

Internal and External Drivers of Financial Performance Improvement in Indonesian Hotel and Resort Companies

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Abstract—Improving financial performance is key for any business, especially for hospitality firms navigating post-pandemic times. This study investigates how external pressure, promotion intensity, and enterprise diversification affect the financial performance improvement of hotels and resorts on the Indonesia Stock Exchange from 2020 to 2024. The researchers looked at data from 24 companies, adding up to 120 observations overall. They used multiple linear regression along with some statistical tests to analyze their impact. The findings indicate that promotion intensity has a positive and significant effect financial performance. However, external pressure and diversifying businesses didn't make a noticeable difference. Their model showed that 16.7% of the changes in financial performance can be pinned down to these factors, leaving The remaining 83.3% of the variation is explained by factors outside the model beyond what the study covers. So While promotion intensity contributes positively to financial performance improvement, a substantial proportion of performance variation remains attributable to factors beyond the scope of the current model. These findings suggest hospitality firms could recover financially better by focusing on market-oriented promotions rather than leverage pressures or diversification efforts. This study adds to the hospitality field by showing that post-pandemic financial performance improvement is more supported by promotional activities than by expansion strategies.

Keywords: External Pressure; Promotion Intensity; Enterprise Diversification; Financial Performance Improvement; Hotel; Resort

1. INTRODUCTION

The restoration movement across the tourism and hospitality fields following the COVID-19 crisis is occurring globally. In alignment with reports from the United Nations World Tourism Organization, the total of foreign travelers in 2023 has attained 88 percent of the amount seen in 2019 before the pandemic, evidence of the rapid revitalization of the travel industry (UNWTO report, 2023). In the Asia-Pacific landscape, the hospitality industry is slated for an increase at an annual growth rate of 6.3 percent compounded each year between 2023 and 2028, encouraged by renewed travel activity and enhancements in electronic service delivery (Statista, 2023). This cross-border push indicates a hopeful estimate for the turnaround of the catering and hotel sectors, specifically about Indonesia, which has the potential to become an essential gathering place in Southeast Asia. Shifting focus, lodging and restaurant businesses in all countries continue to face difficulties by infrastructure difficulties. As per a study published by Deloitte (2023), the housing services industry is under pressure from evolutions in the global financial context, rising operational costs, shifting digital consumption patterns, and the vital need for improving customer commitment in light of the pandemic. A corresponding predicament is occurring in the Republic of Indonesia, particularly for companies on the stock market that must plan effectively for these troubles amid shareholder expectations and other external pressures. The pandemic crisis caused significant impacts on various sectors within Indonesia, among the hospitality field. In the wake of the pandemic, client need regarding travel and exploration has risen significantly. Data from Statistics Indonesia (BPS) display that the number of domestic tourist arrivals toward travel sites surged by 20 percent throughout 2023 compared to the previous year. This rise is a consequence of the easing of restrictions and health protocols, that enhanced community assurance about traveling. This scenario presents a considerable opportunity for the service industry to bounce back and expand.

Financial performance represents a significant gauge reflecting a company's ability to create earnings, handle assets, and fulfill monetary duties. Improving financial performance is a critical objective for company management as it reflects the success of the strategies implemented. In the hotel and restaurant sector, financial performance improvement is determined by a combination of external pressures and the company's strategic decisions, including the intensity of promotional efforts and the extent to which the company engages in business diversification.

External pressure refers to demands or strains arising from factors outside the company, such as high debt burdens, intense market competition, and legal adjustments, which can impact the management decisions of hotel and restaurant companies. Based on agency theory (Jensen & Meckling, 1976), growing external demands can intensify conflicts of interest between owners and managers, thereby impacting financial decisions and high-risk expansion plans that may harm financial performance. External pressure influences determine the profitability of hotels and restaurants by through adjustments in leadership behavior, divergent priorities, adjustments to capital structure, shifts in operational strategy, and reputational impacts. Recent empirical studies suggest that external pressure, commonly proxied by leverage, may influence financial performance through its role in promoting managerial discipline and efficient resource allocation. Ji et al. (2024) found that leverage contributes positively to performance improvement in hospitality firms when debt levels remain manageable. Similarly, Zhang et al. (2024) reported that external pressures can stimulate organizational efficiency and strengthen performance outcomes. Omri et al. (2024) further

