

## **THE POWER OF HUMAN CAPITAL TO ACHIEVE A COMPETITIVE ADVANTAGE: Survey of the Hospitality Industry in West Java (2022-2023)**

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### **ABSTRACT**

The phenomenon of heightened competition in the tourism industry, particularly in West Java, underscores the necessity for star-rated hotels to enhance their competitive advantages. This study aims to investigate the interrelationships among market orientation, human capital, service quality, and competitive advantage within the hospitality sector. Using a quantitative approach, survey research design, and explanatory research objectives, involving hotel guests in West Java. A total of 325 participants were surveyed, yielding 316 valid responses for analysis using Structural Equation Modeling (SEM). The findings indicate that both effective market orientation and quality human capital significantly influence service quality in the hotel industry, both independently and collectively. Moreover, the study demonstrates that market orientation and human capital exert their maximum impact on competitive advantage through improvements in service quality. These insights contribute to theoretical understanding and practical applications in the hospitality sector, emphasizing the need for hotel management to prioritize the development of market orientation and human capital to optimize service quality and, ultimately, competitive advantage. Recommendations include implementing targeted training programs for staff and adopting strategies that align with customer expectations to foster sustained growth and competitiveness in the industry. By addressing these factors, star-rated hotels in West Java can better position themselves in an increasingly competitive landscape.

**Key words:** Market Orientation; Human Capital; Service Quality; Competitive Advantage; Hospitality Industry

## **KEKUATAN MODAL INSANI UNTUK MENCAPAI KEUNGGULAN KOMPETITIF: Survei pada Industri Perhotelan di Jawa Barat (2022-2023)**

### **ABSTRAK**

Fenomena meningkatnya persaingan di industri pariwisata, khususnya di Jawa Barat, menggarisbawahi perlunya hotel berbintang untuk meningkatkan keunggulan kompetitif mereka. Penelitian ini bertujuan untuk menyelidiki keterkaitan antara Orientasi Pasar, Human Capital, Kualitas Layanan, dan Keunggulan Kompetitif dalam sektor perhotelan. Dengan menggunakan pendekatan kuantitatif, desain penelitian survei, dan tujuan penelitian eksplanasi, yang melibatkan tamu hotel di Jawa Barat. Sebanyak 325 peserta disurvei, menghasilkan 316 tanggapan yang valid untuk analisis menggunakan Structural Equation Modeling (SEM). Temuan menunjukkan bahwa orientasi pasar yang efektif dan sumber daya manusia yang berkualitas secara signifikan mempengaruhi kualitas layanan di industri perhotelan, baik secara mandiri maupun kolektif. Selain itu, penelitian ini menunjukkan bahwa orientasi pasar dan sumber daya manusia memberikan dampak maksimal pada keunggulan kompetitif melalui peningkatan kualitas layanan. Wawasan ini berkontribusi pada pemahaman teoritis dan aplikasi praktis di sektor perhotelan, menekankan perlunya manajemen hotel untuk memprioritaskan pengembangan orientasi pasar dan sumber daya manusia untuk mengoptimalkan kualitas layanan dan, pada akhirnya, keunggulan kompetitif. Rekomendasi termasuk menerapkan program pelatihan yang ditargetkan untuk staf dan mengadopsi strategi yang selaras dengan harapan pelanggan untuk mendorong pertumbuhan dan daya saing yang berkelanjutan di industri. Dengan mengatasi faktor-faktor ini, hotel berbintang di Jawa Barat dapat memposisikan diri dengan lebih baik dalam lanskap yang semakin kompetitif.

**Kata kunci:** Orientasi Pasar; Human Capital; Kualitas Layanan; Keunggulan Bersaing; Industri Perhotelan

### **INTRODUCTION**

Business competition spans numerous sectors, including the tourism industry, which has become increasingly competitive in recent years (Bocken

& Geradts, 2020; Haseeb et al., 2019; Souto, 2015). The escalation of competition compels business leaders to seek effective strategies to navigate the evolving business landscape, focusing on understanding consumer needs and

preferences (Abdel-Basset et al., 2018; Ganguly et al., 2019; Zhang et al., 2017). This dynamic shift in the business environment significantly impacts company performance, resulting in intensified rivalry among firms (Unerman et al., 2018). Consequently, businesses must adeptly manage their operations to establish competitive advantages, fostering growth and sustainability in the face of competition while ensuring profitability. This necessitates the formulation of appropriate competitive strategies tailored to the unique circumstances of each organization.

To thrive in this highly competitive landscape, companies must cultivate a competitive advantage, as it directly influences their resilience in the marketplace (Leal-Rodríguez et al., 2015; Meyer et al., 2014; Nieves & Haller, 2014). Achieving a competitive advantage entails focusing on delivering superior value to customers, fostering a strong organizational culture, and enhancing operational efficiency across various sectors (Akhavan & Mahdi Hosseini, 2016a; Herrera, 2015; Yang et al., 2019).

The grand theory of this research, **Resource-Based View (RBV)**, states that unique and valuable resources, including *human capital*, are the key to obtaining a sustainable competitive advantage. In the context of the hospitality industry, the knowledge, skills, and experience that employees possess can be an advantage that is difficult for competitors to imitate, thereby increasing the competitiveness of the company (Cerasoli et al., 2014; Cegliński, 2017; Chuang & Huang, 2018; Porter, 2008).

