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## Article

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## **Strategic Renewal of Hotel Industry in Developing Countries through Human Capital Development, Ambidextrous Learning and Dynamic Capabilities**

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### **Abstract**

In recent years, strategic renewal has become a projecting area in contemporary management research. It refers to the process that allow businesses to change their strategic intent, learning and capabilities. This paper seeks to develop a theoretically perspective on the active nature of the association among human capital development and strategic renewal of firm in small scale hotel industry. Moreover, to understand the positive role of human capital development, the current study has also analysed ambidextrous learning as a mediator and the moderating role of dynamic capabilities. Data were collected through questionnaires from 416 managers/owners of small-scale hotels (budget hotels) functioning in the tourist destinations of Pakistan. To analyse the data, hierarchical regression was used which provided very interesting results. This study indicates that human capital development positively predicts strategic renewal. Furthermore, ambidextrous learning mediates the relationship among human capital development and strategic renewal. Moreover, the results confirm that dynamic capabilities reinforce the association of human capital development and strategic renewal. Limited studies provide holistic approach to examine the preconditions for strategic renewal. This study also reveals that development of human capital plays a critical role for strategic renewal in the presence of ambidextrous learning.

**Keywords:** human capital development, ambidextrous learning, strategic renewal, dynamic capabilities, budget hotels, hotel industry.

## 1. Introduction

Strategic Renewal has become an emerging phenomenon for organizations in the current decade (Amankwah-Amoah et al., 2017). In fast changing business environment, organizations are required to alter their strategies on continuous basis and align the same with their long-term objectives in order to survive, grow and remain competitive in the market (Cortimiglia et al., 2016). Strategic renewal is a dynamic aspect for the survival and sustainability of the organizations (Amankwah-Amoah et al., 2017). The deliberation on the concept of strategic renewal is widely documented in the existing knowledge, however, to the extent that SMEs are concerned, and more specifically in hotel industry, a very little amount of concentration has been paid on its antecedents and outcomes (Schmitt et al., 2018). Therefore, the primary motive of this research is to address this gap and explore the preconditions necessary for the confirmation of strategic renewal of SMEs operating in hotel industry.

Schmitt et al. (2018) define strategic renewal as an incessant procedure of organizational renewal from one situation to another state rather than a distinct commute. Strategic renewal is a vital facet for organization to achieve competitive advantage in the current dynamic and volatile business economies (Cortimiglia et al., 2016; Schmitt et al., 2018). Capron and Mitchell (2009) argued that strategic renewal is the process, content and consequence of changing the existing attributes of a firm that considerably affect its long-term scenarios. In the existing literature, various factors have been identified as potential determinants of strategic renewal e.g. organizational learning (Crossan & Berdrow, 2003), strategic alliances (Gomes, 2020; Yousaf & Majid, 2017) and strategic outsourcing (Kasemsap, 2020) etc. however, according to Helfat and Martin (2015) the most important antecedent of strategic renewal that majority of the studies have overlooked is human capital development. Kuznetsova et al., (2019) defined human capital development as a process of acquiring skills and knowledge through training and education. In the framework of hotel industry, there is hardly any evidence available explaining strategic renewal process through human capital development. Therefore, keeping in view this research gap, this research is initiated to find out the effects of human capital development on strategic renewal in hotel industry of Pakistan.

Although human capital development is a critical and important factor to enhance strategic renewal (De Winne & Sels, 2010), however, it does not mean that companies to make noticeable developments in strategic renewal can use human capital development inevitably or efficiently. Therefore, human capital development is vital but alone it is not sufficient to transform the firm's resources for competitive advantages. It is essential to understand the internal mechanism that may be involved in this relationship. Therefore, we argued that ambidextrous learning being a mediating variable may provide a clarifying power to this link. Ambidextrous learning focuses on exploration and exploitation, where exploration mean to explore new knowledge and opportunities, while exploitation deals with the use of existing knowledge and capabilities to generate and maintain success over time (Kang et al., 2007). Although human capital development positively affects strategic renewal in organizations, however, the question "what are the other variables that bridge this relationship?" need to be explored. Therefore, we argued that human capital development through gaining of skills and knowledge strengthening

the process of ambidextrous learning among employees that resultantly affect the strategic renewal process in the firm. Therefore, it is rational to argue that ambidextrous learning mediates the process of human capital development and strategic renewal.

