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Impact of Ambidextrous Capability and Human Capital on SMEs Performance in The Tourism Industry Through Organizational Resilience and Strategic Renewal

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Abstract: The main objective of this study is to examine the role of strategic renewal on the performance of Micro, Small, and Medium Enterprises (SMEs) in Tourism. This study uses a quantitative and qualitative approach and Structural Equation Modeling (SEM) analysis. Data were collected from 82 Tourism SMEs in Indonesia. This study highlights the importance of human capital and ambidextrous capabilities in improving enterprises performance through strategic renewal and to create resilience in an organization. Organizational resiliencies do not always affect the organization capability of strategic renewals. We argue that only high degree of organizational resiliencies with innovative capabilities that are able to orchestrate the strategic renewal. The innovative capabilities are mainly dependence on the quality human capital. Therefore, SMEs in tourism industry generally need to improve its ability of human capital to achieve innovative capabilities in order to survive in crises and have a competitive advantage necessary to keep up with changes in the tourism industry.

Keywords: Ambidexterity Capabilities, Human Capital, Organizational Resilience, Renewal Strategy, Organizational Performance

INTRODUCTION

A crisis refers to a sudden and unexpected event that disrupts an organization's operations and poses a threat to the organization's sustainability (Alves, 2020). A crisis can be very damaging to a business because it erodes trust, destroys organizational value, threatens business objectives, puts pressure on management by providing management with limited time to respond, and can even lead to business failure (Alves, 2020). Small organizations may be more vulnerable to crisis events due to lack of preparedness, resource constraints, relatively weak market positions, and high dependency to government and local agencies (Herbane, 2013).

The Covid-19 pandemic ("Covid-19") had a terrible impact on the global economy (The Worldbank, 2021; McKinsey & Company, 2021). On 23 April 2020, as many as 26.5 million workers have lost their jobs, global stocks have fallen by at least 25% (Eggers, 2020). In times of economic crisis, SME faces significant threats to their financial performance and survival. SMEs usually suffer financial problems due to reduced sales volume, inability to meet contractual requirements, cash flow difficulties, staff reductions, and business closures during or after a crisis event (Alves, 2020). Crisis can also cause emotional and psychological stress for employee and managers of SME (Leung et al., 2010).

Early work on crisis management shows that sudden and unexpected events threat SMEs to meet its business objectives and pressure management to take immediate action to save the business. At the organizational level, crisis management requires decision makers to quickly develop strategies that minimizes financial losses and increases the organization's resilience (Alves, 2020). From the perspective of internal and external stakeholders, a recent literature review on crisis management identified that organizations need to understand the impact of the crisis on learning, social evaluation, and performance (Alves, 2020). Further, Alves (20201) stated that crisis management is the process by which organizations adopt strategies to deal with disruptive and unexpected events that threaten to harm the organization or its stakeholders.

One aspect of learning is the people capability. Human capital with relevant skills is essential resources to form an organization's resilience in a dynamic environment (Barasa, Mbau, & Gilson, 2018). Organizations with high level of employee involvement normally have high employee dedication and commitment that focus on organizational needs during the crisis (Felício, Couto, & Caiado, 2014).

The other aspect of learning is the organization's ability to carry out ambidextrous activities. Ambidexterity is an organization's ability to efficiently manages exploitation and exploration activities (Iborra,

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Safon, & Dolz, 2020). In the context of SME, ambidexterity is a dynamic capability that affects the resilience of SMEs, and therefore SMEs with ambidextrous capabilities able to better identify opportunities and to recover from crises (Iborra et al., 2020).

The routines of SMEs in responding to crises have been found to precede dynamic capabilities (Herbane, 2013). In line with that routines, there is an inseparable relationship between organizational resilience and formal strategic planning related to responsiveness, innovation, competition, uncertainty, and renewal which are the key elements of strategic renewal (Herbane, 2019).

Strategic renewal involves organizational strategies, structural rearrangements, and other systemic changes (Zahra, 1993). Strategic renewal can occur when organizations develop new strategies and improve or maintain competitiveness through the improved implementation of specific strategies (Klammer, Gueldenberg, Kraus, & O'Dwyer, 2017). According to previous research, strategic renewal is related to organizational performance, growth, and profitability (Covin & Miles, 1999).