Middle Range Theory of this study, **Human Capital Theory**: This theory states that investments in individuals, such as training, education, and skill development, increase their productivity and added value to the organization. In the hospitality industry, skilled and trained employees have a higher capacity to provide quality service, which is an important factor in customer satisfaction and, ultimately, competitive advantage (Collings et al., 2019; Rauch & Rijdsdijk, 2013).

Applied Theory of this research, **Service Quality (SERVQUAL) Model**: This model is used to measure and manage service quality based on five key dimensions: reliability, responsiveness, assurance, empathy, and physical evidence. In the context of hospitality, the SERVQUAL model can be applied to design and evaluate the standards of service provided by employees to customers, ensuring that the services provided are able to meet and exceed customer expectations, which is an important factor in maintaining a competitive advantage (Ashfaq et

al., 2020; Wirtz & Jerger, 2016; Zhang et al., 2019).

Macro-wise, organizations have the readiness to face changes and are able to adapt and respond to changes that are important to create competitive advantages (Cegliński, 2017; Chuang & Huang, 2018). The competitive strategy of business refers to the idea of contested goals. Where two or more companies are looking for one goal, such as the sale of products to customers.

Thus, the (Medlin et al., 2016) competitive nature in an industry in terms of who competes with whom and the way in which they compete is a major concern for both strategists and practitioners given that competition tends to be a powerful motivator and a significant driver of behavior (Cerasoli et al., 2014). The theorist's conceptualizations of competitive action and how it can occur throughout the industry have emerged from a variety of perspectives, including oligopoly theory, game theory, competitive dynamics or 'warfare' models, and industrial organization economics. All these approaches recognize that (Carnes et al., 2019; Li et al., 2019; Chen & Miller, 2015; Porter, 2008).

The results of the research conducted by (Bhattarai et al., 2019; Cabrilo & Dahms, 2018; Molina-Azorín et al., 2015b) prove that market orientation has a positive relationship to competitive advantage. Companies that implement market orientation have advantages in terms of customer knowledge and these advantages can be used as a source to create products that are in accordance with customer wants and needs. Market orientation has been characterized as an organizational culture that requires customer satisfaction to be put at the center of business operations, therefore, resulting in superior value for customers and outstanding performance for the company (Auld, 2018; Bigné et al., 2005; Slater & Narver, 1994). Thus, it can be said that a market-oriented company will have more value to its customers so that it has a high competitive advantage and will ultimately improve the company's performance. Reviewing studies related to market orientation, it was conveyed that the Market Orientation Contract in this study is the company's efforts to meet more value to consumers by obtaining market information and market needs from consumers that must be met (Buhalis et al., 2020; Green et al., 2019; Hossain et al., 2020). Relating to consumer-oriented enterprises, competitors, and coordination between functions within the company.

Almost all companies in the world strive to build different and sustainable values by increasing assets that cannot be measured by money which is often called intellectual capital.

Human capital is part of the intellectual capital that exists in human resources in the company (Fleming, 2017; Nyberg et al., 2014; Ogundari & Awokuse, 2018). It is undeniable that in the world of hospitality this is also needed to create value for a hotel in the eyes of its consumers (Leonidou et al., 2017; M. T. Liu et al., 2014; Molina-Azorín et al., 2015b).

Labor is the rate of return of inventories in human capital which is expected to improve performance, productivity, flexibility, and capacity to improve the condition of the less skilled to become skilled workers and the level of knowledge and competence (Cebrián & Junyent, 2015; Dirani et al., 2020; McDanie et al., 2014). Human capital Although not only seen by individuals but also as a work team that has personal relationships both inside and outside the company (Collings et al., 2019; Rauch & Rijdsdijk, 2013; Weingaertner & Moberg, 2014). Human capital is important because it is a source of innovation and strategy renewal that can be obtained from brainstorming through laboratory research, management dreams, process reengineering, and the improvement or development of workers' skills. In addition, human capital provides added value to the company every day, through motivation, commitment, competence, and effectiveness of teamwork. An added value that can be contributed by workers in the form of developing competencies owned by the company, transferring knowledge from workers to the company, and changing management culture (Ahmed & Wang, 2019; Tan, 2014; Teixeira & Queirós, 2016).

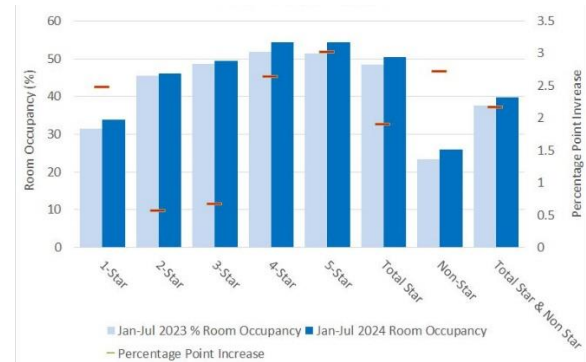
The service sector has notably flourished amid globalization, characterized by a significant transition of the workforce from agriculture to industry and, ultimately, to services (Fernando et al., 2019; Jiang & Zhang, 2016; Storey et al., 2016). This sector is regarded as the pinnacle of economic development, with tourism services experiencing particularly rapid growth (Benavides-Velasco et al., 2014; Boes et al., 2016; Wirtz et al., 2019). The hospitality industry, a vital component of tourism, plays a crucial role in enhancing national economies, including that of Indonesia.

