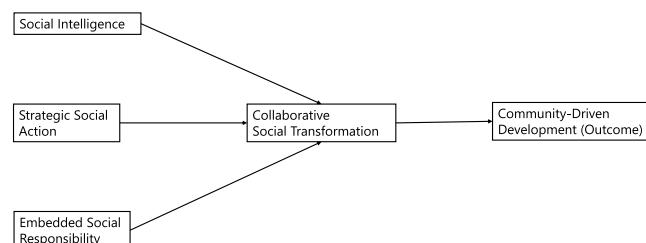


Fig. 2. Social Dynamic Capabilities Theoretical Model.

insights from the axial coding by integrating the four themes (social intelligence, strategic social action, and embedded social responsibility), highlighting the need for hospitality firms to integrate their efforts into a collaborative and transformative framework.

The essence of collaborative social transformation is moving beyond simply possessing individual capabilities and emphasizing the dynamic process of leveraging those capabilities to achieve positive social change. As recognized by [Salvato and Vassolo \(2017\)](#), dynamic capabilities are not static; instead, they are built through a continuous cycle of learning, adaptation, and evolution ([Croes et al., 2020](#)) and, in this case, through joint action between the hospitality companies, stakeholders and the community, recognizing that true social impact emerges from a shared commitment to social well-being and sustainable development.

Embedded Social Responsibility encapsulates the integrative essence of Social Dynamic Capabilities and directly reflects the dynamic capabilities framework in practice. As one of the three central dimensions of SDCs, it demonstrates the organization's capacity for adaptation and change in the social domain, emphasizing continuous learning and responsiveness to evolving community needs. This capability transcends short-term corporate social responsibility projects, instead promoting long-term engagement, partnership building, and iterative learning as the foundation for sustainable social transformation ([Buzzao and Rizzi, 2020](#); [Prayag et al., 2024b](#); [Teece et al., 1997](#)). By integrating the sensing, seizing, and transforming dimensions, Embedded Social Responsibility serves as the mechanism through which hospitality firms institutionalize social purpose and link strategic intent with community outcomes ([Elsharnouby and Elbanna, 2021](#); [Salvato and Vassolo, 2017](#)), operating as the connective tissue of Collaborative Social Transformation, translating strategic social awareness into collective, long-term action that benefits both organizations and their communities.

Collaborative social transformation not only depicts the essence of social dynamic capabilities but also embraces the uniqueness of the hospitality context, where the close interaction between hospitality firms, tourists, host communities, and other stakeholders creates opportunities and challenges for social transformation. Several reasons support this uniqueness of social dynamic capabilities in the hospitality context: (i) social embeddedness as hospitality firms operate within a complex social environment where interactions between the main actors can have significant social impacts and act as catalysts for positive social change; (ii) dynamic nature of the hospitality industry, characterized by its constantly evolving nature, requiring continuous adaptation; (iii) stakeholder diversity, necessitating not only effective communication and collaboration but also the adoption of principles of socially responsible tourism, such as community participation and cultural sensitivity.

4.6. Towards a hierarchical typology of SDC

The findings of this study also resonate with prior literature suggesting that dynamic capabilities can exist at multiple hierarchical levels—such as first-order capabilities that directly adapt operational routines and second-order capabilities that reconfigure other dynamic processes ([Eisenhardt and Martin, 2000](#); [Teece et al., 1997](#)). Within this perspective, three of the social dynamic capabilities identified here, namely, Social Intelligence, Strategic Social Action, and Embedded Social Responsibility, may be viewed as first-order SDCs, as they directly shape how organizations sense, seize, and transform in response to social challenges. By contrast, Collaborative Social Transformation functions as a second-order or meta-capability, integrating and reconfiguring these lower-order SDCs to align organizational strategies with community-driven development ([Leemann and Kanbach, 2022](#)).