The Ministry of Cooperatives and SMEs of the Republic of Indonesia reports that SMEs share around 99.99% of the total business actors in Indonesia, while large businesses are only 0.01% or around 5400 units. In contrast, Large Enterprises absorb around 3.58 million people, or about 3% of the total national workforce, which means that SMEs absorb around 97% of the national workforce. This indicates that SMEs in Indonesia play an extraordinary role in building the country's economy.

The government of Indonesia launched Social Distancing Policy that disrupts the production activities of many SMEs. Some companies have adopted a "Work-From-Home" policy, some have decided to lay off some of their employees, and others have elected to carry out mass layoffs. There were layoffs of 1.5 million people, including 1.24 million formal workers and 265 thousand informal workers. In a period of economic and environmental turmoil, it becomes increasingly clear that SMEs are facing very high level of market volatility and high degree of business uncertainty that necessitate organizations to act on the environment changes. SMEs in the tourism sector is one of the business actors most affected by the Covid-19. The government's policy calling for strict health protocols forces everyone to avoid crowds and to maintain social distancing. In addition, the government's policy to limit foreign tourists has significantly impacted tourists visit to Indonesia.

Lack of SMEs' knowledge in good business management practices in the event of crisis had caused difficulties for the SMEs to maintain and grow its business. Therefore, particularly during the crisis, strategic renewal is critical for any SME to compete in the uncertain market, including in the tourism sector. Through this study, the researchers aim to discuss the role of strategic renewal in enhancing the performance of SMEs in the tourism industry. Based on series of literature reviews, we found that strategic renewal is linked to ambidexterity, human capital, and organizational resilience.

THEORETICAL FRAMEWORK

The ambidextrous strategy refers an orchestrated activities that synchronizes the organization's exploration and exploitation activities by merging or separating sub-units of the organizations. Each sub-unit specializes in exploration or exploitation activities by carrying out both activities simultaneously (O'Reilly & Tushman, 2008). Organizations with an ambidextrous nature have advantages to be able to recognize opportunities, to link those opportunities with resource skills and knowledges, and to synergies exploration and exploitation activities (Junni, Sarala, Taras, & Tarba, 2013).

When an organization focuses only on exploitation activities, it will fall in a competency trap or core-rigidity, and will not be ready to respond to significant environmental changes[4] (Barton, 1992). Conversely, when an organization focuses only on exploratory activities, it will fall in a knowledge-seeking cycle that never stops, that will lead to changes without adequate business results (Volberda & Lewin, 2003). The process of exploration and exploitation competes in the use of organizational resources, in such that ability to simultaneous optimize it is key to the success of any organization to navigate during the crisis (Noekent, 2016). Ambidextrous capability is defined as an organization's ability to efficiently manage its business (exploitation orientation), and adaptive to environmental changes (exploration orientation) (Iborra et al., 2020).

Human capital is a combination of knowledge, skills, and other abilities related to individuals (Barasa et al., 2018). Yusoff, Jantan, and Ibrahim (2004) define human capital as a form of intellectual capital, which combines various attributes such as knowledge, skills, attitudes, mental relationships, and individual actions. According to Singh and Nayak (2016), human capital is knowledge and skills acquired by individuals, influenced by various factors. In his research Stewart (1998) studies human capital in intellectual capital and concludes that

[4] such as changes in the market (market pull) and/or technology (technology push).

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talents, skills, abilities, and ideas form human capital. In addition to knowledge, skills, and experience, human capital also consists of creativity and innovation. (Barasa et al., 2018). Human capital is based on the ability, knowledge, talent, education, skills, and experience of individuals within the organization (Bontis, Chua Chong Keow, & Richardson, 2000).

Resilience is defined as resistance to shock without showing disintegration (Paton & Johnston, 2001). Resilience is about accepting changes, turning unfavorable conditions into advantages, and finding ways to deal with them. Therefore, resilience is more than just adaptation but also about creative and proactive solution-oriented mindset (Karl, 1993).