argued that firms with sound governance structures are more capable of transforming financial pressure into operational efficiency gains. Supporting these findings, Yudhanto et al. (2025) and Nextzita et al. (2025) documented that leverage and capital structure decisions play a significant role in enhancing financial performance and firm value. These findings indicate that external pressure may serve as a mechanism that encourages better financial management and performance improvement. To improve financial performance, companies need to combine unambiguous company practices (reducing agency conflicts), prudent liquidity management, risk reduction plans (market and service diversification), and phased investments aligned with operational capacity and market conditions.

In contrast, promotion intensity refers to the frequency and impact of advertising messages delivered to the audience to familiarize them with the product. High promotion intensity is a corporate strategy to expand market share and increase product exposure. According to signaling theory (Spence, 1973), steady rises in marketing expenses could provide a constructive signal to investors and customers regarding the company's growth prospects, which in turn can improve financial performance. Previous studies have consistently demonstrated the importance of promotion intensity in improving firm performance. Kim and Jang (2021) showed that digital promotion activities significantly enhance customer engagement and strengthen financial outcomes in the hospitality industry. Mousa et al. (2021) found that promotional expenditures positively affect firm value by increasing market visibility and investor confidence. Likewise, Semenov (2023) reported that advertising intensity contributes to competitive advantage and superior organizational performance. Soni et al. (2024) further confirmed that marketing intensity positively affects profitability across different levels of firm performance. In the hospitality context, Aniebiet and Unyime (2023) found that promotion mix strategies improve organizational performance through increased market penetration and customer attraction. These findings suggest that promotion intensity may positively contribute to financial performance improvement. Well-controlled promotion intensity may boost fiscal results through growing revenue streams, improved margins, and promising cues for investors. However, to attain lasting improvements in performance, companies must balance the frequency and magnitude of promotions with productive demographic methods, service quality, and price approaches that sustain profitability.

Enterprise diversification is a business strategy used to spread risk and strengthen a company's competitiveness. Hill & Hoskisson (1987) state that enterprise diversification can strengthen a company's strategic position by reducing reliance on a single revenue stream, thereby making it more resilient to market pressures. Recent evidence suggests that diversification strategies may improve financial performance by expanding revenue sources and reducing business risk. Rwanda et al. (2022) found that service diversification significantly improves hospitality firm performance by creating additional income opportunities. Similarly, Christine and Irechukwu (2022) reported that diversification strategies positively influence organizational performance in the hospitality sector. Susanto et al. (2024) demonstrated that business diversification contributes to superior firm performance when supported by efficient resource utilization. Atmaja and Utami (2025) also found that diversified firms tend to achieve better performance due to broader market coverage and strategic flexibility. Furthermore, Dsouza et al. (2025) argued that diversification and strategic expansion can strengthen financial outcomes through risk distribution and additional revenue generation. These findings indicate that enterprise diversification may enhance financial performance improvement. However, the impact of business diversification on financial performance improvement is contextual, as it is influenced by various factors, such as managerial capability, the level of synergy between business lines, cost structure, and market conditions. Diversification can have a positive impact on performance if implemented effectively through good operational coordination and supported by managerial excellence. Conversely, this strategy has the potential to reduce performance if it leads to management complexity, inefficient use of resources, or misalignment of strategic direction among business units.

Previous studies have reported inconsistent findings regarding the relationship between external pressure, promotion intensity, enterprise diversification, and financial performance. Several studies suggest that external pressure and leverage can improve firm performance by strengthening financial discipline and resource allocation efficiency. However, other studies report insignificant or even negative effects due to increased financial risk and reduced managerial flexibility. Similar inconsistencies are observed in studies examining promotion intensity and enterprise diversification. While promotional activities are generally associated with improved market performance and profitability, their effectiveness often depends on market conditions and managerial capabilities. Likewise, diversification may create new growth opportunities and reduce business risk, yet it can also increase coordination costs and organizational complexity. These mixed findings suggest that the influence of internal and external drivers on financial performance remains context-dependent and warrants further investigation. Despite the growing body of literature, several gaps remain unresolved. First, most prior studies have examined leverage, promotion intensity, or diversification separately, making it difficult to assess their relative importance when analyzed simultaneously. Second, much of the existing evidence originates from manufacturing, technology, or multi-industry settings, which differ substantially from the characteristics of hospitality businesses. Third, empirical evidence focusing on hotel and resort companies in emerging economies, particularly during the post-pandemic recovery period, remains limited. Consequently, the applicability of previous findings to the Indonesian hospitality industry is still uncertain.