5. Theoretical contributions

This study makes significant theoretical contributions by extending the dynamic capabilities framework into the social domain, particularly within the hospitality industry context. The conceptualization of social dynamic capabilities advances the understanding of how organizations can sense, seize, and transform resources to address complex and evolving social challenges. To the best of our knowledge, this constitutes the first attempt to integrate the principles of dynamic capabilities with social sustainability, bridging a critical gap in the existing literature on sustainability practices.

Beyond identifying and structuring the dimensions of Social Dynamic Capabilities, this study contributes to theory by advancing the concept of Collaborative Social Transformation. Drawing on and extending the dynamic capabilities framework ([Teece et al., 1997](#); [Wenzel et al., 2020](#); [Salvato and Vassolo, 2017](#)), CST encapsulates the collective, cross-organizational capacity to align sensing, seizing, and transforming processes around shared social objectives. Whereas traditional dynamic capabilities emphasize firm-level reconfiguration for competitive advantage, CST shifts the focus toward multi-actor collaboration and systemic adaptation, highlighting how networks of organizations and communities co-create social value ([Prayag et al., 2024b](#); [Jiang and McCabe, 2021](#)). In doing so, it reframes transformation as a socially distributed and participatory process rather than an internal organizational function. This conceptual shift bridges dynamic capabilities theory with the literature on social sustainability and stakeholder co-creation, positioning CST as a meta-capability that enables destinations to achieve long-term, community-centered development.

This research also advances the dynamic capabilities framework by elucidating a hierarchical configuration of Social Dynamic Capabilities, whereby Social Intelligence, Strategic Social Action, and Embedded Social Responsibility constitute first-order capabilities that directly shape organizational adaptation in the social domain, while Collaborative Social Transformation operates as a higher-order integrative capability that reconfigures and orchestrates these processes toward community-driven development.

The study also contributes to the grounded theory methodology by demonstrating its applicability in conceptualizing industry-specific capabilities such as social dynamic capabilities. Iterative data collection and analysis illustrate how grounded theory can provide insights into organizational processes, particularly in sectors embedded in local communities like hospitality.

Additionally, this research positions the hospitality industry as a unique and fertile ground for exploring dynamic capabilities due to its embeddedness in local cultures and the high level of human interaction it entails. Throughout the study, we emphasized the distinct characteristics of this industry, such as dynamic demand patterns and stakeholder interdependence, adding depth to the understanding of how dynamic capabilities operate in service-oriented, socially embedded sectors.

6. Practical implications

This study highlights several practical implications for hospitality managers seeking to effectively operationalize social dynamic capabilities to address social sustainability challenges. Based on the collaborative social transformation framework, to respond to RQ 3, we provide a practical framework for hospitality firms to navigate the complexities of social sustainability. The following practical suggestions are illustrated by examples of social projects mentioned by the participants of the confirmatory workshops. [Fig. 3](#) provides a practical framework that outlines how hospitality managers can embed social dynamic capabilities in daily operations.

First, at the central core, managers must recognize that effective implementation of social dynamic capabilities requires a fundamental shift in the organizational mindset toward sustainability and social responsibility. Leadership buy-in is crucial to drive this cultural change,