On a global scale, the tourism industry stands as one of the largest economic sectors (de Massis et al., 2016; Molina-Azorín et al., 2015a; Richards, 2014), accounting for approximately 37% of international trade in services. In Southeast Asia, tourism contributes to 10-12% of the Gross Domestic Product (GDP) and 7-8% of total employment (de Kervenoael et al., 2020; Kontogeorgopoulos et al., 2014; Leong et al., 2015). This highlights the critical role of tourism in global business competition, including within

Indonesia. As the tourism sector evolves, the supporting industries, particularly hotels, are also experiencing rapid advancements (Benavides-Velasco et al., 2014; Mittal & Dhar, 2015; Rhou et al., 2016).

The hotel industry, which provides essential lodging services, is integral to stimulating future growth in tourism. The demand for accommodations represents a significant market opportunity that requires effective management (Mikalef et al., 2020; Ordanini et al., 2014; Tantalo & Priem, 2016). Hotels not only offer lodging but also encompass meeting spaces, food and beverage services, and other commercially managed amenities services (Govindan et al., 2015; He et al., 2015; Saeidi et al., 2015).

Tourism encompasses travel for recreational, vacation, or business purposes, as defined by the World Tourism Organization (WTO), which describes tourists as individuals who travel and reside outside their usual environment for over 24 hours but less than one year, with purposes unrelated to paid activities at the destination (Han & Yoon, 2015; Karatepe & Demir, 2014; Singjai et al., 2018). In Indonesia, the hospitality industry continues to show year-on-year growth, evident in the fluctuating occupancy rates of star-rated hotels in West Java from 2023 to 2024.



**Figure 1. Growth of Room Occupancy Rate of Star and Non-Star Hotels in West Java (Period Jan-July 2023 – Jan-July 2024)**

Source: Woods (2023)

Over the past year (from May 2022 to April 2023), Indonesia has experienced varying levels of recovery in hotel occupancy rates across its provinces, particularly for star-rated establishments. While well-known tourist destinations like Bali and the Riau Islands have shown marked improvement, more remote areas such as Papua, Maluku, and North Kalimantan have struggled, witnessing declines in performance. Bali has emerged as a leader in hotel occupancy recovery, with its occupancy rate climbing from 16% to 43.3%. This impressive 27.2 percentage point increase can be attributed to

the province's concerted efforts to revive its international market while also re-engaging the domestic market.

The Riau Islands, especially the islands of Batam and Bintan, also demonstrated significant progress, with occupancy rates rising by 17.6 percentage points. The region benefits from its geographical proximity to Singapore, which attracts numerous tourists from Singapore seeking leisure, shopping, and recreational activities. Within Java, aside from DKI Jakarta, provinces like Yogyakarta and Central Java experienced notable gains in hotel occupancy, increasing by 14.7 and 12 percentage points, respectively. The robust transportation infrastructure, dense population, and diverse attractions of Java contribute to its appeal among domestic travelers, even in challenging times. These factors collectively facilitated a substantial recovery in hotel occupancy in these regions.

Despite the positive trends in many popular destinations, some remote and less accessible areas faced significant challenges. Provinces such as Papua, Maluku, and North Kalimantan saw declines in hotel performance during the past year. This downturn can be attributed to factors like limited transportation options, lesser-known attractions, and overall reduced accessibility, all of which likely contributed to lower occupancy rates in these regions.

In light of these developments, this study focuses on the performance of star-rated hotels in West Java, particularly through the lens of competitive advantages. As competition intensifies in the international tourism sector, only well-managed destinations are likely to endure (Akhavan & Mahdi Hosseini, 2016b; Boes et al., 2016; Manthiou et al., 2014). Consequently, countries aiming to establish themselves as prime tourist destinations must invest significantly in competitive advantages, supported by favorable government policies (Kannan, 2018; Lazzarini, 2015; H. Liu et al., 2016).

The hospitality industry, a vital component of the tourism sector, is closely tied to the evolving political and economic landscape (Guerrero et al., 2015; Marquis & Raynard, 2015; Vrontis et al., 2016). Recent uncertainties in the national economic and political environment, including proposed fuel price hikes and increased basic electricity tariffs, along with unpopular policy decisions, have inevitably affected consumer purchasing behavior for both service and non-service products. This suggests that hotel prices will need to adjust according to prevailing economic conditions (Calabrese et al., 2019; Lin, 2014; Rohrbeck et al., 2015).

Changes in hotel operation policies will also influence market preferences in hotel selection.

Another critical aspect of the hospitality industry is service quality (Bowen & Schneider, 2014; Herhausen et al., 2015; Jiang & Zhang, 2016). Notably, the highest levels of service are closely associated with hotel operations. Evaluating customer satisfaction in hotels ultimately hinges on the quality of service provided (Jiang & Zhang, 2016; M. T. Liu et al., 2014; Sidali et al., 2015).

