

Strategies for Building Sustainability and Operational Harmony in Star-Rated Hotels in Yogyakarta in the Face of Changes in Public Policy

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ABSTRACT

Changes in public policy particularly government budget efficiency measures that have led to restrictions on business travel, meetings, and the hosting of government events at hotels have impacted room demand, revenue in the MICE (Meetings, Incentives, Conferences, and Exhibitions) segment, and the operational sustainability of star-rated hotels in Yogyakarta. This study aims to analyze hotel strategies for building operational sustainability and harmony through the perspectives of adaptive strategy and dynamic capabilities. The study employs a qualitative approach through interviews, observations, and documentation, covering approximately 50 hotels that are members of the Yogyakarta Chapter of AMKAH (Association of Hotel Finance and Accounting Managers) and involving 20 informants were selected using purposive sampling, consisting of 10 financial managers, 5 heads of operations, and 5 general managers. The research findings indicate that hotels' responses are manifested through strategic adaptation, operational efficiency and resilience, market diversification and innovation, as well as collaboration and organizational learning. These four strategies reflect dynamic capabilities through the ability to sense, seize, and transform that is, to identify changes, capitalize on opportunities, and transform resources and operational processes to address external changes. Their implementation strengthens efficiency, flexibility, financial resilience, operational continuity, and harmonious relationships with stakeholders. Thus, the integration of these four strategies serves as the foundation for the sustainability and operational harmony of hotels in the face of changes in public policy.

Keywords : Operational strategy; sustainability; harmony; hotel; public policy

INTRODUCTION

The hospitality industry makes a strategic contribution to economic growth, tourism, job creation, and government revenue. However, government efficiency measures and budget cuts that affect business travel, meetings, and government activities at hotels have the potential to reduce room demand and hotel revenue. These conditions demand cost efficiency and interdepartmental coordination from room management, labor, and inventory to finance and marketing. Operational alignment through adaptive strategies and the integrated utilization of resources is essential to maintaining service quality, financial resilience, and the sustainability of hotel operations. Along with economic development, hotels must always be ready to adapt to changes that occur, especially those related to public policy. One of the challenges facing the hospitality industry is changes in public policy, including tax regulations, licensing requirements, and fiscal policies. In the context of this study, the focus is on government efficiency measures and spending cuts that restrict official travel, meetings, and the hosting of government events at hotels. These policies have the potential to reduce demand for rooms, revenue from MICE (Meetings, Incentives, Conferences, and Exhibitions) activities, and food and beverage services, thereby increasing pressure on hotels' financial and operational performance. These conditions require adjustments in marketing strategies, cost control, workforce management, and interdepartmental coordination. Therefore, operational alignment through

adaptive strategies and dynamic capabilities is essential to optimize resources, maintain service quality, strengthen financial resilience, and ensure the sustainability of hotel operations amid changes in government fiscal policy. The recovery of the hospitality industry is also influenced by the extent to which government fiscal policies and regulations can support companies' financial stability (Le & Phi, 2021). An understanding of the characteristics and operational mechanisms of the tourism industry is necessary as a foundation for assessing the impact of government policies on business operators and the sustainability of the hospitality sector (Nurozi, 2021). Achieving the tourism sector's goals requires the active involvement of local governments in designing and implementing various targeted strategic measures (Tenggara et al., 2023). Government budget-cutting policies may reduce support in the form of subsidies, incentives, and funding allocations for the tourism sector and dampen demand for lodging services due to changes in purchasing power and business travel spending (Lobi Aprianto, 2024). Although the economic impact of these policies has been a concern, a review of the literature indicates the need for further study on the interrelationship between changes in public policy, operational harmony through interdepartmental coordination, and hotel sustainability which encompasses economic, social, cultural, and environmental dimensions. These three aspects need to be analyzed in an integrated manner to explain how hotels implement adaptive strategies and dynamic capabilities in facing operational pressures, maintaining service quality, and ensuring business sustainability. Thus, this study aims to fill this gap through an analysis of strategies for building sustainability and operational harmony in star-rated hotels in Yogyakarta in the face of changes in public policy. The consequences of budget-cutting policies increasingly highlight the importance of hotels' ability to devise adaptive and resilient strategies to maintain operational sustainability and effectiveness amid economic uncertainty and rapidly evolving policy dynamics. Under these circumstances, operational sustainability has become a strategic factor for hotels in responding to various external pressures, including changes in government budget allocations that affect consumer spending patterns and the level of competition in the industry. This sustainability reflects the hotel organization's ability to adapt, maintain business continuity, and improve performance despite facing disruptive changes, including budget cuts. Furthermore, the ability to implement organizational changes supported by

