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Strategic-financial integration in tourism businesses for organizational resilience and sustainable performance

Nenny Wahyuni

Politeknik Sahid, Banten, Indonesia

Corresponding Email: nennywahyuni@polteksahid.ac.id

Reza Imani Syawal

Politeknik Sahid, Banten, Indonesia

Asmawih

Politeknik Sahid, Banten, Indonesia

Abstract---Tourism businesses operate in a highly dynamic environment characterized by changing tourist preferences, demand seasonality, intense competition, digital transformation, and vulnerability to economic crises, regulatory changes, natural disasters, and other external disruptions. These conditions suggest that tourism organizations can no longer rely solely on visitor growth or revenue generation as indicators of managerial effectiveness. Instead, they require closer integration between strategic management and financial management. This paper aims to examine the respective roles of these two managerial functions and to develop a conceptual framework explaining how their integration may contribute to business performance, organizational resilience, and sustainability in the tourism sector. A structured narrative literature review was employed by synthesizing literature related to strategic management, financial management, strategic management accounting, dynamic capabilities, risk management, performance measurement, and sustainable tourism. The review indicates that strategic management provides organizational direction through environmental analysis, strategy formulation, implementation, and evaluation, whereas financial management translates strategic priorities into investment decisions, financing choices, budgeting, working capital management, risk management, and financial performance evaluation. Integrating these functions enables tourism organizations to allocate resources more effectively, respond to market changes, maintain liquidity,



manage uncertainty, and balance growth objectives with long-term sustainability. This paper proposes an integrated framework consisting of four stages: environmental and financial assessment, strategic choice and resource allocation, strategy implementation and financial control, and performance evaluation and strategic feedback. The framework further suggests that tourism business performance should be assessed not only through financial indicators but also through customer, operational, organizational capability, risk, and sustainability dimensions.

Keywords---tourism management, strategic management, financial management, strategic management accounting, organizational performance, sustainability.

Introduction

Tourism is a major economic sector with extensive linkages to accommodation, transportation, food and beverage services, travel businesses, visitor attractions, creative industries, and a wide range of small and medium-sized enterprises. According to the World Travel & Tourism Council, the Travel and Tourism sector contributed approximately USD 11.6 trillion to the global economy in 2025, representing approximately 9.8% of global GDP and supporting hundreds of millions of jobs worldwide. These figures illustrate that tourism should not be viewed merely as a recreational or socio-cultural activity, but as a complex economic system that requires professional and sustainable management.

Despite its economic significance, tourism is characterized by a distinctive set of managerial challenges. Demand is often highly sensitive to seasonality, economic conditions, changing consumer preferences, transportation costs, political and security conditions, technological developments, and unexpected external disruptions. Tourism businesses therefore operate under relatively high levels of uncertainty compared with many other sectors.

In the hospitality industry, for example, seasonality may significantly affect profitability and cash-flow stability. Zhang et al. (2021) demonstrated that tourism seasonality influences hotel financial performance and that pricing and revenue-management strategies may help mitigate its negative effects. Such findings indicate that effective tourism management requires more than operational efficiency. Tourism organizations must simultaneously understand their external environment, formulate appropriate strategies, allocate scarce resources, manage financial risks, and continuously evaluate organizational performance.

From a strategic management perspective, organizations must be able to identify changes in the external environment, understand their competitive position, formulate appropriate strategic responses, implement selected strategies, and evaluate their outcomes. The dynamic capabilities perspective further emphasizes an organization's ability to sense environmental changes, seize emerging opportunities, and reconfigure resources and competencies when conditions

evolve (Teece et al., 1997). In tourism, such capabilities are particularly important because tourist preferences, distribution channels, technology, destination competitiveness, and business models may change rapidly.

Nguyen et al. (2023), for instance, identified important relationships between dynamic capabilities and competitive advantage in tourism businesses, while highlighting the relevance of human capital, organizational learning, digital marketing, and environmental dynamism. These findings suggest that tourism competitiveness increasingly depends not only on the ownership of resources but also on an organization's ability to deploy and reconfigure those resources strategically.

However, strategic intentions cannot be implemented without adequate financial resources. Decisions to develop new tourism products, adopt digital technologies, penetrate new markets, improve service quality, upgrade facilities, strengthen workforce competencies, or implement sustainability initiatives inevitably involve financial consequences. Financial management should therefore not be regarded merely as an administrative function responsible for accounting and financial reporting. Instead, it should be considered an integral component of strategic decision-making.