According to service quality theories, a company's success in delivering quality services is influenced by its service approach. This framework posits that service quality encompasses a variety of potential applications that can assist various service and retail organizations in examining consumer expectations and perceptions of service quality (Bellé, 2014; Caillier, 2014; Hsiao et al., 2015). It can also aid in identifying areas requiring managerial focus and intervention to enhance service quality. Service quality is paramount for success in service-driven industries such as salons, hospitals, banks, and hotels (Ferreira et al., 2021; Nosratabadi et al., 2019; Veit et al., 2014). A shared characteristic of these sectors is the intensive interaction with consumers, which necessitates management's attention to whether employees are fulfilling their roles to meet customer satisfaction (Baker et al., 2014; Sharma et al., 2016). Optimal service quality is achievable when a company fosters job satisfaction and organizational commitment among its employees. Hotels, as service-oriented businesses, must prioritize ensuring service quality, as it has a direct or indirect impact on consumers.

Despite the growing body of literature on market orientation, human capital, service quality, and competitive advantage in the hospitality sector, significant gaps remain, particularly within the context of star-rated hotels in West Java. Previous studies have largely focused on isolated variables without thoroughly examining their interconnections and cumulative impact on competitive advantage. Additionally, the unique cultural and economic landscape of West Java presents distinct challenges and opportunities that have yet to be fully explored in existing research.

This study aims to address these gaps by investigating the intricate relationships among market orientation, human capital, service quality, and competitive advantage within the hospitality industry. The central problem revolves around understanding how effectively star-rated hotels can leverage market orientation and human capital to enhance service quality and, consequently, achieve a sustainable competitive advantage.

To guide this research, the following questions are posed: How does market orientation influence service quality in star-rated hotels? In what ways

does human capital affect competitive advantage in this context? And how do service quality and human capital interplay to enhance competitive advantage?

The objectives of this research are to identify and analyze the relationships between these variables and to provide actionable insights for hotel management aimed at improving service quality and securing a competitive edge in the rapidly evolving tourism industry.

Based on the explanation that has been described, it is suspected that market orientation and human capital partially and simultaneously affect the quality of service in the hotel industry in West Java; Market orientation and Human Capital partially and simultaneously affect competitive advantage; The interaction of human capital with service quality can increase competitive advantage.

## METHOD

The research employs a survey method, characterized by both descriptive and explanatory approaches. This dual methodology allows for a more comprehensive understanding of the research variables through descriptive surveys that present a detailed overview and explanatory surveys that analyze relationships between the variables. The survey method is implemented by directly gathering information in the field via questionnaires, which facilitates the examination of research variables in a more meaningful manner through quantitative data and written descriptions.

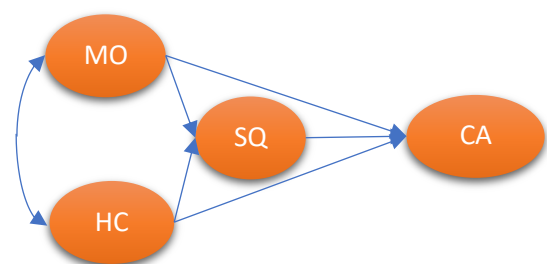
In this study, four key variables are investigated: two independent variables—market orientation (MO) and human capital (HC)—one dependent variable—competitive advantage (CA)—and one intervening variable—service quality (SQ). Market orientation is assessed using three dimensions: customer orientation, competitor orientation, and functional coordination.

To evaluate human capital, the focus is on the hotel's human resources, measured through attributes such as intelligence, creativity, talent, knowledge, skills, and abilities. Service quality, from the perspective of consumer value, is gauged by comparing customer expectations with the actual performance of services received. This evaluation utilizes established dimensions of service quality, including tangibles, reliability, responsiveness, assurance, and empathy. Competitive advantage, the dependent variable of this study, is critical for generating profits and is characterized by dimensions such as cost advantage, differentiation, and focus strategy.

Data for this research are collected from both primary and secondary sources, from March 2022 to August 2023. Data collection techniques are carried out by direct communication techniques and indirect communication techniques. Primary data are obtained through questionnaires distributed to customers of star-rated hotels in West Java. Secondary data are sourced from literature, including journals on strategic management and marketing, as well as documents from organizations such as the Central Statistics Agency (TCSA), which provides hotel customer data for West Java, and the West Java Culture & Tourism Office, which offers information about star-rated hotels in the region. Both primary and secondary data are analyzed to extract crucial insights regarding market orientation, human capital, service quality, and competitive advantages within the hotel industry, particularly focusing on star-rated hotels in West Java.

The sample for this study is drawn from a population of star-rated hotel customers in West Java. Due to the impossibility of calculating the entire population, sampling is conducted using a formula appropriate for Structural Equation Modeling (SEM). In this research, a total of 325 responses were collected. The assessment of validity and reliability is conducted to ensure that the manifest variables accurately represent the latent variables.