Organizational resilience is the capacity of the organization to anticipate and react to change, not only to maintain the life of the organization but also for the organization's development. Resilience is an essential factor in dealing with unexpected threats and crises (Lengnick-Hall, Beck, & Lengnick-Hall, 2011). Referring to Weick's argument in Maitlis & Sonenshein (2010), a crisis is an unusual event that causes considerable disruption to ongoing organizational activities. Resilience is a trait, i.e., an individual fixed attribute, a contextually salient and moldable capacity, or a process, i.e., experiencing a positive outcome after exposure to an adverse event (Gucciardi et al., 2018).

Therefore, resilience in the organizational context is defined as a positive adaptation to adversity to encourage organizations to achieve success (Hayward et al., 2010). Organizations realize setbacks can be part of their business journey by increasing the organization's ability to have a chance to survive and bounce back (van Gelderen, 2012). In some entrepreneurship literature, it is described that organizational resilience is a resource to protect organizations from disturbances due to environmental changes (Danes et al., 2009).

Strategic renewal is reflected in the organization’s strategy, structure, systems, and culture (Agarwal & Helfat, 2009). Strategic renewal efforts can be described as organizational transformations that combine the organization's strategies, business activities, and products or services in order to compete during rapid and dramatic environment change (Klammer et al., 2017). Fluctuations in the internal and external environment create both opportunities and threats for the organization. Customer expectations and demands, innovative competitors, new technologies, new demands, or shifting workforce demographics force organizations to adjust or update their organizational strategies to deal with possible strategic declines and secure or regain a sustainable competitive advantage (Klammer et al., 2017). Adopted from previous studies show that strategic renewal includes the process, content, and outcome attributes of substitute organizations that substantially influence their long-term effects (Agarwal & Helfat, 2009).

Strategic renewal involves the renewal or revitalization of the organization's strategy. Strategic updates enable organizations to respond to various external dynamics that can reduce the organization's capacity to compete (Ravasi & Lojacono, 2005). Previous studies have demonstrated that superior product innovation, business development, or business activity, can be achieved by continuous innovation (Shamsie, Martin, & Miller, 2009).

Therefore, in order to have strategic renewal capabilities, it requires the organizational ability to perform ambidextrous activities, to adapt to the environment changes, and has human capital that are capable to perform such activities and adaptations, in such that it drives resilience organization to develop innovative capabilities, which is reflected to the Conceptual Model (Figure 1).

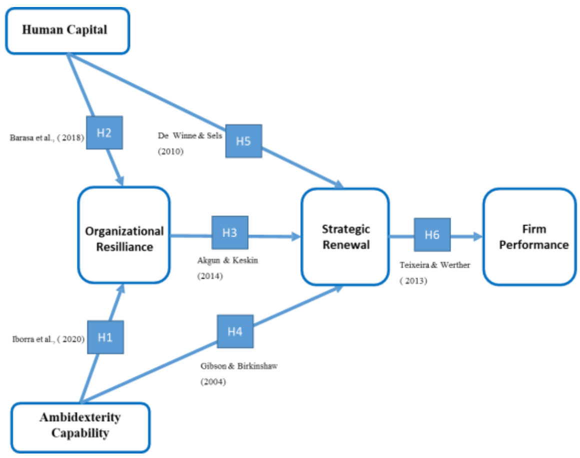

Figure 1. Conceptual Model

The conceptual model will be used as a basis for conducting future research. The relationship between ambidextrous capabilities and human capital on organizational resilience are supported by two different studies, Iborra et al. (2020) and Barasa et al. (2018). The basis for building other hypotheses between the variables of ambidextrous capability, human capital, organizational resilience to strategic renewal is supported by research that has been carried out by Akgun and Keskin (2014), Gibson and Birkinshaw (2004), and De Winne and Sels (2010), wherein the three studies there is the influence of ambidextrous capability, human capital, organizational resilience to strategic renewal.

Since ambidextrous capability is an organization's ability to efficiently manage its business, called exploitation orientation, and adaptive to environmental changes called exploration orientation (Iborra et al., 2020) and is a dynamic capability that requires sensing, acquisition, and transformation activities (Luger et al., 2018), therefore in the context of SMEs, it plays a vital role in integrating the demands of exploration and exploitation (Lubatkin et al., 2006). In

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line with this argument, the ambidexterity of SMEs is a dynamic capability that affects the resilience of SMEs (Iborra et al., 2020).