Turner et al. (2017) demonstrated an association between market-oriented strategy, strategic management accounting, customer performance, and financial performance within the hotel sector. Their findings indicate that accounting and financial information becomes particularly valuable when incorporated into strategic decision-making processes rather than being used exclusively for historical reporting and cost control.

Despite this theoretical interdependence, strategic management and financial management are frequently treated as separate organizational functions. Strategic management commonly focuses on markets, customers, competitive positioning, innovation, and long-term direction, while financial management tends to emphasize budgets, costs, profitability, liquidity, financial reporting, and control. Such functional separation may create a strategic-financial gap in which organizations develop ambitious strategic plans without adequate financial support or, conversely, possess financial resources that are not effectively directed toward strategic priorities.

This issue is particularly relevant to tourism businesses, whose performance is affected by demand volatility, seasonality, high fixed costs in certain subsectors, changing consumer behaviour, dependence on service quality, and exposure to external shocks. Consequently, greater attention is required to understand how strategic and financial decisions can be integrated within tourism management. Against this background, this paper addresses the following research question is How can the integration of strategic management and financial management enhance the performance and sustainability of tourism businesses?

Accordingly, this paper has four objectives. First, it examines the role of strategic management within tourism businesses. Second, it discusses the contribution of financial management to organizational continuity and performance. Third, it

explains the relationship between strategic choices and financial decisions. Fourth, it develops a conceptual framework illustrating the integration of strategic management and financial management in supporting tourism business performance and sustainability.

Methods

This study adopts a conceptual research design using a structured narrative literature review. The conceptual approach was selected because the primary objective of this paper is not to test statistical relationships but to synthesize existing theoretical and empirical knowledge and develop an integrated framework for strategic and financial management within tourism businesses.

The literature examined in this paper was organized into several major thematic areas:

- 1) strategic management and competitive advantage;
- 2) financial management and financial performance;
- 3) strategic management accounting;
- 4) organizational and tourism performance measurement;
- 5) risk management;
- 6) dynamic capabilities; and
- 7) sustainable tourism management.

Priority was given to peer-reviewed academic literature and authoritative institutional publications relevant to tourism, hospitality, and strategic management. Foundational literature on the Resource-Based View, Dynamic Capabilities, and Balanced Scorecard was incorporated to provide the theoretical basis of the proposed framework. More recent empirical studies within tourism and hospitality were subsequently used to contextualize these theoretical perspectives within tourism businesses.

The analytical process involved identifying conceptual relationships among strategic choices, financial decisions, resource allocation, organizational capabilities, risk management, performance measurement, and sustainability. Based on this synthesis, an integrated conceptual framework was developed to explain how strategic and financial management may jointly contribute to organizational resilience and sustainable tourism business performance.

Result and Discussion

Strategies Require Financial Commitment

Strategy represents a set of choices regarding how an organization intends to create value, position itself within a market, and achieve long-term organizational objectives. However, strategic choices almost always have financial consequences. When a hotel adopts a service-differentiation strategy, for example, it may need to invest in employee development, service technology, facility improvements, customer relationship management, and experience design. When a travel company seeks to develop digital distribution channels, investments may be required in reservation systems, digital marketing, data analytics, platform integration, and human-resource capabilities. Similarly, when a tourism

destination or tourism enterprise adopts sustainability as a strategic priority, financial resources are required for environmental infrastructure, waste management, energy efficiency, conservation, monitoring, local-community development, and employee training. Strategy therefore becomes operational only when resources are allocated to support implementation.

This relationship can be represented as follows:

Strategic Intention → Resource Allocation → Strategic Implementation → Organizational Performance

From this perspective, budgeting should not be viewed merely as an annual administrative process involving estimates of revenues and expenditures. Instead, budgeting functions as an important strategic instrument through which organizational priorities are converted into measurable programs and resource commitments. For example, if an organization identifies digital transformation as a strategic priority but allocates minimal resources to information systems, employee digital competencies, and digital marketing, a strategic-resource misalignment emerges.

Similarly, declaring sustainability as a central organizational priority without allocating financial resources or establishing performance indicators may result in symbolic rather than substantive implementation. This indicates that strategic effectiveness depends not only on the quality of strategic formulation but also on the consistency between strategic priorities and financial resource allocation.