employee motivation has also been shown to make a positive and significant contribution to improved operational performance in the hospitality industry (Wahyuni et al., 2023). In the face of these various pressures, hotels also need to strengthen operational harmony through effective coordination, collaboration, and synergy among various departments, such as the front office, housekeeping, food & beverage, and other operational units. Cross-departmental synergy is essential to ensure the continuity of service quality for guests and maintain operational standards, even when hotels face budget constraints or significant policy changes. Furthermore, a review of the policies that have been implemented and their impact on the tourism sector can serve as a basis for evaluating the effectiveness of these policies, identifying achievements and various implementation challenges, and formulating recommendations for future policy improvements and development (Ayu & Widiati, 2022). This study aims to examine the managerial strategies developed and implemented by star-rated hotels in the Yogyakarta region and its surroundings in response to public policy dynamics—particularly policies related to reductions in the state budget—and to analyze their contribution to strengthening the hotels' operational resilience and harmony. The study employs a qualitative approach by exploring the experiences and perspectives of hotel managers, department heads, and staff directly involved in operational activities. The findings are expected to enrich the understanding of effective adaptation strategies for the hospitality industry while also serving as input for policymakers in formulating policies that are more responsive to the sustainability and strengthening of the hospitality industry in the future.

LITERATURE REVIEW

1. Changes in Public Policy

Operational In times of crisis and amid dynamic regulatory changes, public policy plays a crucial role in creating an environment that enables the hospitality industry to adapt effectively. The provision of fiscal stimulus, tax relief or incentives, and the streamlining of administrative processes can alleviate the pressures faced by businesses, expand their scope for operational adjustments, and ultimately support the sustainability of the hospitality industry (Sharma et al., 2024). Changes in public policy can be viewed as external triggers that prompt hotels to adjust their strategies and operational practices. Government policies can influence

the hotel business environment through regulations, fiscal measures, environmental policies, labor policies, tourism policies, and development governance. This means that hotels do not operate in an environment that is entirely controlled by the organization, but must continually adapt to institutional changes. Changes in government policy—including mobility restrictions, occupancy rate regulations, and the implementation of health protocols—also help determine the direction of adjustments to hotel operational strategies. A focus on public policy is becoming increasingly important because tourism and the hospitality industry constitute a complex and multidimensional ecosystem that brings together various interconnected actors, institutions, and economic networks. These conditions make the tourism and hospitality industries highly sensitive to policy changes. Intersectoral coordination and policy coherence are necessary to maintain stability while ensuring the continuity of industrial operations (Trishananto, 2024). Therefore, hotel strategies that focus on flexible internal policies, financial efficiency, and adaptive negotiations with vendors and suppliers are crucial for survival.

2. Adaptive Strategy

Adaptive strategies are a key element in ensuring the sustainability and operational harmony of star-rated hotels in Yogyakarta as they navigate changes in public policy—particularly government budget efficiency measures that impact official travel, meetings, and government activities held at hotels. These conditions require adjustments to costs, workforce, resources, and marketing without compromising service quality. The ability to foster organizational agility and resilience is a vital component of dynamic capabilities in navigating changes in the business environment (Kamar et al., 2023). Labor flexibility, adjustments to operational procedures, and business diversification also support the hotel industry's resilience in the face of uncertainty in demand (Rini & Fikri, 2022). Operational harmony requires interdepartmental coordination in the management of rooms, staff, inventory, marketing, costs, and cash flow to ensure that efficiency does not compromise service quality. A hotel's sustainability must also take into account environmental responsibility and responsible management practices, not just financial performance (Han, 2021). From a dynamic capabilities perspective, "sensing," "seizing," and "transforming" describe a hotel's ability to recognize changes, capitalize on opportunities, and adapt its resources and operational

processes to strengthen financial resilience, service quality, stakeholder relationships, and business sustainability.

3. Dynamic Capabilities

Dynamic capabilities serve as the foundation for explaining how star-rated hotels in Yogyakarta respond to changes in public policy through their ability to sense (identify changes), seize (capitalize on opportunities), and transform (adapt resources and operational processes) (Tajeddini et al., 2026). These capabilities support the hotel's agility and resilience in the face of demand uncertainty and changes in the business environment. In an operational context, collaboration, integration, agility, and resource reconfiguration can improve the hotel's supply chain performance by strengthening operational resilience (Kareem et al., 2020). Furthermore, dynamic capabilities help tourism companies build organizational resilience through adaptation, innovation, integration, and strategic adjustments in line with the stages of environmental change (Prayag et al., 2024). The implementation of agility and innovation also contributes to environmental management and hotel competitiveness, enabling sustainability to be developed in tandem with operational adjustments (Pertusa-ortega & Pereira-moliner, 2023). Based on this foundation, the research findings regarding cost efficiency, market diversification, interdepartmental coordination, service innovation, and collaboration with stakeholders can be interpreted as forms of dynamic, interrelated capabilities that contribute to operational harmony, financial resilience, service quality, and the sustainability of hotels amid changes in public policy.