In the current study, we also examined that to what extent dynamic capabilities moderate a link between human capital development and strategic renewal. Dynamic capabilities are the firm's capabilities to develop, assimilate and rearrange inside and outside competences to deal with volatile and dynamic environment (Easterby-Smith & Prieto, 2008). According to Garavan et al. (2016) dynamic capabilities are a fundamental requirement to initiate the process of strategic renewal. Therefore, dynamic capabilities play its role to strengthen the relationship of human capital development and strategic renewal. In this study, dynamic capabilities are included in the hypothesized model to analyse its consolidation role in strengthening the link between human capital development and strategic renewal.

Hotel industry has been working in Pakistan since 1947 (Malik et al., 2020). Hotel industry has a great potential in Pakistan because of rich cultures, famous mountain ranges, beautiful lakes, rivers and dissects. Pakistan has very good prospects for tourism, industry with large number of attraction sites that meet the demands of local and foreign tourists. (Arshad et al., 2017). Moreover, the hotel industry has a significant effect on the economy of Pakistan (PTDC, 2019). Pakistan is a country having a lot of unexplored tourist destinations and has a strong potential to attract thousands of tourists every year. However, the growth in the hotel industry of Pakistan during the last two decades is invisible (Hemdi & Rehman, 2010). There are a lot of reasons behind the low growth rate in the hotel industry. Some of the reasons include; lack of infrastructural facilities (Bashir & Nasir, 2013), non-serious attitude of the previous governments (Hashim et al., 2016), terrorism (Ameeq & Hanif, 2013), and military coup (Abbasi et al., 2010), etc. Besides, one of the major reasons behind the slow growth of hotel industry is the lack of skilled work force (Peng et al., 2015). Keeping in view this emerging research area, we try to investigate the role of human capital development on strategic renewal of hotel industry in Pakistan.

According to Curado et al. (2006), firm's strategic resources are actually those sources which give positive value to business and are also unique/non-substitutable; and human capital is one among those resources. In a nutshell, development of human capital mean to enhance the abilities of managers i.e. how well they cultivate their human resources to gain competitive edge for their organization (Donate et al., 2016). In the current study, we use knowledge-based perspective views. Knowledge based perspective views is the most important resource instrumental in firm's leaning and innovative capabilities. There is empirical evidence such as to point out the positive influence of knowledge and skills acquisition (development of human capital) on ambidextrous learning and innovation (Lee & Huang, 2012). Therefore, ambidextrous learning is an antecedent of knowledge capital (Lee & Huang 2012). This theory helps to explain the relationship among human capital development, ambidextrous learning and strategic renewal. Researchers has affirmed the critical role of knowledge in innovation both in product and services, building learning and innovative process towards renewal (Katila & Ahuja, 2002). Thus,

the current study proposes knowledge-based perspective (KBP) as one of the key theories that builds the theoretical framework on the link among human capital development, ambidextrous learning and strategic renewal.

The main purpose of the study is to contribute to the existing knowledge about strategic renewal of hotel industry through human capital development and ambidextrous learning. This research also highlighted the mediation effect of ambidextrous learning and the moderator effect of dynamic capabilities between human capital development and strategic renewal. This research attempts to present a detailed framework of strategic renewal for small scale hotel industry of developing countries which is completely missing in the available literature. The remaining part of this study is arranged as; in the next section, we explain the variables used in the study and develop study hypotheses. After literature review, we explained research methodology and the analytical techniques for this study. Analysis, contributions and conclusion are presented in the last parts.

## **2. Literature Review Schmitt**

### *2.1 Human Capital Development and Strategic Renewal*

Strategic renewal can be defined as an organization's actions that are initiated with the purpose to change its strategic direction, and to create a balance between a firm and its environment (Agarwal and Helfat, 2009). Schmitt et al. (2018) described the concept of strategic renewal as a continuous expedition in comparison to disconnected moves from one situation to another. Another scholar Lamberg et al. (2008) argued that, strategic renewal is a comprehensive process that includes: process, content and consequences of replacing organizational dynamics and having the capability to affect the enduring sustainability of a firm. More recently, strategic renewal is defined as a process which allow firm to change its path dependence by transforming its strategic intent and competences (Kammer et al., 2017; Shah et al., 2019). The above definitions capture the dynamics of strategic renewal and to understand and highlight the importance of the mechanisms involved in the process.