Financial Decisions Should Reflect Strategic Priorities

The relationship between strategy and finance is reciprocal. Strategies require financial resources, but financial decisions should also be informed by strategic priorities. Cost reduction provides an illustrative example. Financial efficiency does not necessarily imply reducing all categories of expenditure. Organizations must distinguish between expenditure that provides limited value and strategic expenditure that contributes to long-term competitive capability.

For a hotel competing through service differentiation, excessive reductions in staffing expenditure may improve short-term operating margins but simultaneously reduce service quality, customer satisfaction, and employee engagement. Conversely, employee training may be recorded as a short-term expense while generating long-term value through improved human capital, service quality, customer loyalty, and organizational knowledge. Strategic financial management therefore requires managers to move beyond the conventional question is how can costs be reduced?

Toward a more strategically meaningful question is which costs do not create sufficient value, and which investments should be strengthened because they support the organization's strategic position?

This distinction is particularly important in tourism because much of the value delivered to customers is experiential, service-based, and dependent on human interaction. Financial control mechanisms that focus exclusively on minimizing expenditure may therefore unintentionally weaken the very capabilities responsible for competitive advantage.

Managing Tourism Seasonality through Strategic-Financial Integration

Seasonality provides one of the clearest examples of why tourism businesses require an integrated strategic and financial approach. Financial analysis can identify seasonal cash-flow patterns, profitability, break-even points, fixed-cost structures, liquidity requirements, and periods of financial vulnerability. However, financial information alone does not solve the underlying problem. Managers must translate such information into strategic actions. Possible strategic responses may include market diversification, dynamic pricing, product bundling, event development during low-demand periods, targeting domestic or alternative customer segments, developing complementary tourism products, or redesigning operating capacity.

Zhang et al. (2021) demonstrated that the financial effects of tourism seasonality differ across hotel market contexts and that seasonality may have a stronger influence on profit margins than on asset turnover. Their findings also highlight the role of pricing and revenue-management strategies in mitigating seasonal financial pressures. The relationship between finance and strategy can therefore be conceptualized as a cyclical process:

Financial Information → Strategic Diagnosis → Strategic Response → Financial Planning → Implementation → Performance Evaluation

Such a process demonstrates that financial management generates decision-relevant information, while strategic management determines how the organization should respond to that information. The two functions therefore reinforce each other.

Integrating Risk Management, Strategy, and Financial Performance

Tourism is highly exposed to external uncertainty. Demand can be affected by economic downturns, pandemics, political instability, natural disasters, climate-related events, transportation disruptions, exchange-rate fluctuations, cybersecurity issues, and changing travel regulations. Risk management should therefore not be treated as an isolated managerial function. Different categories of risk require strategic and financial responses. Demand concentration risk can be reduced through market diversification. Liquidity risk can be managed through adequate cash reserves, working-capital management, and appropriate capital structures. Excessive dependence on a single distribution platform can be addressed through distribution-channel diversification. Changes in tourist behaviour can be addressed through market intelligence, product innovation, and organizational learning.

Tarjo et al. (2024), in their study of tourism operators in Indonesia, found that sustainable strategy was positively related to sustainable financial performance and risk management, while risk management played a mediating role within this relationship. Such findings reinforce the argument that strategic management, risk management, and financial performance are interconnected. Consequently, tourism businesses should not pursue profitability alone.

They should simultaneously develop financial resilience, defined here as the capacity to maintain essential operations, absorb shocks, adapt resource allocation, and recover from financial disturbances. An organization with high

profitability but limited liquidity and excessive financial exposure may remain highly vulnerable to external disruptions.

Moving from Financial Performance to Integrated Performance Measurement

Traditional organizational performance measurement has frequently emphasized financial indicators such as revenue growth, profit margin, Return on Assets, Return on Investment, and cash flow. These indicators remain important because organizations must generate sufficient economic returns to survive. However, financial indicators generally represent outcomes rather than the underlying drivers of performance. The Balanced Scorecard framework developed by Kaplan and Norton (1992) expanded organizational performance measurement through four perspectives: financial performance, customers, internal business processes, and learning and growth.

Within tourism and hospitality, Fatima and Elbanna (2020) demonstrate the continued relevance of the Balanced Scorecard for performance management and emphasize the potential for expanding performance measurement toward sustainability considerations.