4. Operational Harmony

The operational harmony strategy is a managerial approach that integrates interdepartmental coordination, internal communication, resource flexibility, and decision-making to ensure the continuity of service and the sustainability of the hotel business. In the face of changes in public policy particularly government budget efficiency measures that could potentially reduce room demand, MICE activities, and food and beverage revenue—hotels need to build adaptive capabilities that involve all operational functions. In addition, financial, social, and technological resources play a role in developing dynamic capabilities that support the agility of hospitality organizations in navigating an unstable business environment (Chasapi, 2024). Operational harmony is further achieved by aligning the activities of

the Front Office, Housekeeping, Food and Beverage, Sales and Marketing, and Finance and Accounting departments so that changes in demand can be addressed in a coordinated manner. This serves as a framework for assessing how cross-departmental communication and resource coordination help hotels maintain service standards when facing operational pressures. In addition to internal coordination, digital transformation and operational efficiency can be part of an operational harmony strategy. In the context of star-rated hotels in Yogyakarta, this approach can be implemented through the use of occupancy data for workforce planning, information systems for interdepartmental coordination, and the monitoring of costs and revenue as a basis for more responsive decision-making. Operational harmony must also take into account the integration of economic efficiency and environmental responsibility. Implementing a food waste management hierarchy in hotels can reduce waste, lower food costs, and support environmental responsibility (Srijuntrapun et al., 2022). This shows that coordination between Food and Beverage, Purchasing, Warehousing, and Finance and Accounting is not only important for cost control but also has the potential to support the hotel's operational sustainability.

5. Hotel Sustainability

Hotel sustainability strategies are managerial approaches that integrate economic, environmental, and social dimensions into policies and operational activities to ensure the long-term resilience and viability of the business. A systematic review of eco-friendly hotels indicates that hotel sustainability practices have evolved into an important field of research, encompassing a variety of practices and management approaches that need to be understood holistically (Ji et al., 2026). Research on hotel sustainability tends to place greater emphasis on environmental aspects than on economic and social dimensions; therefore, the implementation of sustainability must take into account the balance among these three dimensions (Adams & Barreda, 2022). In light of changes in public policy—particularly government budget efficiency measures that could potentially reduce demand for hotel rooms, MICE activities, and food and beverage revenue—the sustainability of hotels must be supported by strategies for market diversification, cost control, service innovation, human resource development, and strengthening relationships with stakeholders. The implementation of sustainability

strategies in the hospitality industry involves communication, training, management support, the work environment, and human resources engagement (Guerralombardi et al., 2024). These findings are relevant for understanding the importance of coordination among the Front Office, Housekeeping, Food and Beverage, Sales and Marketing, and Finance and Accounting departments in consistently implementing sustainability. Hotel sustainability should also be understood as part of a business strategy, not merely as a cost-saving measure or a means of meeting environmental requirements (Quintás et al., 2023). Thus, energy and water efficiency, waste reduction, cost control, improved employee well-being, and the development of alternative markets can be analyzed as part of efforts to align economic performance with social and environmental responsibilities.

METHODOLOGY

This study employs a qualitative approach to understand the strategies used by star-rated hotels in Yogyakarta to foster sustainability and operational harmony in response to changes in public policy. This approach was chosen to explore experiences, interpretations, and decision-making processes within the complex hospitality environment (Wang & Shing, 2025). The research context encompasses approximately 50 hotels that are members of the Yogyakarta Chapter of AMKAH (Association of Hotel Finance and Accounting Managers). A total of 20 informants were selected using purposive sampling, consisting of 10 financial managers, 5 heads of operations, and 5 general managers, with data collection taking place from January 2025 to September 2025. The selection of informants was based on their competence, professional experience, and direct involvement in financial and operational decision-making at the hotels, particularly regarding changes in public policy, adaptive strategies, interdepartmental coordination, and business sustainability. Data were collected through in-depth, semi-structured interviews to explore the impact of public policy changes as well as hotel strategies for managing revenue, controlling costs, allocating resources, and maintaining service quality. In-depth interviews allowed researchers to gain a contextual understanding of complex hospitality management issues (Xu et al., 2025). The data were analyzed using thematic analysis through the following stages: understanding the data, coding, identifying and reviewing themes, and interpreting the results (Pîrvu, 2023). The validity of the

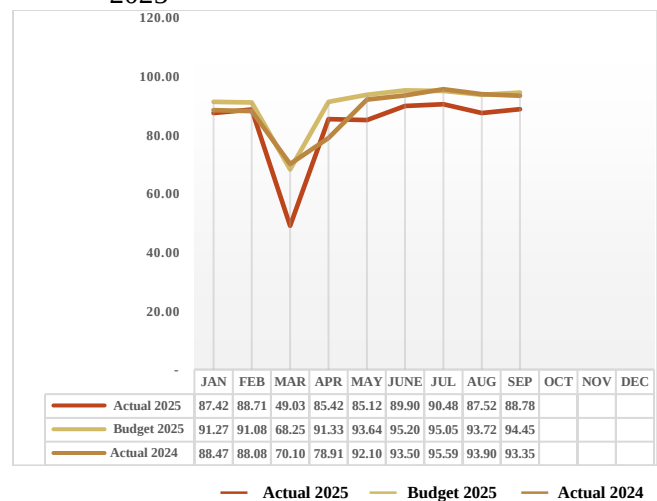
data was strengthened through triangulation of sources and techniques by comparing statements among informants and cross-referencing them with available hotel policy and operational documents. The analysis focuses on the interrelationships between changes in public policy, adaptive strategies, dynamic capabilities, operational harmony, and hotel sustainability. With informants drawn from the hotel's finance, operations, and leadership functions, this study is expected to yield an in-depth understanding of managerial strategies for maintaining the resilience and sustainability of star-rated hotels in Yogyakarta.