Descriptive and statistical analyses reveal significant relationships among the variables. Following this, a strategic mapping model is developed to address the challenges faced by hotels in West Java. This model serves as a framework for problem-solving within the industry.



**Figure 2. Problem Solving Strategy Map**

Source: Processed Researcher (2024)

## RESULTS AND DISCUSSION

A total of 316 valid responses were collected from hotel consumers, representing the diverse clientele of star-rated hotels in West Java. The study encompasses all cities within West Java without differentiating among the star ratings of the hotels, allowing for comprehensive insights that apply to three, four, and five-star establishments alike. Information was gathered on



the profiles of hotel users in West Java, including demographic factors such as gender, age, marital status, education level, income, and motivations for staying at these hotels. Additionally, the respondents' perspectives on key research variables market orientation, human capital, service quality, and competitive advantage were examined.

The analysis revealed that male customers dominate the star-rated hotel market in West Java, accounting for 66% of respondents. This trend may be attributed to business travel, as men often serve as the primary decision-makers in families, bringing their families along during their stays. Age distribution among respondents shows that the majority fall within the 31-40 age range, comprising 44% of the sample, followed by those aged 20-30 at 25%, and those over 40 years at 22%. Regarding marital status, married individuals represented the largest group, with 234 respondents (74%). The educational background of the respondents indicates that most hold undergraduate degrees, totaling 218 individuals (69%). Income data revealed that the predominant earnings bracket among respondents is between Rp. 6 – 10 million, which includes 136 respondents or 26% of the total sample.

When examining motivations for hotel stays, business needs emerged as the leading reason, cited by 221 respondents (70%). Additionally, the strategic location of the hotel was highlighted as the most influential factor in choosing accommodations, as indicated by 212 respondents (67%).

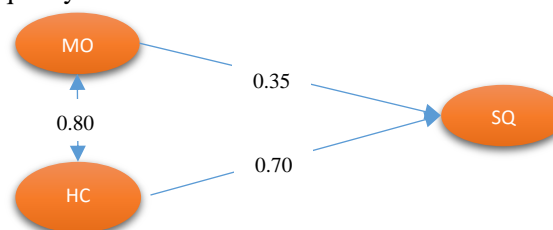
The subsequent analysis of the relationships among the variables yields the following results:

### 1. The Influence of Market Orientation and Human Capital on the Quality of Service of Star-rated Hotels in West Java

The subsequent phase of this research focuses on exploring the relationships between the identified variables. The analysis technique employed to address the research questions is the Structural Equation Model (SEM). SEM is a statistical approach that facilitates the simultaneous examination of complex relationships among variables.

The validity and reliability tests confirm that the indicators included in the questionnaire effectively measure the constructs of market orientation, human capital, service quality, and competitive advantage, yielding accurate and reliable results as assessed by customers of star-rated hotels in West Java. The study specifically evaluates market orientation and human capital through the perspectives of these customers, building on prior research that indicates these factors significantly influence service quality.

To elucidate these relationships, the following values of the correlation coefficients ( $r$ ) from the path analysis will be presented, addressing the second research objective regarding the effects of market orientation and human capital on service quality.



**Figure 3. Relationship between Market Orientation, Human Capital and Service Quality**

Source: Processed Statistical Data (2024)

The study's findings indicate a significant relationship between market orientation and human capital. This relationship is evidenced by a strong correlation coefficient of 0.80, suggesting a close and positive association between the two variables. The research highlights that as market orientation, as evaluated by customers of star-rated hotels, increases, so too does the assessment of employee human capital within these hotels.

Enhancing both market orientation and human capital is crucial, particularly when considering their impact on the quality of service provided by hotel employees. However, it is essential for the improvement of these two variables—market orientation and human capital—to occur in tandem, given their positive interrelationship.

### 2. The Effect of Market Orientation on Service Quality

The subsequent analysis in this research, illustrated in Figure 2, focuses on the relationship between market orientation and the quality of service provided by star-rated hotels in West Java. The correlation between these two variables is represented by a value ( $r$ ) of 0.35. Although this value indicates a moderate relationship—falling below the threshold of 0.5—it still suggests that market orientation does influence service quality in star-rated hotels.

The findings imply that as market orientation increases within these hotels, there will be a corresponding improvement in service quality, reflecting a positive association between the two variables. While the strength of this relationship is categorized as sufficient, the impact of market orientation on enhancing service quality is not excessively strong.

Furthermore, the results indicate that improving market orientation alone is sufficient to enhance service quality. The analysis reveals that market orientation accounts for a 12% influence

on service quality, suggesting that for every incremental improvement in market orientation, service quality is likely to rise by 12%. Although this influence is not overwhelmingly large, it nonetheless plays a significant role in elevating the quality of service provided by employees in star-rated hotels.

### 3. The Effect of Human Capital on Service Quality

In addition to market orientation, the human capital variable, as illustrated in Figure 3, demonstrates a significant relationship with the quality of service in star-rated hotels in West Java. The analysis reveals a correlation of 0.70 between human capital and service quality. This finding suggests that enhancements in human capital within star-rated hotels can lead to improvements in the quality of service provided by their employees.

Notably, these results differ from previous findings concerning the correlation between market orientation and service quality, where the latter exhibited a weaker correlation. This indicates that the quality of service delivered by employees in star-rated hotels is more closely linked to human capital than to market orientation.