Table 1. An integrated performance measurement system for tourism businesses

Performance Dimension	Illustrative Indicators
Financial Performance	Revenue growth, profit margin, Return on Assets (ROA), Return on Investment (ROI), operating cash flow, cost efficiency
Customer and Market Performance	Customer satisfaction, repeat visitation, customer retention, online ratings, market share
Operational Performance	Capacity utilization, productivity, service delivery time, service quality
Human Resources and Learning	Employee productivity, training participation, employee turnover rate, innovation capability
Strategic Performance	Market penetration, new product development, digital adoption, strategic project completion
Sustainability Performance	Energy efficiency, waste reduction, local sourcing, community benefits, resource efficiency
Risk and Resilience	Liquidity reserves, revenue diversification, business continuity capacity, financial leverage

Source: Data, 2026

Sector-specific indicators can also be incorporated. Hotels, for example, may use Occupancy Rate, Average Daily Rate, and Revenue per Available Room. Visitor attractions may evaluate visitor spending, revenue per visitor, capacity utilization, and repeat visitation. Travel businesses may utilize gross booking value, booking conversion rates, contribution margins, customer acquisition costs, and repeat-customer ratios. Such indicators demonstrate that performance measurement should reflect the specific business model and strategic objectives of each tourism organization.

Sustainability as a Strategic and Financial Decision

Sustainable tourism is often discussed primarily from environmental or corporate social responsibility perspectives. However, sustainability should also be understood as both a strategic and financial issue. Investments in energy efficiency, waste reduction, water management, local sourcing, employee welfare, community development, conservation, and sustainable infrastructure require financial resources. At the same time, such investments may generate economic benefits through cost reductions, improved reputation, lower operational risks, enhanced customer loyalty, stronger stakeholder relationships, and greater organizational resilience. The relationship between sustainability and financial performance should therefore not be reduced to a simple short-term cost-benefit calculation. Some sustainability investments may have relatively long payback periods while creating important strategic value that cannot immediately be observed in conventional financial statements.

For example, investment in environmentally efficient technologies may reduce future utility costs and exposure to energy-price fluctuations. Local sourcing may strengthen destination communities and supply-chain resilience. Employee development and fair employment practices may reduce turnover and enhance service quality. Community engagement may contribute to the organization's social legitimacy and stakeholder support. Consequently, sustainable tourism management requires managers to assess both the financial and strategic consequences of sustainability-related investments. This perspective encourages organizations to evaluate sustainability initiatives based not only on immediate returns but also on their contribution to long-term organizational resilience and value creation.

An Integrated Strategic-Financial Management Framework for Tourism Businesses

Based on the literature synthesis, this paper proposes an integrated strategic-financial management framework consisting of four interrelated stages.

Stage 1: Environmental and Financial Assessment

The first stage involves simultaneously evaluating the external business environment and the organization's internal financial condition.

Strategic environmental analysis may include:

- tourism demand trends;
- changes in tourist behaviour;
- technological developments;
- competitor activities;
- market segmentation;
- regulatory developments;
- destination conditions;
- seasonality;
- economic conditions; and
- external risks.

Financial assessment may include:

- revenue trends;
- cost structures;
- operating margins;

- liquidity;
- cash-flow patterns;
- working-capital requirements;
- profitability;
- debt structure;
- investment capacity; and
- financial risk exposure.

The central argument is that strategic diagnosis and financial diagnosis should not be conducted independently. A strategically attractive opportunity may be financially unrealistic, whereas apparently strong financial performance may conceal emerging strategic weaknesses.

Stage 2: Strategic Choice and Resource Allocation

Based on the assessment stage, organizations determine strategic priorities. Possible strategic choices may include:

- market penetration;
- product development;
- service differentiation;
- digital transformation;
- cost leadership;
- sustainability;
- business diversification;
- partnership development; and
- destination collaboration.

Each strategic choice should subsequently be translated into resource requirements. This involves evaluating:

- capital expenditure;
- operating expenditure;
- human-resource requirements;
- technological investment;
- financing alternatives;
- working-capital requirements;
- expected returns;
- implementation risks; and
- implementation timelines.

The relationship may be represented as:

Strategic Priority → Strategic Program → Budget Allocation → Resource Deployment → Target Performance

This stage represents the central point of integration between strategic management and financial management.

Stage 3: Strategy Implementation and Financial Control

Once resources have been allocated, the organization moves toward implementation. Implementation should be continuously monitored using both financial and non-financial indicators.

Relevant indicators may include:

- budget variance;

- revenue performance;
- operating costs;
- cash flow;
- customer performance;
- operational performance;
- employee performance;
- strategic project milestones;
- risk indicators; and
- sustainability indicators.