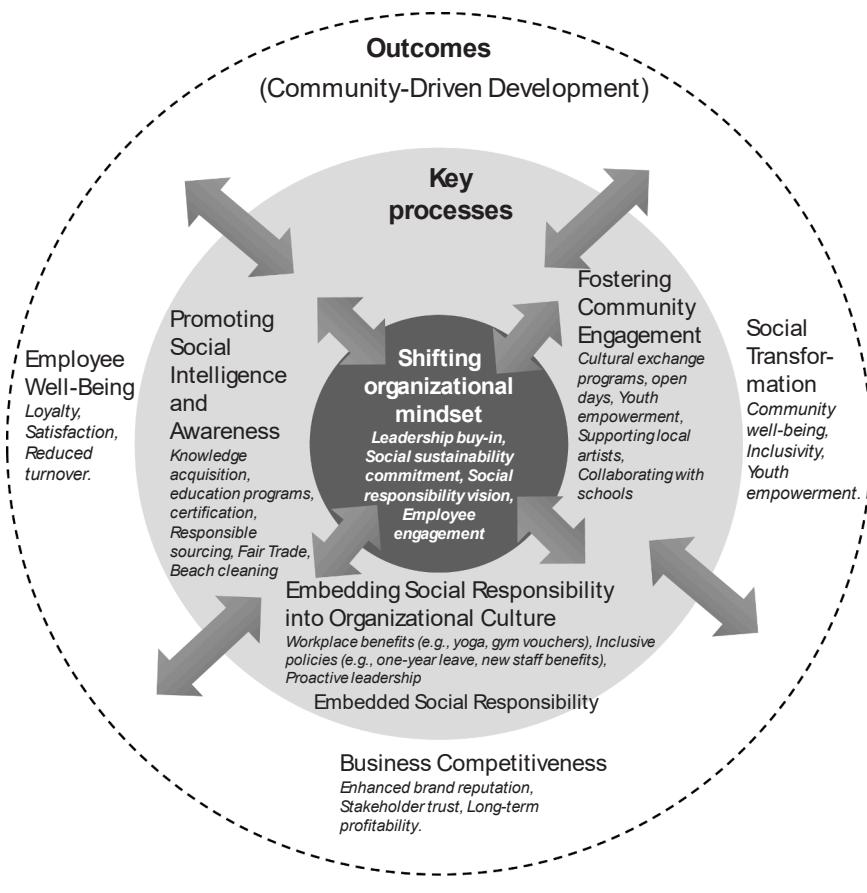


Fig. 3. Framework for Implementing social dynamic capabilities in hospitality Organizations.

supported by consistent communication and training programs emphasizing the importance of aligning business practices with long-term social impact to foster a shared vision among employees and stakeholders.

A second layer consists of the key processes required to operationalize social dynamic capabilities. The first process, Promoting Social Intelligence and Awareness, considers collecting social information and knowledge regarding social needs, trends, and best practices. Promoting social sustainability education and action programs is crucial in fostering awareness among employees, guests, and the local community. Initiatives like sustainability awareness campaigns, responsible sourcing practices, and certification labels demonstrate a firm's dedication to environmental and social responsibility. Internally, long-term relationships with employees support social impact. Activities like outings and daycare facilities show care for staff, while community volunteering and programs for seniors build external trust.

The second process emphasizes embedding social responsibility into core practices. Initiatives like wellness programs, improved amenities, or flexible leave policies enhance employee satisfaction and foster an inclusive environment.

The third key process involves engaging with local communities through partnerships and outreach programs that can significantly enhance a firm's social impact. Projects such as cultural exchanges, local cooking sessions, artist support groups, and youth training programs strengthen community ties and promote long-term socio-economic benefits.

Implications for the Collaborative Social Transformation Concept

By introducing the concept of *collaborative social transformation*, the study suggests key drivers and causal links between hospitality companies and their inter-connectedness with the community. In other words, these companies must recognize the importance of collaborating with communities to address social issues and seize opportunities such

collaboration provides. This idea aligns with the sensing dimension, especially in how organizations sense and respond to external factors (Prayag et al., 2024a).

We propose a *shift in mindset* from a transactional view to a more collaborative one is critical since having a shared vision is vital for dynamic capabilities to be effective (García-Morales et al., 2011). Hence, a long-term commitment to social well-being in addition to economic goals is needed, aligning with the essence of transformational capabilities (Gulino et al., 2020). Such a perspective encourages a culture of mutual respect and shared value creation, ensuring tourism benefits are distributed fairly (Jiang and McCabe, 2021). In addition, it is also important to combine individual thoughts, habits, and feelings to notice and respond to the need for change in changing environments (Salvato and Vassolo, 2017).