The determinants of strategic renewal are heavily debated in relevant knowledge domain. Crossan and Berdrow (2003) e.g. highlighted the role of organizational learning in augmenting the process of strategic renewal. Schmitt et al. (2016) interlinked strategic renewal with the availability of opportunities in the emerging environment. Dutta (2013) focuses on the importance of environmental dynamism in enhancing the process of strategic renewal. Warner and Wager (2019) focused on the decisive role of dynamic capabilities in bring strategic change process. As concerned with hotel industry, Martin-Rios (2020) argue that all stakeholders in the hotel industry, i.e. airlines, motels, inn's, hotels and restaurants, are looking for temporary policies that cannot generate adequate business prospects to survive in the market. Furthermore, said industry notices that managerial challenges affected them in terms of anticipating and responding to change taking place in business environment. There are many other factors that can be presented as potential determinants of strategic renewal. However, the problem is that, majority of studies have ignored the role of human capital and its development as a strong precondition of strategic renewal of any firm. Although Jarvi and Khoreva (2020) recently highlighted the importance of talent management in enhancing strategic renewal

in organization, still he snubbed the effect of human capital development in enhancing strategic renewal process.

Human capital development refers to a unique set of abilities, skills and knowledge of employees that originates from experience and formal education. According to Smith et al. (2010), human capital development comes from formal education and training by which individuals improve their understanding, skill and ability that would be helpful in managing resources, monitoring processes, predicting results and bringing innovation and change. A lot of researchers (Cummings et al., 2010; Cohen, 1995; Hirsch & Carter, 2002 and Ployhart et al., 2014) among many others observed that human capital development in the form of formal training and education significantly and positively affects various performance outcomes. Pérez-Pérez and Hernández-Linares (2020) argued that training and education enhances the knowledge and learning capabilities of employees, hence have a positive effect on the renewal of firms in a strategic manner. Capron and Mitchell (2009) focus on the capability enhancement to fill the capability gap in order to enhance the renewal of firms. Glaser et al. (2015) paid significant attention on the role of training in achieving the targets of strategic renewal. Kuvaas and Dysvik (2009) highlighted the role of human capital development in bringing innovation and change in organizational setting. Blanco and Montes-Botella (2017) are also in favour of the argument that, business level human capital development promotes knowledge creation to innovate product or services even diversification and adaptability to change. According to Nonaka and Toyama (2015), strategic innovation and renewal is based on developing a new knowledge, skills and competencies. Moreover, Freel (2000) argued that developing employee is a corner stone for innovation and strategic renewal. Following hypothesis has been developed for the current study on the basis of above arguments;

- **H<sub>1</sub>:** Human capital development positively affects the strategic renewal process.

## 2.2 *Human Capital Development and Ambidextrous Learning*

Ambidextrous learning is a capability to exploit the existing knowledge and capabilities and to discover new knowledge and opportunities (He & Wong, 2004). According to Kang and Snell (2009), ambidextrous learning takes place through an acquisition, sharing and integration of external and internal information within and outside the firm. Majority of researchers have focused on two alternate approaches of ambidextrous learning: exploration and exploitation. Exploration focuses on the search of learning from knowledge domains existing outside of the firm, while exploitation involves extending and using the existing knowledge capabilities of a firm (Diaz-Fernandez et al., 2017; Asif, 2020).

Human capital can act as a lever for organizational benefits (Bontis & Fitz-enz, 2002) as researchers described that human capital in the form of skill, knowledge and experience of both manager and employee is important for the success of an organization. Reflecting several views (e.g. Ireland & Hitt, 2002), we describe human capital development as a major asset of any firms, including skills, knowledge, attitudes, experience, competence and the characteristics of individual. Marimuthu et al. (2009) argued that when employees are developed through training and education, they are more eager to use their

existing skills for organizational success and sustainability on one hand and continuously explore the new wisdom and capabilities required for organizational survival and sustainability. Therefore, it is argued that, human capital development in the form of skills, knowledge and capabilities is a key foundation for ambidextrous learning. Kang and Snell (2009) also stated that human capital and its development is a precondition of ambidextrous learning. Diaz-Fernandez et al. (2017) also emphasized on the role of human development in acquiring new knowledge and using existing capabilities. Moreover, Prieto-Pastor and Martin-Perez (2015) also stated that, human development generates ambidextrous employees through enhancement of ambidextrous learning process. Based on these arguments, it is appropriate to propose the H<sub>2</sub> of the study:

- **H<sub>2</sub>:** Human capital development positively affects the ambidextrous learning process.