Therefore, this study investigates the effects of external pressure, promotion intensity, and enterprise diversification on financial performance improvement among hotel and resort companies listed on the Indonesia Stock Exchange during the 2020–2024 period. Unlike previous studies that predominantly focus on individual determinants of performance, this study examines the relative influence of both internal and external drivers within a single

empirical framework. By focusing on the hospitality sector during the post-pandemic recovery period, this research contributes to the financial management and hospitality literature by providing empirical evidence regarding the factors that are most relevant in supporting sustainable financial recovery and long-term competitiveness.

2. RESEARCH METHODS

2.1 Research Object and Data

This study is a quantitative study using a documentary study method. The data used in this study are secondary data. Secondary data are data obtained indirectly or through intermediaries. The secondary data used are financial report data from companies in the hotel and restaurant subsector listed on the Indonesia Stock Exchange from 2020 to 2024. The source of secondary data in this study was obtained from the official website of the Indonesia Stock Exchange, namely www.idx.co.id. The population in this study consists of companies in the hotel and restaurant subsector listed on the Indonesia Stock Exchange, totaling 42 companies. The sampling technique employed in this study is purposive sampling. Based on the established criteria, the sample used in this study was 24 companies, with a five-year observation period and a total of 120 data points. The criteria for the companies used in this study were:

- Hotel and restaurant companies listed on the Indonesia Stock Exchange during the study period.
- Companies that conducted an IPO (Initial Public Offering) on the Indonesia Stock Exchange before 2020.
- Companies that published complete annual reports consecutively during the study period.

The independent variables in this study are external pressure, promotion intensity, and enterprise diversification, while the dependent variable is financial performance improvement. The data analysis techniques used consist of descriptive analysis, classical assumption tests (normality, multicollinearity, heteroscedasticity, and autocorrelation), multiple regression analysis, multiple correlation coefficient analysis, coefficient of determination analysis, F-tests, and t-tests using analysis tools such as Microsoft Excel and Statistical Product and Service Solution (SPSS) version 26.

Table 1. Variable Measurement

Indicator	Abbreviation	Measurement
Dependent Variables		
<i>Financial Performance Improvement (Y)</i>	FPI	$FPI = Net\ Profit_t - Net\ Profit_{t-1}$
Independent Variables		
<i>External Pressure (X₁)</i>	EP	$DER = \frac{Total\ Debt}{Total\ Equity}$
<i>Promotion Intensity (X₂)</i>	PI	$PI = \frac{Promotion\ Costs}{Sales}$
<i>Enterprise Diversification (X₃)</i>	ED	1 = Implementing a Diversification Strategy 0 = Failure to Implement Diversification Strategy

2.2 Variable Hypotheses and Research Framework

2.2.1 Financial Performance Improvement

Financial performance improvement is an indicator that shows the extent to which a company has succeeded in improving its ability to secure profits, control its assets, and address its financial responsibilities. This concept is rooted in the definition of financial performance by Brigham & Houston (2015), that argue financial results signify an enterprise's proficiency in earning profits, managing resources, and addressing its financial responsibilities. A company's financial performance improvement is determined by a suite of managing external factors and deploying internal approaches. Zhang et al (2024) revealed that managing external factors such as leverage plays a crucial role in enhancing financial success. Meanwhile, Kim and Jang (2021) demonstrated that internal strategies, specifically promotion intensity, also contribute positively to such performance. Furthermore, Dsouza et al. (2025) found that business diversification also supports the achievement of better financial performance. Referring to these findings, this study measures financial performance improvement using indicators of changes in annual change in net profit to assess improvements in financial performance at hotel and restaurant companies. FPI was measured using the annual change in net profit because net profit directly reflects the overall financial outcome of managerial decisions and operational performance during a given period. A positive FPI value indicates an improvement in financial performance, whereas a negative value indicates a decline in financial performance relative to the previous period.