RESULTS AND DISCUSSION

The results of the study indicate that dynamic changes in public policy require star-rated hotels in Yogyakarta not only to maintain operational sustainability but also to strike a balance between financial interests, human resources, relationships with suppliers, and service quality. Under these circumstances, operational sustainability is determined not only by a hotel's ability to increase revenue, but also by management's capacity to manage pressure, adjust strategies, control costs, and maintain relationships with various stakeholders. The research findings show that operational resilience is built through management's ability to keep the hotel's basic functions running while adapting to changing external conditions. One tangible manifestation of this resilience is reflected in the hotel's ability to consistently meet its key financial obligations, which include providing stable and transparent reporting to the owner, paying employee salaries on time, covering fixed costs such as electricity and basic operational needs, and maintaining cooperative relationships with suppliers through regular payments accompanied by negotiations and adjustments to agreements. This situation indicates that the strategy for dealing with policy changes is not implemented through a single action, but rather through a combination of cost efficiency, decision-making flexibility, payment priorities, resource adaptation, and the maintenance of stakeholder trust. Thus, a hotel's resilience in the face of public policy changes can be understood as a managerial process that enables the organization to continue functioning, adapt, and maintain service quality despite facing fluctuating external pressures. Thus, the resilience that has been built not only reflects financial resilience, but also demonstrates the hotel management's capacity to maintain operational sustainability while remaining

competitive amid dynamic changes in public policy. The resilience of hotels must also be viewed in terms of their ability to cope with these off-peak periods namely through operational efficiency, rate flexibility, promotions, and marketing strategies that can attract guests during the low season so that business continuity is maintained even when occupancy is not always perfect. In general, the average occupancy rate for star-rated hotels in the Yogyakarta area can be described as follows:

Table 1. Trends in Average Occupancy Rates for Star-Rated Hotels for the Period January–September 2025

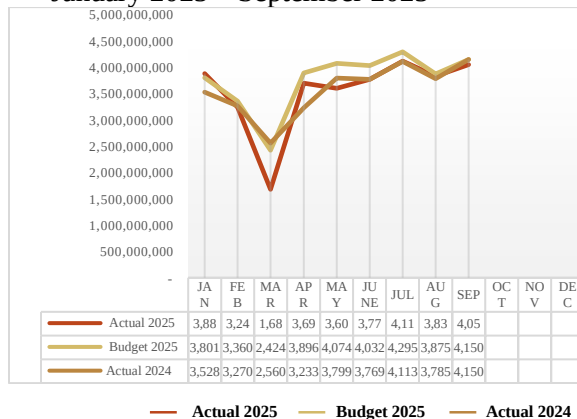


Source: Field data processing result, September 2025

Based on the analysis of interview data with informants from the hospitality industry, the graph of room occupancy rates for the January–September 2025 period illustrates the performance trends of star-rated hotels in Yogyakarta compared to the 2024 actual results and the 2025 budget targets. In January 2025, the actual occupancy rate was in the range of 87–88%, slightly below the 2024 actual results and the 2025 budget targets. The sharpest decline was observed in March 2025, when the actual occupancy rate fell to around 49%, while the budget target was in the range of 68% and the March 2024 actual figure was around 70%. Based on interview statements, this change should be understood in the context of reduced demand from the government sector due to budget efficiency measures, while also taking into account seasonal factors including the Ramadan period which also influenced occupancy patterns in 2024. Since April 2025, the actual occupancy rate has risen again, ranging from 85–91% during April–September.

Although this indicates a recovery, the figures for most of this period still fell short of budget targets and tended to be lower than the 2024 figures, particularly from May through September. This pattern aligns with interview findings, which should be interpreted as an indication of pressure on demand as well as management's efforts to maintain operational performance amid changes in the business environment such as cost control, room rate adjustments, enhanced promotions, and the development of alternative market segments. This strategy reflects efforts to adapt in order to maintain revenue, resource efficiency, and service quality when occupancy rates have not yet fully reached their targets. Thus, the graphs and interview results collectively illustrate that changes in hotel occupancy rates cannot be explained by a single factor alone. The decline in March likely reflects the combined influence of seasonal factors and shifts in market demand, while the recovery since April indicates an improvement in performance that should be interpreted in conjunction with the strategies implemented by management. Meanwhile, strategies for cost control, service adjustments, and market diversification reflect management's adaptive capabilities in maintaining operational harmony and the sustainability of star-rated hotels in Yogyakarta. Therefore, these findings underscore the importance of integrating occupancy data and informant perspectives to understand the relationship between changes in public policy, managerial responses, and the operational sustainability of hotels.