### *2.3 Ambidextrous Learning and Strategic Renewal*

In an uncertain and challenging long-term survival journey, businesses must go through the process of strategic renewal. According to Martin-Rios and Parga-Dans (2016), strategic renewal is a process concerned with the stimulating and enhancing new knowledge and innovative behaviour which result in a change in organizational core capabilities. The concept is described by Sammut-Bonnici and McGee (2015) as the coordination of the competences that an organization needs to ensure in order to cope with the changes taking place in external environment. There has been a multiplicity of research approaches, conceptualizations and theoretical learnings adopted by various scholars to study the association of ambidextrous learning and strategic renewal. In long run, individuals having ambidextrous learning capabilities are found beneficiary and show better performance because of their capability of exploiting their prevailing skills as well as exploring new opportunities (Raisch & Birkinshaw, 2008). Both exploitation and exploration of opportunities assist organizations to transform strategically by renewing its core policies and procedures (Crossan & Hurst, 2006). Patel et al. (2013), developed a consensus that ambidextrous learning is positively associated with innovation and renewal. Tung, (2016), in his study, concludes that the greater the trend toward ambidextrous learning, the greater the managers' ability to enhance the creativity and innovation of his firm. If managers adopt an ambidextrous learning style, they can increase the creativity and innovative behavior of their employees, which in turn will affect the strategic renewal in a positive manner. Dutta (2013) also found a positive relationship between ambidextrous learning (exploitive and exploitative) and strategic renewal. Therefore, based on these arguments, we hypothesize that:

- **H<sub>3</sub>:** Ambidextrous learning positively and significantly affects strategic renewal.

### *2.4 The Mediating Role of Ambidextrous Learning in the Relation between Human Capital Development and Strategic Renewal*

Ambidextrous learning focuses on two different streams: exploration and exploitation; that is, to explore new information/knowledge to do more business and create more business, and exploitation is to use current knowledge to manage the current business activities effectively (Kang et al., 2007). Exploratory learning deals with the ways to explore an appropriate space for an organization by making strategies to cope with the

future challenges: anticipated or unanticipated (Wang and Lam (2018). On the other hand, exploitative learning deals with the problem-solving approach which is closely related to existing organizational knowledge (Martin et al., 1998). In this study, we contend that ambidextrous learning mediates the relationships among human capital development and strategic renewal. As noted in the previous section, that human capital development is expected to associate positively with ambidextrous learning (Kang & Snell, 2009), and subsequently, ambidextrous learning fosters the process of strategic renewal, therefore it is proposed that ambidextrous learning mediates the relationship between human capital development and strategic renewal. Thus, we conceptualize ambidextrous learning as a mediator between human capital development and strategic renewal. Thus, we proposed the following hypothesis;

- **H<sub>4</sub>:** Ambidextrous learning mediates the relationship among human capital development and strategic renewal.

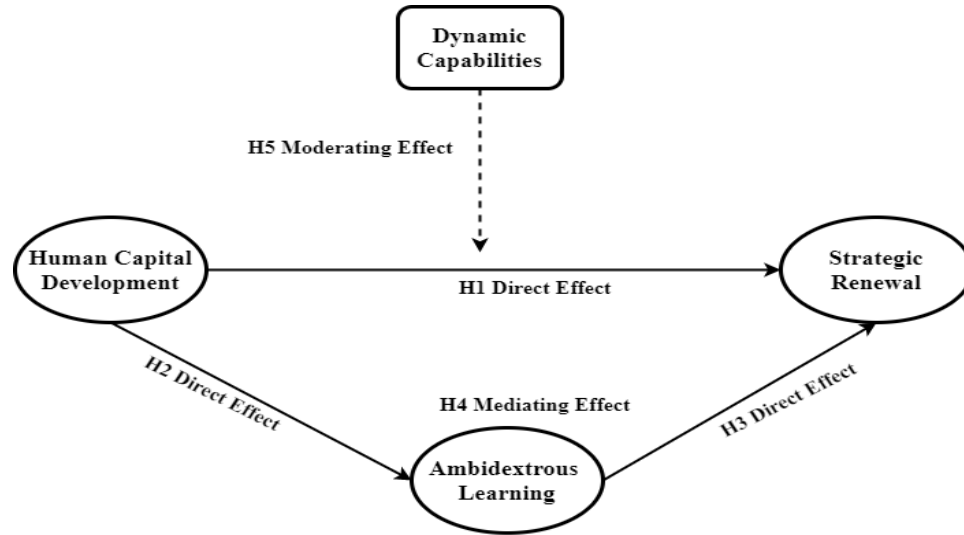
#### *2.5 Moderating Role of Dynamic Capabilities*