2.2.2 External Pressure

External pressure refers to pressures or demands arising from factors outside the company, such as high debt burdens, intense market competition, and regulatory changes, which can influence corporate management policies. External pressures such as high leverage, deregulation, and industry competition are triggers of distress that affect the direction

of management policies (Altman et al., 2019: 8–10). Mun & Jang (2015) found an inverted U-shaped relationship between working capital and the performance of global hospitality companies. Companies with effective leverage presented the best results, while extreme leverage reduced profitability. These findings confirm that heavy debt loads can hinder financial performance without effective oversight. Ricky (2025) states that careful liability management is crucial for maintaining a company’s financial health and ensuring its ability to meet future financial obligations. In the travel and hospitality market, outside factors also stem from seasonal factors and trust in the tourism field, requiring financial management to be more adaptive (Guillet, 2011). Zhang et. al. (2024) found that external pressure, when properly managed, has a positive impact on financial performance, particularly in the service and manufacturing sectors. This observation reinforces the trade-off approach, where reasonable outside influence can actually enhance profitability. A similar finding was reported by Omri et al. (2024), who stated that large-scale companies with sound financial governance are able to leverage external pressures to improve operational efficiency and net profit. Based on prior research findings, a preliminary conclusion can be drawn that sound leverage management positively influences financial performance improvement.

H1 : External pressure has a positive effect on financial performance improvement.

2.2.3 Promotion Intensity

According to Kotler & Keller (2016: 523), promotion is one of the marketing mix elements aimed at conveying information, persuading, and reminding customers about products or services. Promotion intensity refers to the level of “aggressiveness” a company exhibits in conducting promotional activities over a specific period relative to a baseline measure (total marketing costs). This concept is frequently used in marketing management to indicate the proportion of resources allocated to promotion. Research by Mousa et al. (2021) indicates that increased promotional spending significantly contributes to firm value in emerging markets, provided there is sound promotional governance. Kim & Jang (2021) declare that steady and focused marketing campaigns via digital media can strengthen brand awareness and profitability, particularly in the hotel businesses. Based on the above discussion, it is evident that high promotion intensity affects positively increasing operational performance.

H2 : Promotion intensity has a positive effect on financial performance improvement.

2.2.4 Enterprise Diversification

Enterprise diversification is a corporate-level strategy focused on expanding business activities into various products, markets, or new business lines. This strategy fundamentally aims to reduce risk and increase corporate profitability by entering industries or markets different from the current core business (Subhaktiyasa et al., 2024). According to Hill & Hoskisson (1987), diversified firms possess greater flexibility in managing resources and balancing revenue fluctuations across various business units. Rumelt (1974) states that strategically related diversification—such as with products or markets sharing technological or distributional linkages—is more likely to yield performance improvements compared to conglomerate diversification. However, the heightened complexity of organization resulting from diversification can also give rise to expenses associated with coordination and new agency risks (Montgomery, 1994). Research as reported by Dsouza et al. (2025) found that approaches for diversifying services, such as the addition of new products or services, have a positive impact on the fiscal performance of hospitality organizations. Similar results were demonstrated by Zheng & Tsai (2019), who examined diversification in Hong Kong hotel companies, where strategic diversification significantly impacted profitability, depending on supportive management and organizational structure. Based on prior research findings and the theoretical discussion above, it can be concluded that corporate diversification has a positive effect on financial performance improvement.

H3 : Enterprise diversification has a positive effect on financial performance improvement.

Based on the literature review, the relation between the variables can be described as follows:

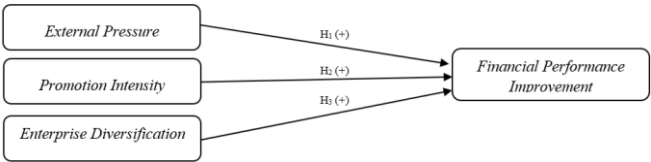


Figure 1. Research Model

3. RESULTS AND DISCUSSION

3.1 Results

3.1.1 Descriptive Statistical Analysis

The following are the results of the descriptive statistical analysis of companies in the hotel and restaurant subsector on the Indonesia Stock Exchange from 2020 to 2024, which were tested for the variables of external pressure, promotion intensity, enterprise diversification, and financial performance improvement, as shown in Table 1 below:

Table 2. Descriptive Statistical Analysis

	N	Descriptive Statistics				Frequency
		Minimum	Maximum	Mean	Std. Deviation	
External Pressure	120	-12.5896	94.0490	2.487893	10.6176005	
Promotion Intensity	120	.0000	.1170	.021288	.0236255	
Financial Performance Improvement	120	-1076	829	-5.53	176.483	
Valid N (listwise)	120					
Non - Enterprise Diversification						18
Enterprise Diversification						102

Table 1 presents an overview of the observational data, including the number of data points analyzed, as well as the minimum and maximum values for each variable. Each variable has its own mean value and standard deviation. The descriptive statistics reveal substantial variation in Financial Performance Improvement, with values ranging from -1076 to 829. These extreme observations likely reflect the uneven pace of financial recovery among hospitality firms during the post-pandemic period. Some firms experienced significant profit growth due to rapid recovery in tourism demand, while others continued to face operational challenges and declining profitability. Despite the presence of extreme values, the normality test indicates that the regression residuals remain normally distributed ($p = 0.200$), suggesting that the regression estimates are not materially distorted by these observations.

3.1.2 Classical Assumption Tests

The classical assumption tests in this study consist of a normality test using the One-Sample Kolmogorov-Smirnov Test, a multicollinearity test by examining the tolerance and variance inflation factor (VIF) values, a heteroscedasticity test using the Park method, and an autocorrelation test using the Runs Test. The following table presents the results of these tests in this study:

Table 3. Summary of Test Results

Classical Assumption Tests	Method	Test Results	Conclusion
Normality Test	<i>Kolmogorov-Smirnov</i>	0.200	Normally distributed
		0.813 1.231	
Multicollinearity Test	<i>Tolerance & VIF</i>	0.824 1.214	No multicollinearity
		0.979 1.021	
		0.605	
Heteroscedasticity Test	<i>Park</i>	0.737	No heteroscedasticity
		0.103	
Autocorrelation Test	<i>Runs Test</i>	0.177	No autocorrelation
Multiple Correlation Test	<i>R</i>		0.461
Coefficient of Determination Test	<i>Adjusted R Square</i>		0.167
F-Test	<i>ANOVA</i>		0.006

3.1.3 Multiple Linear Regression Analysis

The following are the results of the multiple linear regression test in this study, presented in Table 3:

Table 4. Multiple Linear Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients		Collinearity Statistics		
	B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1 (Constant)	25.953	.878		29.547	.000		
External Pressure	.304	.179	.231	1.694	.096	.813	1.231
Promotion Intensity	.317	.140	.307	2.265	.028	.824	1.214
Enterprise Diversification	-.544	.681	-.099	-.799	.428	.979	1.021

a. Dependent Variable: Financial Performance Improvement

Based on Table 3, the following multiple linear regression equation can be derived:

$$FPI = 25.953 + 0.304EP + 0.317PI - 0.544ED + \epsilon$$

The explanation of the numbers in the multiple linear regression equation is as follows:

- a. The constant (a) value of 25.953 means that if the variables external pressure (EP), promotion intensity (PI), and enterprise diversification (ED) are all zero, then the value of financial performance improvement (FPI) is 25.953.
- b. • The regression coefficient for the external pressure (EP) variable is 0.304, meaning that if external pressure (EP) increases by one unit, the financial performance improvement (FPI) will increase by 0.304, assuming the values of the other variables remain unchanged.
- c. • The regression coefficient for the promotion intensity (PI) variable is 0.317, meaning that if promotion intensity (PI) increases by one unit, the financial performance improvement (FPI) will increase by 0.317, assuming the values of other variables remain unchanged.
- d. • The regression coefficient for the enterprise diversification (ED) variable is -0.544, which means that if enterprise diversification (ED) increases by one unit, the financial performance improvement (FPI) value will decrease by 0.544, assuming the values of other variables remain unchanged.