Table 2. Average Revenue of Star-Rated Hotels
January 2025 – September 2025

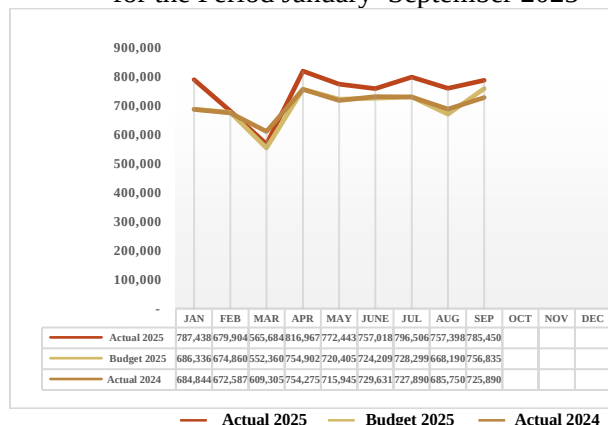


Source: Field data processing result, September 2025

Based on the graph showing the results of the interview data analysis, revenue at star-rated hotels in Yogyakarta from January through September 2025 showed fairly sharp

fluctuations, particularly in March 2025. Actual revenue in January was recorded at approximately IDR 3.9 billion, then fell to about IDR 3.3 billion in February and reached a low of approximately IDR 1.7 billion in March. This decline indicates pressure on hotel revenue, primarily because March's actual revenue fell short of the 2025 budget target and the results achieved during the same period in 2024. The results of interviews with hospitality industry practitioners provide context for understanding these conditions, particularly regarding shifts in market demand, government activities, and the hosting of meetings or MICE events as a source of hotel revenue. In interpreting this decline, the impact of government budget efficiency must be considered alongside other factors including seasonal patterns and shifts in market demand so that it is not attributed solely to a single policy factor. By April 2025, actual revenue had risen again to between IDR 3.5 billion and IDR 4.1 billion for the April–September period. This recovery indicates an improvement in revenue following the decline in March, although actual figures for some months remained below both the budgeted targets and the 2024 results. Insights from informants at the levels of financial manager, head of operations, and general manager can shed light on how management responds to these pressures through cost control, revenue performance evaluation, adjustments to marketing strategies, and efforts to develop alternative market segments. Overall, a comparison of 2025 actual revenue, the 2025 budget target, and 2024 actual revenue indicates that the hospitality industry in Yogyakarta faces the challenge of maintaining revenue performance while adjusting its operational strategies. The data presented in the graphs, combined with the interview results, reveal that revenue dynamics are not only related to changes in demand from specific segments but also to management's ability to manage resources, control expenses, and respond to market changes. These findings support the analysis regarding the interrelationship between changes in public policy, adaptive strategies, and operational harmony in fostering hotel sustainability. However, revenue figures alone cannot be used to directly conclude that the hotel is making a profit, since assessing profitability also requires data on operating costs, other expenses, and operating income.

Table 3. Average Room Rate (ARR) for Star-Rated Hotels for the Period January–September 2025



Source: Field data processing
result, September 2025

Based on the Average Room Rate (ARR) chart, the performance of the average hotel room rate from January through September 2025 shows a positive trend compared to the budget and actual figures for the same period in 2024. In January 2025, the actual Average Room Rate (ARR) reached IDR 780,000, then dropped to IDR 740,000 in February and IDR 680,000 in March. However, in April 2025, the Average Room Rate (ARR) increased significantly to IDR 860,000, exceeding the budget of IDR 760,000 and the 2024 actual figure of IDR 720,000. Furthermore, the Average Room Rate (ARR) stood at IDR 820,000 in May, IDR 800,000 in June, IDR 810,000 in July, IDR 790,000 in August, and rose again to IDR 820,000 in September. During this period, the realized Average Room Rate (ARR) consistently exceeded both the budget and the previous year's figures, indicating positive progress in managing average room rates. These findings can be linked to the results of interviews regarding the hotel management's strategies in setting room rates, evaluating market demand, optimizing sales distribution channels through Online Travel Agents (OTAs) and direct bookings, and controlling the offering of discounts. From a financial perspective, an increase in the Average Room Rate (ARR) has the potential to boost room revenue and support the hotel's financial performance. However, an increase in the Average Room Rate (ARR) does not automatically translate to higher profits, as profitability is also influenced by the occupancy rate, RevPAR, OTA

commission fees, room amenities costs, and operational and maintenance expenses. Therefore, controlling room costs through supply planning, monitoring the use of consumables, and preventive maintenance must be carried out consistently. Overall, the Average Room Rate (ARR) for 2025 reflects positive performance in room rate management. The implementation of adaptive revenue management strategies, periodic rate reviews, and effective cost control are expected to increase revenue, maintain competitiveness, and support the hotel's long-term profitability.