In strategic management literature, one of the most active research streams dealing with the comprehensive framework of capabilities is the notion of dynamic capabilities, as an area of study explains how organizations respond to rapid technological and strategic changes (Di-Stefano et al., 2014). Helfat et al. (2007) defined dynamic capability as an ability to develop, integrate and reorganize external and internal competencies to address the changes taking place in a dynamic environment. As we discussed earlier that strategic renewal is based on human capital development through developing new knowledge, skills and competencies (Nonaka & Toyama, 2015), in this regard, Collis, (1994) argued that, dynamic capability plays a very important role for organizational renewal and innovation. Cepeda and Vera (2007) viewed dynamic capabilities as higher-order capabilities that contribute positively in enhancement of operational competences. Dynamic capabilities have the potential to create, expand and transform a business resource base towards strategic renewal (Helfat et al., 2007). Pai et al. (2013) also focus on the importance of dynamic capabilities in developing and reorganizing external and internal competencies in order to transform strategically. Hassan, Mei and Johari (2017) also argued that only those organization will transform strategically that have well trained human resource and possessing a dynamic nature of capabilities. Another researcher concluded that dynamic capabilities play a vigorous role in ambidextrous learning and strategic renewal and act as a source of competitive advantages (Asif, 2020). More specifically, human resource development researcher concluded that developing human capital and building dynamic capabilities influence institutional performance positively (Koukpaki et al., 2020). Therefore, we argued that

- **H<sub>5</sub>:** Dynamic capabilities strengthen the relationship between human capital development and strategic renewal, in a way that the effect of human capital development on strategic renewal will be stronger when the dynamic capability is higher.

The proposed relationship among all the variables are presented in Figure 1.





**Figure 1: Theoretical Framework**

### 3. Methodology

This research was carried out in hotel industry operating in Pakistan and the data were collected from managers of small-scale hotels. The true list of population of small-scale hoteling is unknown, therefore, the Directory of Hotels and Restaurants developed by Ministry of Tourism, and Economic Analysis Wing of Government of Pakistan was used to identify a more representative sample size. However, we have developed specific criteria for the selection of small-scale hotels. There were three main requirements for inclusion as a sample. First, the hotel/restaurant must have the complete email address and contact details (owner details and telephone number). Second, it should be operating in the industry for the last five years. Third, the hotel/restaurant must have at least ten or more employees. Based on these criteria, 1145 managerial positions were identified.

#### 3.1 Data Collection

The data was collected from managers and owners of small-scale hotel industry through questionnaires. The data was collected through online survey method. Initially 1145 questionnaires were sent through email. However, 187 emails remained undelivered due to various reasons like incorrect email address, incomplete email address etc. Total delivered emails were 958. Out of 958; only 467 questionnaires were received back. However, 51 questionnaires were partially filled and found inappropriate for analysis. In total, 416 questionnaires were correct in all respect. Therefore, the response rate was 48.47%.

#### 3.2 Operational Measurements, Reliability and Validity

The scales used in this research have been adapted from the existing literature to outfit to this framework. Following a refinement of all items through multiple repetition of the confirmatory factor analysis (CFA), the total number of items was reduced from 45 to 41 (Anderson & Gerbing, 1988). The items for the all variables i.e. independent, dependent

and mediating variables were gauged through five-point Likert scales ranging from 1=strongly disagree to 5=strongly agree.

*3.3 Human Capital Development*

In this study, the independent variable of human capital development was measured through a 15-item scale adopted from the study of Wan (2007). These 15 items used for the measurement human capital development generated an  $\alpha$ -value of 0.79.

*3.4 Ambidextrous Learning*

To measure the notion of ambidextrous learning, available literature often created a two-step approach. Initially, exploration and then exploitation (Wang & Lam, 2018). So, we measured these two streams separately with a 10-item scale derived from the work of Atuahene-Gima (2005). These 10 items generated an  $\alpha$ -value of 0.76.

*3.5 Dynamic Capabilities*

Dynamic capability was measured using 9-item scale from the work of Eisenhardt and Martin (2000) and Teece et al. (1997). These 9 items used for the measurement dynamic capabilities generated an  $\alpha$ -value of 0.86.

*3.6 Strategic Renewal*

The dependent variable strategic renewal was measured through a 11-item scales adopted from Kreiser et al. (2010). These 11 items used for the measurement of strategic renewal generated an  $\alpha$ -value of 0.84.

**4. Data Analysis**

To analyse the data, we have used descriptive statistics, correlation and multiple hierarchical regressions techniques. Moreover, discriminant validity was examined by using AMOS 7.0 software with the help of confirmatory factor analysis (CFA).