Organizational resilience will increase when SMEs successfully acquire the ability to explore and exploit. The organization's strategic consistency facilitates organizational resilience in continuously improving and developing organizational capabilities (Iborra et al., 2020). Consistency in the allocation of exploration and exploitation resources to SMEs will show the direction and stability of SME's business (Lubatkin et al., 2006).

Based on the explanation above, the following hypotheses can be generated:

H1: Ambidextrous capability has a positive effect on organizational resilience

Human capital is an essential resource in organizational resilience to face every organizational challenge in a dynamic environment (Barasa et al., 2018). Human resources with good skills are cited as essential contributors to organizational resilience (Barasa et al., 2018). Human capital is represented by the aggregation of investments made by organizations in education, health, training, and migration to increase individuals' productivity (Laroche et al., 2000).

In his research, Walker et al. (2003) found that organizational resilience was enhanced through prioritizing employee welfare. Employee welfare is created through a positive social environment where employees are free to share information and actively listen to employee needs (Colic-Peisker & Walker, 2003). Organizations with a high level of employee involvement will increase employee dedication and commitment to focus on organizational needs even in crisis conditions (Felício et al., 2014).

Based on the explanation above, the following hypotheses can be generated:

H2: Human capital has a positive effect on the formation of organizational resilience.

The definition of strategic renewal refers to the entrepreneurial phenomenon requiring changes in strategy and organization (Klammer et al., 2017). Strategic renewal can involve ongoing reforms in the organization's strategy related to restructuring and system changes (Zahra, 1993). Strategic renewal can occur when organizations develop new strategies and when organizations try to improve or maintain competitiveness by implementing specific strategies (Klammer et al., 2017).

Organizations can grow in crisis conditions with different organizational resilience perspectives if they combine defensive and offensive perspectives (Burnard & Bhamra, 2018). Through this combination, organizational resilience is defined as the organization's ability to anticipate potential threats and adverse events effectively to adapt to changing organizational environmental conditions. These capabilities are critical to organizational success (Horne 1997; Coutu 2002).

Organizational resilience reflects the organization's dynamic process of change and evolution to increase product innovation (Akgün & Keskin, 2014). Organizational resilience is the process of developing product outcomes so that organizational routines, practices, and values enable the organization to bounce back from adversity and assist the organization in creating new opportunities (Vogus & Sutcliffe, 2007).

Based on the explanation above, the following hypotheses can be generated:

H3: Organizational resilience has a positive effect on strategic renewal

The need and awareness of maintaining a balance between exploration and exploitation is the basis for the formation of an ambidextrous strategy (Noekent, 2016). Organizations with ambidexterity can excel because they can recognize opportunities, linkages, and synergies between exploration and exploitation activities (Sidhu, Commandeur, & Volberda, 2007). Organizational ambiguity is described as managing two contradictory activities that differ in time and managerial ability to generate innovation (Gibson & Birkinshaw, 2004). The concept of ambidexterity has been developed to explain organizational efforts to manage evolutionary and revolutionary change processes (Tushman & O'Reilly, 1996).

Organizational ambiguity is also related to strategic renewal wherein carrying out strategic renewal. It is necessary to exploit existing competencies and explore new competencies (Gibson & Birkinshaw, 2004). The organization's exploitation and exploration process identify the planned strategic renewal actions (Kwee, 2009).

Based on the explanation above, the following hypotheses can be generated:

H4: Ambidextrous capability has a positive effect on strategic renewal

In his research, Halim, Ahmad, Ho, & Ramayah (2017) believes that SMEs cannot be competitive when they aren’t innovative nor creative. In the meantime, innovation is a function of new knowledge and therefore it takes some level of knowledge to develop organizational innovation (Smith, Voß, & Grin, 2010). Human capital framework believes that individuals acquire more skills through cognition, experience, and

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knowledge to be more productive and better developed (Barasa et al., 2018). Personal knowledge and skills are obtained through education, training, and experience (Felício et al., 2014).

Therefore, organizational innovation capability is positively influenced by human capital (Subramaniam & Youndt, 2005). When people acquire more knowledge, it enriches human capital, intellectual capital, and market value (Vidotto & Aisenberg, 2017). Organizations founded with higher levels of employee human capital will be more innovative than those with lower levels of human capital. In summary, the quality of human capital is a source of innovation and strategic renewal capability (de Winne & Sels, 2010).