Based on the research findings, the strategies for building sustainability and operational harmony in star-rated hotels in Yogyakarta in the face of changes in public policy can be narrowed down to four main strategies, namely (1) strategic adaptation, (2) operational efficiency and resilience, (3) market diversification and innovation, and (4) collaboration and organizational learning. These four strategies are interrelated and form an adaptive mechanism that enables hotels to maintain operational stability while striking a balance among the interests of management, employees, suppliers, customers, tenants, and business partners. Thus, the strategies implemented are not only focused on the hotel's ability to withstand policy pressures but are also aimed at fostering operations that are adaptive, efficient, collaborative, and sustainable. Next, these four strategies were analyzed in depth to understand their role in strengthening the hotel's ability to adapt to change and maintain operational continuity.

1. Strategic Adaptation

Strategic adaptation refers to the ability of hotel management to adjust policies, priorities, and decision-making mechanisms in response to changes in the external environment, including changes in public policy. In the context of star-rated hotels, changes in government policy can affect mobility, business travel, meetings and MICE events, as well as room demand from the government sector. Therefore, it is not enough for hotels to simply cut costs; they must also quickly adjust their strategies in response to changes in demand and business conditions (Ho et al., 2023). Such adaptation can be achieved through periodic evaluations of market conditions, adjustments to budget priorities, control of non-essential expenditures, and flexible decision-making based on occupancy rates and revenue projections. This strategy also demonstrates that hotel organizations engage in various forms of anticipation,

coping, adaptation, and learning when facing a crisis. These adaptations include changes to the business model, diversification of revenue sources, the use of local suppliers, and the digitization of operations (El-said et al., 2020). The adaptation strategies of star-rated hotels in Yogyakarta were implemented in response to changes in public policy that affected demand and operational conditions. The adaptation process was carried out through several key steps, namely:

a. Identify changes and impacts

Management monitors policy changes and analyzes their impact on occupancy, revenue, the workforce, procurement, and cash flow.

b. Setting Priorities

Identify the operational needs that must be maintained, particularly employee payroll, utilities, suppliers, maintenance, and other essential needs.

c. Operational adjustments

Adjusting the workforce, expenses, procurement, service capacity, and sales strategies in line with demand conditions.

d. Coordination and implementation

Management decisions are communicated to each department so that adjustments can be implemented in a coordinated and flexible manner.

e. Ongoing evaluation and adjustments

The results of the strategy are monitored through trends in occupancy, revenue, costs, and market conditions to determine next steps.

The implementation of these measures has resulted in flexibility in resource management, cost control, cash flow stability, and the ability to maintain service operations, thereby enabling the hotel to continue meeting its operational needs and ensuring business sustainability amid changes in public policy.

2. Operational Efficiency and Resilience

Operational efficiency and resilience strategies are implemented to ensure that hotels remain capable of performing their core functions when facing pressures resulting from changes in public policy and fluctuations in demand. In times of economic pressure or declining demand, hotels need to ensure that limited resources are allocated to the activities that contribute most to business sustainability. Implementation may include controlling

labor costs, adjusting work schedules based on occupancy rates, limiting overtime, controlling electricity and water consumption, managing inventory, negotiating payments with suppliers, and performing preventive maintenance to avoid higher repair costs (Lin et al., 2023). In this context, efficiency is not merely understood as cost reduction, but as a hotel's ability to allocate resources appropriately, flexibly, and sustainably so that cost savings do not compromise service quality or operational continuity. Its implementation involves several key steps, including:

a. Identifying and controlling costs

This is done primarily for the components that have the greatest impact on cash flow, such as labor, energy, procurement, maintenance, and other operating expenses.

b. Adjusting Resource Usage to Match Demand Levels

This is achieved by adjusting work schedules and staffing levels based on occupancy, reducing overtime, implementing rotating unpaid leave, and utilizing casual or on-call staff when operational needs increase.

c. Improving energy efficiency and utility services

Through the management of electricity and water usage, restrictions on the use of facilities in areas with low activity levels, and preventive equipment maintenance. Energy efficiency practices are also supported by international research showing that a focus on green energy and energy conservation is linked to a hotel's operational efficiency.

d. Manage procurement and inventory

By adjusting purchase volumes to actual needs, maintaining minimum inventory levels, purchasing directly from suppliers or vendors in a more efficient manner, and controlling material usage.

e. Maintaining cash flow flexibility

By prioritizing essential payments, negotiating payment terms with suppliers or vendors, and managing payments based on cash flow without disrupting business relationships.

f. Performing preventive maintenance

To keep the facilities operational while preventing larger repair costs in the future.

These measures demonstrate that efficiency is aimed at building the hotel's ability to reconfigure its resources in response to changing conditions, rather than simply cutting expenses.