*4.1 Reliability, Validity and Model Fitness*

To evaluate the reliability and validity of the instruments, we calculated Cronbach’s alpha, composite reliability (CR), and average variance extracted (AVE) values. All the values are in the range of threshold level of 0.70, 0.60, and 0.50 (see Table 1), which indicates that the scales are reliable and valid. Further, the coefficients of AVE are higher than the inter-correlation coefficients of all the construct, hence discriminant validity also established (Fornell & Larcker, 1981). Coefficients of AVE and CR are presented in Table 1.

**Table 1: Discriminant Validity of Construct**

	Items	Cronbach’s Alpha	Factor Loading	CR	AVE
Human Capital Development	15	0.79	0.73-0.91	0.87	0.68
Ambidexterity Learning	10	0.76	0.70-0.88	0.92	0.71
Dynamic Capabilities	9	0.86	0.76-0.90	0.94	0.73
Strategic Renewal	11	0.84	0.71-0.93	0.90	0.69

4.2 Confirmatory Factor Analysis (CFA)

In the current study, before analysing the data, we confirmed that the model is adequate for analysis by using a technique of CFA. A number of indicators were used to prove the validity of construct and to measure the overall model-fit. The values of CFI = 0.94,  $\chi^2 = 133.77$ , GFI = 0.92, and RMSEA = 0.049 for hypothesized model. are in line with standard norms, where CFI and GFI values must be 0.90 or more than 0.90 (Hutchinson & Olmos, 1998) and RMSEA values must be 0.05 or less than 0.05 (Brown & Cudeck, 1993).

4.3 Descriptive Analysis

Table 2 shows the values of correlations, mean and standard deviation (SD). Moreover, table 2 also shows that there is a significant and positive relationship between all constructs including: independent, mediator, dependent and moderator. Table 2 presents a positive relationship between human capital development and strategic renewal (0.18\*\*), human capital development and ambidextrous learning (0.34\*\*), human capital development and dynamic capabilities (0.32\*\*), and ambidextrous learning and strategic renewal (0.41\*\*).

**Table 2: Correlation**

Variables	Mean	SD	1	2	3	4	5
Business Age	3.2	.79	1				
Business Size	0.3	.86	.09	1			
Human capital development	2.7	.82	.06	.01	1		
Ambidextrously learning	2.2	.89	.04	.03	.34**	1	
Strategic renewal	3.7	.91	.07	.10*	.18**	.41**	1
Dynamic capabilities	3.5	.89	.03	.09	.32**	.33**	.37**
Note: (* $p < 0.05$ , tow tailed) (** $p < 0.01$ , two tailed)							

4.4 Testing Hypotheses

To confirm the formulated hypothesis the hierarchical Regression analysis was performed (see Table 3). The results supporting hypothesis 1, Model 3 provides the results for the effect of human capital development on strategic renewal. The coefficients of regression shown in Model 3, human capital development is a positively and significant predictor of strategic renewal ( $\beta = 0.18^{**}$ ). Thus, study Hypothesis 1 is confirmed. Model 2 provides the results of direct effect of human capital development on ambidextrous learning. Human capital development is positively predicting ambidextrous learning ( $\beta = 0.34^{**}$ , Model 2), thus, Hypothesis 2 supported. Model 4 provides the results of the direct effect of ambidextrous learning on strategic renewal. ambidextrous learning is positively predicting strategic renewal ( $\beta = 0.41^{**}$ , Model 4), hence, Hypothesis 3 is also supported.

**Table 3: Hierarchical Regression Results**

Variable	Ambidextrous Learning			Strategic Renewal	
	Model 1	Model 2	Model 3	Model 4	Model 5
Business Age	0.014	0.012	0.006	0.009	0.015
Business Size	0.080	0.081	0.080	0.025	0.086
Human Capital Development		.34**	.18**		.12*
Ambidextrous Learning				.41**	.43**
R <sup>2</sup>	0.032	.36	.38	.32	.38
ΔR <sup>2</sup>	0.031	.33	.35	.31	.34
F	4.17*	35.4*	40.98*	33.06**	20.98*
Δ F	4.17*	17.07*	16.09*	19.7**	13.01*
Note: *p < 0.05; **p < 0.01					

The mediation effect was examined through OLS regression analysis. Model 5 in Table 3 assesses the mediating role of ambidextrous learning in the association among human capital development and strategic renewal. After ambidextrous learning is added, the coefficient of human capital development for strategic renewal reduced from  $\beta = 0.18^{**}$  to  $\beta = 0.12^{*}$ , while the coefficient of ambidextrous learning is ( $\beta = 0.43^{**}$ ). These findings suggested that ambidextrous learning partially mediates between human capital development and strategic renewal. Thus, Hypothesis 4 is supported.