The data further reveal that human capital accounts for a substantial 49% influence on service quality, surpassing the impact of market orientation. Various dimensions are considered within the human capital framework, including intelligence, creativity, talent, knowledge, skills, and abilities. Prior descriptive studies have shown that all dimensions of human capital are rated positively. Nevertheless, the assessment of star-rated hotel customers indicates that human capital exerts a greater influence on service quality compared to market orientation.

### 4. The Effect of Simultaneous Market Orientation and Human Capital on Service Quality

The analysis revealed that both market orientation and human capital simultaneously influence service quality. This finding is particularly valuable for the star-rated hotel industry in West Java and other cities in Indonesia as it informs decision-making related to service quality improvements tied to these two variables. It is important to note that many star-rated hotels may not adequately recognize the relationship between these variables. Evidence from a previous survey indicated that the educational background of hotel staff is often dominated by individuals without formal training in the Hospitality Department. This phenomenon underscores the need to consider human capital in enhancing service quality, alongside market

orientation, as both have a direct impact on service delivery.

This research contributes to the field by demonstrating that market orientation and human capital collectively influence service quality. The structural equation results reveal that service quality can be modeled as follows:  $Quality = 0.35 * Market\ Orientation + 0.70 * Human\ Capital$ , with an  $R^2$  value of 0.74. This indicates that together, these two variables account for 74% of the variance in service quality. Notably, this study presents an original perspective, as previous research primarily focused on the individual relationships of these variables, rather than their combined effect.

Thus, the originality of this study lies in its innovative approach, establishing that both market orientation and human capital are independent variables that collectively influence service quality in the hospitality industry. Furthermore, it confirms that both factors impact the service quality of star-rated hotels in West Java, both independently and together. To validate these findings, hypothesis testing was conducted, and the t-test values for market orientation, human capital, and service quality are presented in Table 1.

**Table 1. Test Value Result t**

Variable	t	df	Sig.
Market Orientation	5.39	115	.000
Human Capital	9.94	115	.000

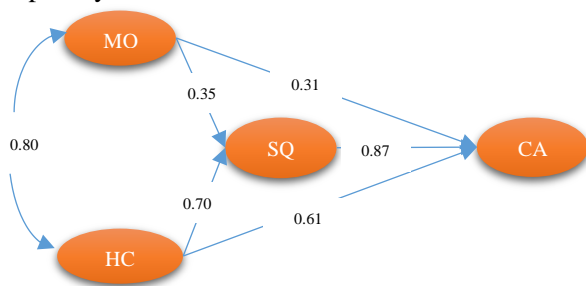
Source: Processed Statistical Data (2024)

Table 1 presents the t-test values derived from the previous research model, showcasing the t-values for each pathway. The t-value for the relationship between market orientation and employee service quality, as assessed by customers, is calculated at 5.39. This indicates a positive correlation, as shown in the chart. Similarly, the t-test value for human capital in relation to service quality stands at 9.94, also reflecting a positive relationship.

Moreover, the significance level for all pathways is 0.000. This indicates that both exogenous variables—market orientation and human capital—and the endogenous variable, service quality, exhibit a statistically significant relationship. This significance is further reinforced by the Sig. value, which is below the threshold of 0.05.

## 5. The Influence of Market Orientation and Human Capital on the Competitive Advantage of Star-rated Hotels in West Java Through Service Quality

Following the examination of the relationships between market orientation and human capital concerning service quality, as well as the connections between market orientation and human capital with competitive advantage through service quality, this path analysis study was conducted at star-rated hotels in West Java. The statistical data analysis yielded the research model illustrated in Figure 3. In this context, competitive advantage is identified as the primary objective of the research. The study investigates how competitive advantage can be achieved through the lenses of market orientation and human capital, with service quality serving as a mediating factor. This emphasis on service quality is critical within the hospitality industry. Previous research has highlighted the significance of service quality, underscoring its central role in enhancing the overall performance of the hospitality sector.



**Figure 4. Market Orientation Relations, Human Capital, and Quality of Service and Competitive Advantage**  
Source: Processed Statistical Data (2024)

## 6. The Effect of Market Orientation On Competitive Advantage

The findings of this study indicate that market orientation is positively associated with competitive advantage, with a correlation value of 0.31 identified between the two. Although this correlation is not particularly strong, given that it falls below 0.5, it remains significant in contributing to the competitive advantage of star-rated hotels in West Java. Analyzing the dimensions of competitive advantage, which include cost advantages, differentiation, and focus strategies, it becomes evident that these aspects are effectively fostered by a strong market orientation within star-rated hotels. Consequently, an increase in market orientation correlates with a corresponding increase in competitive advantage, affirming their positive (linear) relationship.

Furthermore, the study highlights that elements of market orientation—such as customer

orientation, competitor orientation, and interdepartmental coordination—are integral to achieving competitive advantages for star-rated hotels in West Java. Therefore, it is crucial for the management of these hotels to prioritize market orientation.