3.1.3 Statistical Hypothesis Test

From Table 2, the correlation evaluation and coefficient of determination indicate that external pressure, promotion intensity, and enterprise diversification represent 16.7 percent of the fluctuation in enhancement of financial progress, while the remaining 83.3 percent is explained by other factors outside the scope of this study. Also, the variance analysis indicated a significance threshold of 0.006, which is beneath 0.05, pointing out that the regression schema is considered valid for evaluation. The coefficient of determination (Adjusted R^2) indicates that external pressure, promotion intensity, and enterprise diversification collectively explain 16.7% of the variation in financial performance improvement. Although this value may be considered relatively low, such results are common in studies examining corporate performance because financial outcomes are influenced by numerous internal and external factors beyond the scope of a single model. Factors such as firm size, liquidity, operational efficiency, occupancy rates, service quality, macroeconomic conditions, and managerial capabilities may also contribute significantly to financial performance improvement. Therefore, the findings should be interpreted as evidence of the relative influence of the examined variables rather than as a comprehensive explanation of financial performance improvement. The low explanatory power also suggests opportunities for future research to incorporate additional determinants that may better capture the complexity of financial performance within the hospitality industry.

Based on the findings presented in Table 4 above, the alpha value of the t-test for promotion intensity falls beneath 0.05, highlighting a significant connection the independent and dependent variables. Conversely, the significance values pertaining to external pressure and enterprise diversification are above 0.05, indicating an absence of relevant association among these independent variable and the dependent variable.

3.2 Discussion

3.2.1 The Effect of External Pressure on Financial Performance Improvement

Based on the t-test results shown in Table 3, the significance value for external pressure is $0.096 > 0.05$ with a regression coefficient of 0.304; this indicates that external pressure does not influence financial performance improvement. Therefore, the first hypothesis (H_1), which states that external pressure has a positive effect on financial performance improvement, is rejected. The findings of this study are inconsistent with the results of Dsouza et al. (2025), Zhang et al. (2024), and Omri et al. (2024), who stated that external pressure, proxied by leverage, has a positive effect on a company's financial performance. However, the results of this study are consistent with the findings of Indrati & Artikasari (2023), who state that leverage does not have a significant effect on firm value. This reinforces the findings of this study that external pressure has not yet been able to function as an effective managerial discipline mechanism in driving improvements in financial performance, particularly in sectors with fluctuating revenue characteristics.

The insignificant effect of external pressure may reflect the unique characteristics of the hospitality industry during the post-pandemic recovery period. Hotel and resort companies generally experienced substantial fluctuations in occupancy rates, customer demand, and operating cash flows, making profitability more dependent on operational recovery than on financing decisions. Although leverage can function as a disciplinary mechanism under Agency Theory, its effectiveness may be limited when firms prioritize liquidity preservation and business continuity. Consequently, external pressure alone may not be sufficient to generate meaningful improvements in financial performance within the Indonesian hospitality sector.

3.2.2 The Effect of Promotion Intensity on Financial Performance Improvement

In light of the t-test results outlined in Table 3, the p-value concerning promotion intensity is $0.028 < 0.05$ with a regression coefficient of 0.317; this indicates that promotion intensity influences financial performance improvement. Therefore, the subsequent hypothesis (H_2) suggesting that increasing promotions improves the financial performance advancement has been supported. This evidence is consistent with those of Kim and Jang (2021), Mousa et al. (2021), and Aniebiet and Unyime (2023), who showed that strong advertising methods can raise brand awareness, amplify market presence, and assist in enhanced organizational profit. Thus, a rise in promotion intensity may act as a positive signal to the market and create improved financial performance. This positive effect indicates that the higher a company's promotion intensity, the greater the opportunity for improved financial performance. Vigorous

promotional activities might increase market presence, attract new customers, and retain existing customers by increasing loyalty. In the context of the hotel and restaurant industry, amplified promotional strategies such as seasonal discounts, cooperations with web-based platforms, and digital marketing initiatives via social networks can boost occupancy rates and sales of ancillary services such as restaurant or event services.

These findings suggest that promotional activities play a critical role in accelerating financial recovery in hospitality firms. During the post-pandemic period, consumers became increasingly dependent on digital information and online booking platforms when making travel decisions. Consequently, firms that allocate greater resources to promotional activities may achieve stronger market visibility, higher occupancy rates, and improved customer acquisition. This finding supports Signaling Theory, which argues that promotional expenditures can serve as positive signals regarding service quality, growth prospects, and managerial confidence, thereby enhancing consumer trust and financial outcomes.