Contextual factors shape collaborative social transformation effectiveness in hospitality, as community and employee cultural values and traditions influence strategies and outcomes (Aladağ, 2023; Bari et al., 2022). These cultural dimensions ensure that social initiatives are respectful and inclusive and align with the community's identity. The *economic context* at the destination further impacts by influencing the resources available for social projects and community growth. According to Gulino et al. (2020), firm ownership and leadership are important for securing the financial and human resources needed for ongoing social initiatives. Finally, the *political context* can affect hospitality competitiveness due to public allocation choices (Croes et al., 2020) and can aid collaborative social transformation efforts. Ettlie et al. (2021) posited that a firm's dynamic capabilities depend on how involved the government is and the rules in place.

7. Conclusions

The outcomes pinpoint unique aspects of the industry such as its

reliance on people's interactions and its closer connection with local communities, making social dynamic capabilities a strategic tool that can be used to build resilient stakeholder relationships and long-term value creation. This study set out to answer three research questions. Our findings show that for research question 1, hospitality firms develop social dynamic capabilities by focusing on the dimensions of dynamic capabilities. As shown in Table A2, the skills that are needed to enable hospitality firms to remain agile and responsive to the changing social environment are social listening and environmental scanning skills, which form part of the sensing capability, resource allocation, collaborative skills, and stakeholder management for seizing capabilities and transforming capabilities such as integrating social values into organization practices through employee training and promoting proactivity.

For the second research question, the results identified four themes: social intelligence, strategic social action, embedded social responsibility, and community-driven development. The links between these themes were identified, and an integrated concept of collaborative social transformation was developed, providing a clear path for hospitality companies to orchestrate their organizational capabilities.

Finally, for third research question, our results and practical findings suggest how firms should integrate social dynamic capabilities into their daily operations, requiring a shift in mindset as a starting point to align organizational processes with social goals.

While valuable, this exploratory qualitative study with a small participant pool has limitations in sample size and generalizability. We therefore interpret the results as initial evidence toward a theory of social dynamic capabilities rather than a definitive generalization for all contexts. Future research with a broader or more diverse sample (e.g. additional industries, longitudinal data) should validate and extend this framework. Finally, scale development studies could work on operationalizing the construct and its dimensions. Nevertheless, we believe that the framework and conceptual development of social dynamic capabilities is important especially for the hospitality industry because of its embeddedness in the community in which it operates. Future studies may refine our conceptualization, derive testable hypotheses and collect empirical data that may provide even more guidance to practitioners in the industry.

Furthermore, the hierarchical view of social dynamic capabilities suggests that the ability to continuously learn and coordinate across multiple social processes represents the highest expression of dynamic capability in the social domain. Future research could further investigate this multi-level structure and its implications for social

sustainability and strategic renewal in hospitality organizations.

Given that positive social transformation within the destination constitutes the ultimate objective of social dynamic capabilities, future research should advance its measurement and operationalization. This transformation may be assessed through a multidimensional set of indicators capturing organizational, community, and destination-level changes. At the organizational level, indicators could include the institutionalization of socially responsible practices and the establishment of long-term partnerships with local stakeholders. At the community level, measures might focus on enhanced social inclusion, empowerment, and capacity building among residents. Finally, at the destination level, indicators could encompass improvements in social cohesion, quality of life, and participatory governance in tourism development (Buzzao and Rizzi, 2020; Prayag et al., 2024b).

As a final thought, this study also highlights the potential role of researchers as active convenors and facilitators of collective and collaborative action in the social transformation process. In line with participatory and reflexive research traditions, scholars can serve as boundary-spanners who bring together diverse stakeholders, industry practitioners, community representatives, and policymakers, to co-create understanding and solutions (Bertella et al., 2021; Matteucci and Gnoth, 2017). The design and moderation of spaces for dialogue, such as co-creation workshops and living labs, allows researchers to contribute not only to theory development but also to the activation of social dynamic capabilities in practice.