Normal test theory method was used to determine the size and significance of mediation effect among the relationship of human capital development and strategic renewal (Preacher & Hayes, 2008). Therefore, SPSS version of PROCESS Macro was utilized for the measurement of direct and indirect effects. The below Table 4 enlists the result of direct and indirect effects. Results presented in Table 4 explained total effect ( $\beta = 0.36^{**}$ ,  $t=8.72$ ), direct effect ( $\beta = 0.14^{**}$ ,  $t=1.39$ ) and indirect effect ( $\beta = 0.36 - 0.14 = 0.22$ ) of human capital development on strategic renewal through ambidextrous learning. The outcome of Sobel test i.e. ( $Z = 3.72$ ), established the indirect effect of human capital development on strategic renewal via ambidextrous learning. Hence the study H<sub>4</sub> is supported.

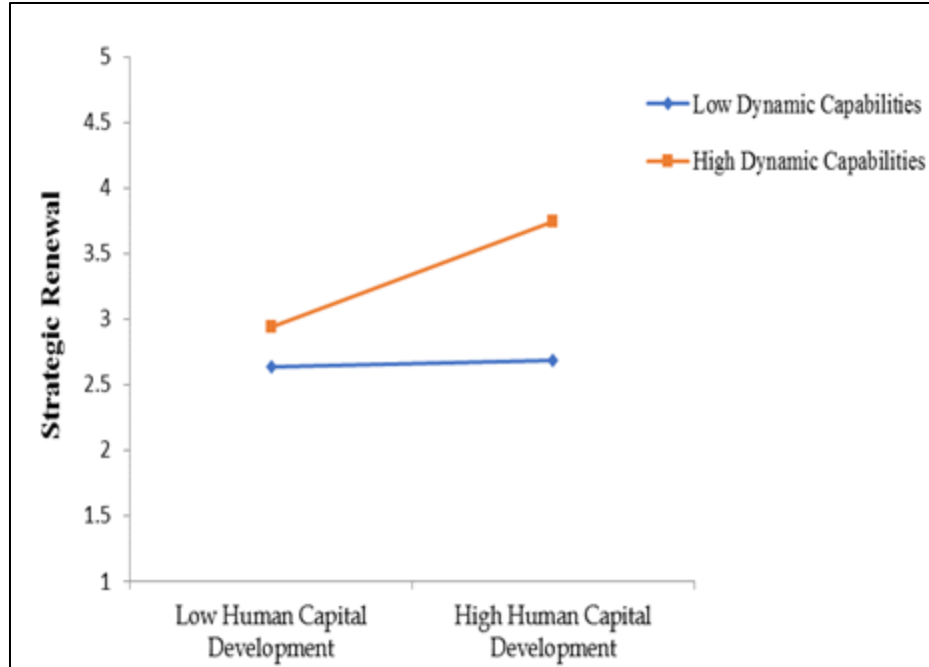
**Table 4: Direct and Indirect Effects of Human Capital Development on Strategic Renewal Using SPSS Version of PROCESS**

Mediation Models	Total effect			Direct effect			Indirect effect		
	B	t	P	β	t	P	Normal Test Theory		
							β	Z	p
HCD → AL → SR	0.36	8.72	0.00	0.14	1.39	0.09	0.22	3.72	0.0
Note: HCD (Human Capital Development); AL (Ambidextrous Learning); SR (Strategic Renewal).									

Multiple moderated regression analysis was used to check the contingent effect of dynamic capabilities in the association between human capital development and strategic renewal. A three-step model was used for this purpose. Business age and business size was entered in the first step; whereas, human capital development and dynamic capabilities were entered in the second step. An interaction term (human capital development x dynamic capabilities) was entered in Step 3. Table 5 shows the significant effect of the interaction term on strategic renewal. The coefficient (0.19\*\*) of interaction term (human capital development x dynamic capabilities) strengthen the effect of human capital development on the strategic renewal. Thus, Hypothesis 5 is fully supported. Slope analysis is made according to Aiken et al. (1991) method. Figures-2 illustrates the results of the slope analysis. Figure 2 revealed that human capital development brings strategic renewal when dynamic capabilities is high. Based on these results, which are presented in Table 5, study H<sub>5</sub> is confirmed.