The results of implementing these strategies are evident in increased flexibility in resource utilization, cost control, energy and utility efficiency, and the ability to maintain cash flow. Workforce adjustments have helped the hotel manage payroll costs without having to permanently reduce service capacity, while procurement controls and negotiations with suppliers have helped maintain liquidity. Energy efficiency and preventive maintenance also help reduce long-term operating costs. As a result, hotels have greater flexibility to maintain service levels, meet their core obligations, and continue their operations even in the face of declining demand. This strategy ultimately leads to operational resilience—that is, a hotel's ability to maintain its core functions, adjust capacity, and reallocate resources when facing external pressures (Koh et al., 2024). The hospitality industry has also shown that hotels capable of anticipating, coping with, and adapting to disruptions are better equipped to handle them (Kusa et al., 2024). Thus, efficiency serves as a tool for maintaining viability, while flexibility and resource management form the foundation of operational resilience. The combination of these two factors enables hotels not only to reduce cost pressures in the short term but also to maintain service capacity, financial stability, and business continuity in the face of changes in public policy.

3. Market Diversification and Innovation

Market diversification and innovation strategies are being implemented in response to shifts in demand patterns resulting from changes in public policy. A decline in business travel, meetings, MICE events, and government activities may reduce the government segment's contribution to hotel occupancy and revenue. These conditions have prompted star-rated hotels in Yogyakarta to reduce their reliance on a single market segment by developing alternative sources of demand and revenue. This strategy is aimed not only at increasing occupancy but also at maintaining the average room rate (ARR), RevPAR, and total revenue through a combination of market diversification, product innovation, strengthening distribution channels, and adaptive pricing. Its implementation involves several key steps, including:

- a. Identifying market dependencies and changes in market characteristics

In Management maps out the contributions of each segment, such as government, corporate, travel agents, OTAs, FIT, leisure/family, events, and walk-in guests. An evaluation is conducted of occupancy rates, ARR, revenue contributions, and changes in demand for each segment. This step serves as the basis for determining which segments to retain, strengthen, or develop as alternative markets.

- b. Diversifying market segments

The hotel is expanding its target market from segments affected by the policy to segments that are relatively more flexible, such as corporate, family, leisure, events, travel agents, FIT, and local customers. The corporate and travel agent segments are being strengthened through special pricing offers and direct outreach, while the family segment can be developed by providing facilities and packages tailored to the needs of families. Thus, a decline in demand from one segment does not directly lead to an overall decline in hotel revenue (Breier et al., 2021).

- c. Developing new products and services

Market diversification must be supported by product innovation so that hotels have new reasons for consumers to choose and use their offerings. Innovation can take the form of family packages, event packages, children's facilities, meeting packages, room-and-F&B bundles, or the development of new outlets or facilities in line with market opportunities. This approach is consistent with research on crisis-driven innovation in international hotel chains, which shows that crises can drive hotels to innovate in products, services, and processes to adapt to changing customer needs.

- d. Strengthen marketing channels and direct bookings

Hotels don't just rely on OTAs; they also develop direct bookings through their websites, social media, WhatsApp, corporate networks, travel agents, and

repeat customers. Promotions on Instagram and direct communication can be used to offer special rates or packages, giving customers an incentive to book directly. This strategy also helps hotels collect customer data and reduce their reliance on distribution channels that charge commissions.

e. Implementing revenue management innovations

Pricing is adjusted based on demand characteristics, occupancy rates, time periods, customer segments, and competitive conditions. Hotels do not simply lower prices when occupancy declines, but rather seek a balance between price, product value, packages, and customer segmentation. Research by Talón-Ballesteró et al. highlights the importance of flexible booking terms, developing alternative revenue streams, enhancing service value, digitalization, and coordinating revenue management with marketing and sales in response to market changes.

f. Using data to evaluate market effectiveness and innovation

Each segment and sales channel is monitored based on room production, ARR, RevPAR, revenue, conversion rates, and contribution to total revenue. This data is used to determine which segments need to be strengthened, which products are effective, and which distribution channels deliver the best results (Ng & Cui, 2026). International research has also shown that the use of big data analytics and organizational agility is linked to marketing innovation and hotel performance. The results of implementing this strategy show that diversification and innovation provide hotels with opportunities to tap into new sources of demand when the contribution from certain segments declines. Strengthening the corporate, leisure/family, travel agent, FIT, walk-in, event, and direct booking segments broadens the customer base and

reduces reliance on the government segment. Product and facility innovations create additional revenue streams, while flexible pricing strategies help hotels maintain revenue levels when occupancy rates fluctuate. Ultimately, this strategy leads to revenue resilience and market flexibility. Hotels become less reliant on a single source of demand, have more market alternatives when policy changes occur, and are able to adjust their products and prices based on shifts in demand. Thus, market diversification and innovation serve not only as marketing strategies but also as critical mechanisms for ensuring the continuity of hotel operations.