CRediT authorship contribution statement

Laura Zizka: Writing – original draft, Validation, Methodology, Data curation, Conceptualization. **Shaniel Bernard:** Writing – review & editing, Writing – original draft, Validation, Investigation. **Dias Alvaro:** Writing – original draft, Visualization, Validation, Software, Methodology, Investigation, Formal analysis, Conceptualization. **Manisha Singal:** Writing – review & editing, Writing – original draft, Supervision, Methodology, Conceptualization. **Jo Ann Ho:** Writing – review & editing, Writing – original draft, Validation, Methodology.

Declaration of Competing Interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

Appendix

Table A1

Open Codes for Social Dynamic Capabilities

Open Code	Dynamic Capability Link	Sample of Participant Responses
Community-Centric Communication	Sensing - Understanding community needs and perceptions	Townhall/discussions with staff, Social media, Webpage, Community events, Storytelling
Continuous Social Learning	Sensing - Identifying and understanding social trends and best practices	Surveys, Social listening tools, Dashboard, Written documents, Meetings, Research studies, Satisfaction survey, Email/Feedback forms, Consultants/experts
Long-Term Vision	Seizing - Developing strategies for long-term social impact	Patience, Cultural sensitivity, Clear communication, Leadership and management skills, Empathy, Networking
Adaptive Social Initiatives	Seizing - Implementing and adjusting projects based on feedback and changing needs	Project meetings, Feedback meetings, Quarterly community engagement event
Culture of Social Responsibility	Transforming - Embedding social values into the organization's culture	Emphasis on CSR, Culture learning, Open to new initiatives involving locals, Make social a priority, Allocate a budget for social initiatives
Empowered Social Action	Transforming - Fostering employee engagement and leadership in social initiatives	The way of thinking of the employees, Open mindset, Creating a culture that is inclined toward sustainability initiatives, More resilient and empowered employees to lead and support each other
Community Education & Empowerment	All three capabilities - Continuously educating and empowering the community for long-term social well-being	Educating the locals, Training programs, Collaborating with locals, Helping with job seeking, Aiding with clothing for interviews, Suicide and risk courses and workshops

(continued on next page)

Table A1 (continued)

Open Code	Dynamic Capability Link	Sample of Participant Responses
Social Connection & Motivation	All three capabilities - Building and maintaining relationships, motivating stakeholders	Networking, Communication, Motivation to mobilize team and volunteers, Emotional engagement
Long-Term Community Well-being	All three capabilities - Focusing on initiatives that promote lasting social impact	Educating local community, Social equality, Community building, Community engagement, Culture competence/leadership, Communication and networking with stakeholders/community, Leading by example, Adaptability, Make sure projects are well-implemented, Have regular meetings/ share information ('trust'), Being kind; caring for elders, etc., Patience; willing to wait and see how projects evolve

Table A2

Axial Coding Framework for Social Dynamic Capabilities

Axial Code (Category)	Open Codes	Dynamic Capability Link	Description
Social Intelligence	Community-Centric Communication, Continuous Social Learning	Primarily <i>Sensing</i>	This category captures the organization's ability to gather and interpret information about the social environment. It includes actively listening to the community, understanding their needs and perceptions, and staying informed about social trends and best practices.
Strategic Social Action	Long-Term Vision, Adaptive Social Initiatives	Primarily <i>Seizing</i>	This refers to the organization's capacity to develop and implement strategies that address social challenges effectively. It involves setting a long-term vision, designing adaptable initiatives, and making decisions that prioritize social impact.
Embedded Social Responsibility	Culture of Social Responsibility, Empowered Social Action	Primarily <i>Transforming</i>	This category highlights the integration of social values into the organization's core identity and operations. It includes fostering a culture of social responsibility, empowering employees to take social action, and aligning organizational structures and processes to support social initiatives.
Community-Driven Development	Community Education & Empowerment, Social Connection & Motivation, Long-Term Community Well-being	All three capabilities	This category emphasizes the ongoing engagement with and empowerment of the community. It involves building strong relationships, fostering trust, and implementing initiatives that contribute to the long-term well-being of the community.

Data availability

Data will be made available on request.

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