Based on the explanation above, the following hypotheses can be generated:

H5: Human capital has a positive effect on strategic renewal.

Generally, strategic updates are related to organizational performance, growth, and profitability (Covin & Miles, 1999). There is a positive relationship between strategic renewal and performance concerning first-mover earnings (Lieberman & Montgomery, 1988). Particularly during the crisis, strategic innovation and renewal drive organizations to stay ahead of their competitors by gaining a competitive advantage that leads to superior performance (Teixeira & Werther, 2013).

During the crisis, strategic renewal is an essential factor for organizational success (Klammer et al., 2017). By considering organizational success for the long term, several researchers identified vital elements to explain organizational success. Organizations that tend to be conservative in the financing, sensitive, have identity awareness, and have a tolerance for new ideas already have critical factors for organizational success (Klammer et al., 2017). Organizations should exploit first before they explore because by going through this process, the organization can diversify its portfolio and introspect before making changes (Kwee, 2009). These success factors form a vital element of the strategic renewal process that can improve organizational performance and competitive advantage (Klammer et al., 2017).

However, in their research, Martínez and Moreno (2011) argue that the relationship between strategic renewal and organizational performance is ambiguous when the environment changes are more benign. The impact of strategic collaboration and renewal on business performance was found to be less beneficial in low technology-intensive sectors, where the environment pressures is less, especially when the organization cooperates with other organizations (Sáez-Martínez & González-Moreno, 2011).

Based on the explanation above, the following hypotheses can be generated:

H6: Organizational strategic renewal has a positive effect on organizational performance

METHODOLOGY

This study intends to analyze the effect of ambidexterity and human capital capabilities on the performance of Tourism SMEs through organizational resilience and strategic renewal. We employ both quantitative and qualitative methods. Moreover, data collection techniques using questionnaire survey methods via google form and interviews. Researchers carried out the interview method to validate and clarify the facts in the field related to the research results that have been obtained. The number of respondents interviewed is not the same as the number of respondents to the questionnaire survey. However, the subject of the interview is addressed to the owners of Tourism SMEs in Indonesia.

This study used an instrument in the form of a questionnaire using 6 Likert scales to avoid neutral answers from respondents. According to Malhotra (2009), the Likert scale is a detailed rating scale where respondents are given a scale in numbers related to each category. The categories are sorted according to the position of the scale. Respondents are asked to choose the specified category. We use Structural Equation Modeling (SEM) as method of analysis. SEM analysis aims to confirm the research model based on empirical data. The evaluation of the SEM model is divided into the evaluation of the measurement model and the structural model. The measurement model describes the relationship between the variables and their measurement items, while the structural model describes the influence between variables.

RESULTS

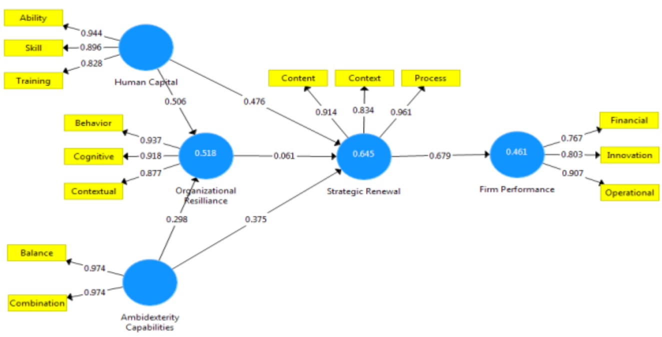

Figure 2. T Statistical Structural Model (Hybrid Model)

The result of this study can be seen in Figure 2. It is interesting to noted that H1, H2, H4, H5, and H6 hypotheses can be accepted except for H3 where the

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hypothesis is rejected. The hypothesis is accepted because the t statistic is above 1.96 and loading factor above 0.5. Through these results, it can be concluded that human capital and ambidextrous capabilities can improve performance through strategic renewal.