A review of previous descriptive analyses reveals that market orientation and competitive advantage were both rated positively by customers. However, while previous studies suggested a lack of direct correlation between these variables, the current research challenges that notion. It implies that enhancing market orientation can lead to improved competitive advantage. These findings align with earlier research conducted by (Benavides-Velasco et al., 2014; Molina-Azorín et al., 2015b), which also explored service companies and demonstrated similar trends in the hospitality industry. Thus, it can be asserted that the current research findings are consistent with prior studies.

## 7. The Effect of Human Capital on Competitive Advantage

The next aspect examined in this study is the relationship between human capital and competitive advantage. The statistical analysis revealed a correlation value of 0.61 between human capital and competitive advantage. This figure indicates a strong relationship, suggesting that any enhancement in human capital within star-rated hotels will positively affect their competitive advantage. Although the correlation between human capital and service quality (0.70) is stronger, the relationship between human capital and competitive advantage remains significant.

Further analysis shows that human capital contributes 37% to the achievement of competitive advantage, with the remaining influence attributed to other variables considered in this study. In comparison, market orientation has a comparatively lesser impact on competitive advantage, accounting for only 9%. These findings indicate that the primary driver of competitive advantage is human capital, followed by market orientation.

## 8. The Effect of Market Orientation and Human Capital on Competitive Advantage

In this subsection, the focus shifts to the combined effect of market orientation and human capital on competitive advantage. The structural equation derived from the analysis is expressed as follows:

$$CA = 0.31*MO + 0.61*HC, R^2 = 0.76.$$



This equation indicates that together, market orientation and human capital account for 76% of the variance in achieving competitive advantage. The remaining 24% is influenced by other factors not addressed in this study. These findings provide valuable insights for the management of the star-rated hotel industry in West Java, guiding them in formulating competitive strategies that leverage both market orientation and human capital.

## 9. The Effect of Service Quality on Competitive Advantage

This research model also investigates the relationship between service quality and competitive advantage, revealing a strong correlation of 0.87 between these two variables. This indicates a very robust relationship, with service quality showing a substantial impact on competitive advantage, accounting for 75.6% of the variance. The findings suggest that improvements in service quality at star-rated hotels in West Java will significantly enhance their competitive advantage. The importance of service quality in the hospitality industry cannot be overstated, as it plays a crucial role in determining competitive success.

When analyzing the dimensions of service quality—such as tangibles, reliability, responsiveness, assurance, and empathy—it appears that these factors collectively contribute to the overall service quality in star-rated hotels. Notably, the dimension of tangibles emerges as the most influential, representing 68.5%.

In summary, the overall relationships identified in this study highlight that the connection between service quality and competitive advantage (0.87) is the strongest, followed by the relationship between human capital and service quality (0.70), and between human capital and competitive advantage (0.61). In contrast, the relationship between market orientation and service quality is comparatively weaker (0.35), as is the connection between market orientation and competitive advantage (0.31).

A deeper analysis indicates that human capital exerts a greater influence on both service quality and competitive advantage, as evidenced by its higher correlation values. Furthermore, service quality serves as a mediating variable, suggesting that the effects of market orientation and human capital on competitive advantage are more pronounced when mediated through service quality. This study confirms the influence of both market orientation and human capital on competitive advantage through service quality. To validate these findings, hypothesis testing was conducted, with the resulting t-test values for

market orientation, human capital, and service quality presented in the following table.

**Table 2. Results of Market Orientation, Human Capital, and Service Quality Test Values**

Variable	t	Sig.
Market Orientation	2.70	.000
Human Capital	7.34	.000
Quality of Service	11.17	.000

Source: Processed Statistical Data (2024)

For market orientation to competitive advantages, which is assessed by customers, star-rated hotels in West Java have a calculated value of 2.70 Table 2. As for the human capital t-test value against competitive advantage, it has a value of 7.34, furthermore, the significance for all lines has a value of 0.000. Where all the values of exogenous variables, namely market orientation, and human capital, as well as endogenous variables, namely competitive advantage, the results of the previous path analysis study, indicate a significant relationship. This is emphasized in the value of Sig. below 0.05

The current study sheds light on the intricate relationships among market orientation, human capital, service quality, and competitive advantage in the context of star-rated hotels in West Java. The findings indicate that market orientation and human capital play pivotal roles in enhancing service quality, which significantly contributes to achieving a competitive advantage. This aligns with the theoretical framework established by previous research, suggesting that organizations with a strong market orientation are better equipped to adapt to customer needs, ultimately leading to improved service quality (Benavides-Velasco et al., 2014; Molina-Azorín et al., 2015b).

A noteworthy aspect of the study is the identified correlation between market orientation and human capital, with a robust correlation coefficient of 0.80. This strong relationship underscores the notion that effective market orientation enables hotels to gain a deeper understanding of customer preferences and expectations. As hotels enhance their market orientation, they simultaneously fortify their human capital by fostering employee engagement and skill development. This interdependence suggests that investments in market orientation not only refine service delivery but also enhance the capabilities of staff, thereby creating a virtuous cycle of improvement in service quality.