**Table 5: Results of Multiple Hierarchical Regressions**

	Step 1	Step 2	Step 3
(a) Moderating effect of dynamic capabilities			
Business Age	0.032	0.011	0.005
Business Size	0.025	0.021	0.015
Human Capital development		.18**	.21**
Dynamic capabilities		.32**	.34**
Human capital development X dynamic development			.19**
R <sup>2</sup>	.009	.191	.198
Adjusted R <sup>2</sup>	.003	.159	.175
Δ R <sup>2</sup>	.007	.163	.028
Δ F	3.182	69.83	16.18



**Figure 2: Slope Analysis HCD X DC on Strategic Renewal**

**5. Discussion**

The primary concern of the current study is to test the extent at which human capital development affects strategic renewal. Moreover, the influential impact of human capital development on ambidextrous learning and the impact of ambidextrous learning on strategic renewal in hotel industry are also tested. Furthermore, the mediating role of ambidextrous learning among human capital development and strategic renewal and moderating role of dynamic capabilities is also analysed. For this study, we have developed five hypotheses to confirm the direct and indirect relationship between human capital development and strategic renewal. All the given relationships were confirmed statistically. First, we found the direct link between human capital development and strategic renewal, therefore, H<sub>1</sub> is confirmed. Confirming with the study of Jarvi and Khoreva (2020), the current study also focuses on the importance of human capital development in bringing strategic change in the organization. Regarding H<sub>2</sub>, results confirmed that human capital development positively contributes towards ambidextrous learning. The findings of this hypothesis are consistent with the work of Diaz-Fernandez et al. (2017). Regarding H<sub>3</sub>, the relationship between ambidextrous learning and strategic renewal is also statistically confirmed. Tung (2016) was also having the same findings presented in his study in the domain of ambidextrous learning. Regarding H<sub>4</sub>, the mediating role of the ambidextrous learning between human capital development and strategic renewal is also confirmed. The result is in line with the study of Wang and Lam

(2018) that ambidextrous learning has positively mediating effect on innovation performance. Regarding, H<sub>5</sub>, this study confirms from the result that dynamic capabilities positively moderated the link between human capital development and strategic renewal in a way that the impact of human capital development on strategic renewal will be stronger when the dynamic capability is higher. The findings of this hypothesis are consistent with the work of Wu and Hsu (2017).

### *5.1 Theoretical Contribution*

Our study provides three types of theoretical contribution; *first*, it provides a theoretical model along with empirical data that focuses on the importance of human capital development for strategic renewal of firms operating in hotel industry of the developing countries. The importance of human capital development was previously emphasized, but its effect on strategic renewal has not been thoroughly explored especially in hotel industry (Shah et al., 2019). *Second*, this study also provides a possible mechanism by which human capital development contributes to strategic renewal through the development of ambidextrous learning. Although some studies have focused on the role of HRM and human capital in enhancing strategic renewal, however, the development of human capital and ambidextrous learning for strategic renewal is never been explored previously (Jarvi & Khoreva, 2020). *Third*, the current study focuses on the importance of dynamic capabilities and established its contingent effect on the relationship between human capital development and strategic renewal. Previously, the empirical importance of ambidextrous learning as a mediator, and dynamic capabilities as a moderator was emphasized, but its relationship such as developed in this study has not been thoroughly explored in hotel industry.

### *5.2 Managerial Implications*

Beside theoretical contribution, this research also presents valuable suggestions for managers. First, the present study suggests that managers of hotel industry should also pay special attention on human capital development and include it as an essential component of strategic planning and management. Human capital development has appeared as a strong determinant of strategic renewal; therefore, the element of human capital development cannot be ignored (Kreiser et al., 2010). Second, the current study also suggests that, human capital development develops a capability of ambidextrous learning to explore and exploit the learning process simultaneously. Therefore, to develop the ambidextrous learning, human capital development must be included as a preference of long-term planning. Third, this study also recommends managers to focus on the dynamic capabilities of organization through which it is very easy to respond to the environmental changes and complexities effectively. Through dynamic capabilities, organization would be able to develop, integrate and rearrange internal and external capabilities to attain the targets of strategic renewal in hotel industry (Eisenhardt & Martin, 2000).

### *5.3 Limitation of the Study*

This study also has some limitation that would be helpful and provide methodological guidelines for future research in hotel industry of developing countries like Pakistan. Our first limitation applies to the population selected, such as that we have consider only

small-scale hotels of Pakistan, therefore, the result may not be generalizable to 4- and 5-star hotels in the same industries as well as other industries due to specific industry differences. Second, cross-sectional data has been used to verify the study hypothesis, however, use of longitudinal is recommended to develop strong causal inferences.

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