3.2.3 The Impact of Enterprise Diversification on Financial Performance Improvement

Based on the results of the t-test shown in Table 3, the significance value for enterprise diversification is $0.428 > 0.05$, with a regression coefficient of -0.544 . This indicates that enterprise diversification does not affect financial performance improvement. Therefore, the third hypothesis (H3)—which states that enterprise diversification has a positive effect on financial performance improvement—is rejected. The results of this study indicate that enterprise diversification does not have a significant effect on financial performance improvement. This finding is inconsistent with the research by Christine & Irechukwu (2022) and Zheng & Tsai (2019), who found that business diversification can enhance financial performance. However, these results are consistent with the findings of Zhang et al. (2024), who stated that the impact of diversification on performance is not always positive, as the effectiveness of this strategy heavily depends on synergies between business lines, managerial capabilities, and alignment with the company's core focus. The insignificant effect of enterprise diversification on financial performance indicates that this strategy has not yet provided added value for hotel and restaurant companies during the study period. This arises from substantial expenditure, nuanced inter-division synchronization, and growing supervisory dangers. Lacking sufficient organizational framework and assets, interaction across divisions is difficult to achieve, so diversification fails to directly boost profitability or operational efficiency.

An important finding is that the regression coefficient for enterprise diversification is negative (-0.544), although statistically insignificant. The negative direction suggests that diversification may generate additional coordination costs, managerial complexity, and resource allocation challenges that outweigh its potential benefits. During the post-pandemic recovery period, hospitality firms may have focused their resources on restoring core business operations rather than developing new business segments. Consequently, diversification initiatives may not have produced sufficient synergies to improve profitability and operational efficiency.

This finding indicates that diversification is not automatically associated with superior financial performance. The effectiveness of diversification depends on managerial capability, strategic alignment among business units, and the availability of organizational resources. Without adequate integration and operational coordination, diversification may increase organizational complexity and reduce overall efficiency. Therefore, managers should carefully evaluate diversification opportunities and ensure that expansion strategies complement the firm's core competencies and long-term strategic objectives.

4. CONCLUSION

This study examines the effects of external pressure, promotion intensity, and enterprise diversification on financial performance improvement among hotel and resort companies listed on the Indonesia Stock Exchange during the 2020–2024 period. The findings reveal that promotion intensity has a positive and significant effect on financial performance improvement, whereas external pressure and enterprise diversification do not significantly influence financial performance improvement. Beyond the statistical findings, this study suggests that financial recovery in the Indonesian hospitality industry is driven primarily by market-oriented operational strategies rather than by financing pressure or business expansion initiatives. Promotion intensity appears to play a critical role in enhancing market visibility, attracting customers, and supporting revenue growth during the post-pandemic recovery period. These findings support Signaling Theory, which argues that promotional activities can communicate positive information regarding a firm's quality, growth prospects, and competitive position. In contrast, the insignificant effect of external pressure indicates that leverage-related pressure does not automatically improve financial performance. Similarly, the insignificant and negative coefficient of enterprise diversification suggests that diversification strategies may not generate immediate financial benefits when firms are still focused on restoring their core business operations. During the recovery period, the costs associated with coordination, resource allocation, and managerial complexity may outweigh the potential advantages of diversification. The findings contribute to the hospitality and financial management literature by demonstrating that the relative effectiveness of internal and external drivers of financial performance is highly dependent on industry conditions and economic context. Specifically, promotional efforts appear to be more effective than diversification and leverage-related strategies in supporting financial performance improvement among Indonesian hospitality firms during the post-pandemic recovery period. This study has several

limitations. First, the model explains only 16.7% of the variation in financial performance improvement, indicating that many other determinants remain unexplored. Second, the study focuses exclusively on hotel and resort companies listed on the Indonesia Stock Exchange, which may limit the generalizability of the findings. Future research is therefore encouraged to incorporate additional variables such as firm size, liquidity, operational efficiency, occupancy rates, service quality, corporate governance, and cash flow indicators to obtain a more comprehensive understanding of financial performance improvement in the hospitality industry.

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