The results further demonstrate a strong connection between service quality and

competitive advantage, evidenced by a high correlation value of 0.87. This highlights the critical role that service quality plays in bolstering the competitive position of star-rated hotels. The ability to deliver exceptional service distinguishes these hotels from their competitors and contributes to the creation of sustainable competitive advantages. This finding is consistent with existing literature, which emphasizes that high service quality can be a key differentiator in the hospitality industry (Molina-Azorín et al., 2015b).

Human capital's correlation with competitive advantage is also noteworthy, showing a value of 0.61. This indicates that investments in developing employee skills and knowledge are vital for achieving a competitive edge. The evidence supports the argument that a skilled workforce enhances the quality of service provided, thereby positively influencing customer satisfaction and loyalty (Benavides-Velasco et al., 2014). While market orientation contributes to competitive advantage with a correlation of 0.31, human capital's greater impact—contributing 37% compared to 9% for market orientation—emphasizes the necessity for hotel management to prioritize human capital development as a foundational strategy for sustaining competitive advantage.

Moreover, the findings suggest that service quality can serve as a mediating variable between market orientation, human capital, and competitive advantage. This indicates that improvements in service quality driven by enhanced market orientation and human capital can significantly influence competitive advantage in the hospitality sector. Thus, the research advocates for hotel management to implement strategies that synergize the development of human capital and the enhancement of market orientation. By doing so, hotels can not only elevate service quality but also strengthen their competitive position within the industry.

## CONCLUSION

This research highlights the current state of market orientation, human capital, service quality, and competitive advantage within the hospitality sector, particularly among star-rated hotels in West Java. While these dimensions show a positive relationship, their overall implementation remains suboptimal. The study indicates that market orientation—which includes customer orientation, competitor orientation, and functional coordination—along with the development of human capital—comprising human resources, creativity, talent, knowledge, skills, and abilities—has not been fully maximized.

Consequently, the quality of service—which encompasses tangibles, reliability, responsiveness, assurance, and empathy—has not reached its full potential, impacting the competitive advantage of these hotels.

The findings affirm that both market orientation and quality human capital significantly affect service quality in the hospitality industry, both independently and collectively. However, to achieve the desired competitive advantage, there must be a concerted effort to enhance market orientation and human capital, which are essential in optimizing service quality. The results indicate that competitive advantage is attainable through superior service quality, supported by effective market orientation and skilled human capital. The research underscores that the interplay between these factors is critical; maximizing service quality can yield substantial benefits in achieving competitive advantage.

The study indicates that the current performance levels of market orientation, human capital, and service quality in star-rated hotels are not being optimized. Hotel management in West Java should leverage this information to implement strategies aimed at enhancing these dimensions, as they are integral to achieving competitive advantage. Improving service quality through strategic market orientation and focused human capital development is essential, particularly in the hospitality sector. Specifically, investing in the educational background and training of hotel staff from the hospitality field can lead to improved service delivery, ultimately benefiting the hotels' competitive position.

Moreover, the government, particularly through the Ministry of Tourism and Creative Economy (Kemenparekraf), should consider evaluating the activities and performance of the hotel industry in Indonesia. The current perception of star-rated hotels may not only hinder their competitive advantage but also adversely affect the broader image of the Indonesian tourism sector among local and international tourists. Enhancing customer acquisition capabilities in star-rated hotels should be a primary focus to bolster foreign exchange earnings from international tourists.

Despite its contribution, this research has limitations, mainly from methodological perspectives. First, the limitation on geographical scope. This study is focused only on the hotel industry in the West Java region, so the generalization of the results only applies to the locus of this research, not necessarily to the whole of Indonesia or the hotel industry in other loci that have different dynamics or contexts. Second, the limitation on the survey period. This research

collected data in the 2022-2023 period. Market dynamics and changes in the hospitality industry may have changed significantly since the data was collected, especially with the rapid economic and technological developments. Third, the limitations on research variables. Our research only focuses on certain aspects of *human capital*, such as employee skills and experience, without considering other external factors, such as government regulations or economic conditions that can also affect competitiveness in the hospitality industry.

Further, this research also possesses a limitation on the data collection methods. Data collection may be limited to surveys or interviews with specific respondents in the hospitality industry, which can lead to respondent *bias*. Limited access to data from all industry segments can also affect data representation. Lastly, the variation in the implementation of human resource strategies. Variations in the implementation of human capital development strategies and programs between companies in the hospitality industry, make it difficult for us to compare effectiveness directly and reach common conclusions.

From an academic perspective, this research aims to pave the way for further investigations specifically within the hospitality industry, emphasizing the importance of delivering exceptional service to customers. Future research endeavors should explore new variables impacting competitive advantage, particularly in the context of sustainability and green initiatives, as suggested by existing literature (Górska-Warsewicz & Kulykovets, 2020; Gutiérrez et al., 2017; Jung & Yoon, 2021; Shanti & Joshi, 2021). Additionally, studies relating to the concept of Green Hotels could provide valuable insights into competitive advantage while addressing contemporary sustainability concerns (Du et al., 2018; Pham et al., 2020; Rahman et al., 2015).

This research acknowledges that further development is necessary to fully comprehend the dynamics influencing competitive advantage in star-rated hotels, and it advocates for more in-depth studies that can contribute to the continuous improvement of the hospitality industry in Indonesia.

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