Financial control should not be interpreted solely as a mechanism for detecting deviations or reducing expenditure. Instead, it should provide management with information regarding whether resources are producing the strategic outcomes originally expected.

For example, an increase in digital-marketing expenditure should not be evaluated only in terms of budget compliance. Managers should also examine its relationship with customer acquisition, conversion rates, revenue contribution, market reach, and customer retention.

Stage 4: Performance Evaluation and Strategic Feedback

The final stage involves evaluating organizational performance using both financial and non-financial information. The results should subsequently inform strategic learning and resource reallocation.

The feedback process can be represented as:

Performance → Evaluation → Organizational Learning → Strategic Adjustment → Resource Reallocation

This cycle emphasizes that strategic management should not be treated as a static annual planning exercise. Instead, organizations should continuously adjust their strategies and financial allocations in response to emerging evidence.

Managerial Implications

The proposed integration has several implications for tourism managers. First, budgeting should follow the formulation of strategic priorities. Each major budget allocation should be linked to identifiable strategic objectives. This enables organizations to determine whether financial resources genuinely support their stated priorities. Second, tourism businesses should adopt scenario-based financial planning. Given the uncertainty associated with tourism demand, organizations may develop optimistic, moderate, and pessimistic scenarios based on variables such as visitor numbers, occupancy, average spending, transportation costs, inflation, exchange rates, or other sector-specific indicators. Scenario planning can help managers identify potential liquidity gaps and prepare strategic responses before financial problems occur.

Third, tourism organizations should maintain adequate liquidity buffers. Accounting profitability does not necessarily indicate sufficient financial resilience. Businesses experiencing high revenues during peak seasons may remain vulnerable if cash reserves and working-capital arrangements are inadequate during periods of declining demand.

Fourth, investments should be evaluated not only according to their immediate financial returns but also according to their strategic contribution. Expenditure on technology, employee development, sustainability, customer experience, and organizational innovation may generate long-term competitive capabilities whose benefits extend beyond conventional short-term profitability measures.

Fifth, tourism businesses should develop integrated management dashboards combining financial and non-financial indicators. Such dashboards allow managers to distinguish between organizational outcomes and the operational or strategic drivers responsible for those outcomes. Finally, the financial function should increasingly act as a strategic partner rather than solely as a reporting and cost-control function. Finance professionals should participate in strategic discussions regarding markets, products, innovation, digital transformation, sustainability, and organizational risk.

This paper argues that tourism management can be more comprehensively understood when strategic management and financial management perspectives are integrated. The Resource-Based View explains how organizational resources may serve as foundations for competitive advantage. The Dynamic Capabilities View explains how organizations reconfigure those resources in response to environmental change. Financial management provides the mechanisms through which financial resources are mobilized, allocated, controlled, and evaluated. Strategic Management Accounting serves as an information mechanism linking financial and competitive considerations.

Conclusion

Tourism businesses operate in an environment characterized by uncertainty, seasonality, changing consumer behaviour, technological transformation, and exposure to external disruptions. These conditions require managerial approaches that extend beyond daily operational management. Organizations must simultaneously determine appropriate strategic directions and ensure that sufficient financial resources are available to implement those strategies. Strategic management contributes by analysing the environment, determining organizational positioning, selecting strategic priorities, developing capabilities, and responding to competitive changes.

Financial management contributes by translating strategic priorities into investment decisions, financing choices, budgeting processes, working-capital management, risk management, and financial performance evaluation. These two functions should therefore not operate independently.

Strategies that are not supported by appropriate financial resources are unlikely to be effectively implemented. Conversely, financial decisions that are disconnected from organizational strategy may generate short-term efficiency while weakening long-term competitive advantage. The integration of strategic and financial management enables tourism organizations to connect environmental changes with strategic decisions, strategic decisions with resource allocation, and resource allocation with organizational performance.

Consequently, tourism business success should not be evaluated exclusively through revenue growth or profitability. Customer satisfaction, operational efficiency, organizational capability, human capital, risk management, resilience, innovation, and sustainability should also form part of organizational performance assessment. Ultimately, effective financial management is not merely concerned with maintaining healthy financial figures. It provides the resources and information required to implement strategy.

Similarly, effective strategic management is not merely concerned with determining organizational direction. It must also translate strategic priorities into concrete resource commitments and measurable performance outcomes. Integrating these perspectives therefore represents an important foundation for building tourism businesses that are competitive, financially resilient, adaptive, and sustainable.

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