4. Collaboration and Organizational Learning

Collaborative strategies and organizational learning are implemented to strengthen the hotel's ability to adapt to changes in public policy by strengthening internal and external relationships and leveraging experience as a source of learning. In the face of shifting demand and operational pressures, hotels cannot rely solely on decisions made by top management; they require the involvement of employees, suppliers, tenants, SMEs, customers, associations, and business partners. This collaboration fosters a shared understanding and common interests, enabling various parties to work in a more coordinated manner to ensure operational continuity. Its implementation involves several key steps, including:

a. Building internal communication and a shared understanding

The Management communicates changes in business conditions, the impact of policies, operational needs, and hotel priorities to the General Manager, department heads, and staff. The purpose of this communication is to foster a shared understanding so that each department is aware of the current situation and can adjust its actions accordingly. Effective internal communication also lays the foundation for knowledge sharing and faster decision-making when an organization faces pressure. Research on leadership and resilience in the hospitality industry shows that internal communication and knowledge sharing help ensure that critical

information is disseminated to members of the organization, enabling more accurate and timely decisions.

b. Optimizing internal collaboration and flexibility

The hotel optimizes its available human resources through the redistribution of tasks, cross-departmental collaboration, and the utilization of employees' skills according to operational needs. Employees not only perform the core functions of their departments but may also be involved in marketing and sales activities, such as promoting the hotel's products, restaurants, and events. This flexible work model strengthens an organization's ability to reallocate resources in response to changing needs. Findings from star-rated hotels in Ghana confirm that flexibility and collaboration are necessary conditions for enhancing the operational resilience of hotel services.

c. Strengthening collaboration with external stakeholders

Room Relationships with suppliers, tenants, SMEs, travel agents, associations, and business partners are maintained through communication, negotiation, and the creation of shared interests. When facing cash flow pressures, for example, a hotel can negotiate payment terms, adjust procurement volumes, or reorder transaction priorities without severing ties with suppliers. Interorganizational cooperation is important because a hotel's resilience depends not only on internal resources but also on its ability to access and integrate resources from external networks. Research by Kusa, Suder, and Duda shows that interorganizational cooperation and flexibility strengthen a hotel's ability to achieve better performance through sustainable practices.

d. Establishing mechanisms for sharing experiences and knowledge

Experiences dealing with changes in demand, cost pressures, and operational disruptions are not merely viewed as past experiences, but are transformed into knowledge that can be applied to future decision-making. Knowledge can be gained through interdepartmental discussions, performance evaluations, the sharing of experiences among employees, and the

dissemination of practices that have proven to be effective (Baquero, 2022).

e. Encouraging employee engagement in sharing ideas and innovations

Employees are given the opportunity to share their experiences, challenges, and proposed solutions encountered in the course of their work. This mechanism is important because employees are the ones who interact directly with customers and are involved in operational processes (Zhao et al., 2022).

f. Conduct ongoing evaluation and learning

The results of strategy implementation are evaluated using operational indicators such as occupancy, revenue, costs, labor productivity, service quality, and stakeholder relations. The results of the evaluation are then used to improve procedures and future strategies. In this way, the hotel establishes a learning cycle consisting of evaluation, action, knowledge sharing, improvement, and reapplication.

The results of implementing this strategy are evident in improved internal coordination, greater HR flexibility, better relationships with stakeholders, knowledge sharing, and the hotel's ability to respond more quickly to change. Collaboration enables the hotel to optimize its available resources, while organizational learning helps transform operational experiences into knowledge that can be used to improve decision-making. Thus, collaboration provides collective strength, while organizational learning provides the ability to continuously improve responses to change.

CONCLUSION

This study makes a theoretical contribution by strengthening the application of the theory of dynamic capabilities to explain the sustainability and operational harmony of star-rated hotels in Yogyakarta through the integration of strategic adaptation, operational efficiency and resilience, market diversification and innovation, as well as collaboration and organizational learning. In practice, hotel managers need to strengthen their monitoring of policy changes, cost efficiency, employee competence, market diversification, and stakeholder collaboration, while policymakers need to ensure clear communication, adequate outreach, and opportunities for consultation with industry stakeholders. This study is limited to participating star-rated hotels in Yogyakarta; therefore, its findings cannot be directly generalized to all hotels or other regions. Future research is recommended to expand the scope

of hotels and regions and to combine interview data with quantitative indicators such as occupancy rates, average room rates, RevPAR, operating costs, and cash flow to test the relationship between dynamic capabilities and hotel sustainability in a more measurable way.

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DECLARATIONS

The author confirms that there is no conflict of interest in the preparation and publication of this article.

ETHICAL APPROVAL

This research activity was conducted in accordance with the research code of ethics, upholding confidentiality, maintaining privacy, and ensuring the voluntary participation of respondents.

INFORMED CONSENT

Each stage of the research was conducted in accordance with research ethics standards, thereby ensuring the confidentiality, privacy, and voluntary participation of respondents.

DATA AVAILABILITY

The data used in this study can be accessed by submitting a request to the relevant parties.

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