Ambidextrous Capabilities Affect Organizational Resilience (H1, Accepted)

This research conducted by researchers on 82 SMEs shows that ambidextrous capabilities affect organizational resilience. It supports the research conducted by Iborra et al. (2020) that the ambidexterity of SMEs is a dynamic capability that affects the resilience of SMEs. Organizational resilience will increase when SMEs succeed in gaining the ability to explore and exploit.

In general, this study shows that the ability of SMEs to combine and balance the exploitation and exploration process is the most important to be conducted by SMEs today and is essential to shape the organizational resilience. The current environmental dynamism encourages SME to adapt more quickly. The ability to balance exploitation and exploration is needed to increase the resilience of SME, considering that the current economic condition is unstable due to the Covid19.

Tourism SMEs affected by the Covid-19 are encouraged to optimize the exploitation process in production efficiency and operational patterns, and at the same time conduct product or service exploration processes tailored to the needs and current market conditions. With a limited budget, SMEs tend to prioritize toward productivity and efficiency.

Human Capital Affects Organizational Resilience (H2, Accepted)

This study indicates that human capital affects the organizational resilience. It supports the research conducted by Barasa et al. (2018) human capital is an essential resource in organizational resilience to face every organizational challenge in a dynamic environment.

In this study, training variable has the strongest influence of human capital to form organizational resilience. In the tourism industry, the role of human resources is crucial for the survival of SMEs because, since creativities, abilities, and skills of the workers play a significant role in maintaining the quality of service. Training budget allocation shows the weakest variable, which could be due to the limited capital resources, and if the SMEs have an excess cash, it will be prioritized for the expenses in improving the existing or developing new products. Needless to say, training is vital to receive new knowledge as the foundation for SMEs in building organizational resilience.

Organizational Resilience Has an Influence on Strategic Renewal (H3, Rejected)

This study indicates that organizational resilience does not affect the strategic renewal of SMEs. It indicates that the relationship between organizational resilience and strategic renewal does not apply equally in every organization. We suspect that the resources owned by SMEs in the tourism sector are not equally capable to build rapid organizational adaptation and innovations capabilities, during the Covid-19. In which, we suspect that SMEs with highest resilience, that has high adaptation and innovation capabilities, are able to affects the strategic renewal (Christensen, 1997). SMEs that do not have, although has some degree of resilience, will not be able to reflects its resilience's into its strategic renewal (Shamsie, Martin, & Miller, 2009).

One of the common obstacles of SMEs in Indonesia is the human resources ability and capital resources for the business development. Resources are needed to achieve higher degree of organizational resilience in order to carry out strategic renewal. Without these resources, SMEs' will be limited to adapt but not to innovate when the business environment changes (Shamsie, Martin, & Miller, 2009).

In the current crisis, more radical innovations are needed from SME in the tourism sector to develop new ideas to increase the resilience of their organizations. Some of these innovations can be obtained when critical ability, skill, and knowledge of human resources are possessed by SMEs in the tourism sector. We argue that the training investment by SMEs has not been running optimally, it is perhaps necessary to improve the quality training tailored to the needs of the current business industry trends, such as those related to digital knowledge or new skills that are radically different from the knowledge and skills they have previously acquired (legacy knowledge and skills).

Ambidextrous Capability Affects Strategic Renewal (H4 Accepted)

This study confirms that the ambidexterity affects strategic renewal and supports the research conducted by Gibson and Birkinshaw (2004)[5] In this study, the combination dimension has the most significant value in the ability of ambidexterity that

[5] That organizational ambidexterity is related to strategic renewal, wherein carrying out strategic renewal, it is necessary to exploit existing competencies and explore new competencies. The need and awareness of maintaining a balance between exploration and exploitation is the basis for the formation of an ambidextrous strategy (Noekent, 2016).

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affects strategic renewal. New product development by combining legacy knowledge and skills, and new knowledge and skills can positively impact developing the quality of the products or services offered. It needs to be done because, in a crisis, SME must adapt optimally to survive. It takes the exploitation of legacy knowledge combined with the exploration of new knowledge so that the strategic renewal process that is carried out is successful in improving performance (Gibson and Birkinshaw, 2004).

Human Capital Affects Strategic Renewal (H5 Accepted)

This study indicates that human capital affects strategic renewal. It supports the research conducted by De Winne and Sels (2010), in which the quality of human resources is a source of innovation and strategic renewal. Organizational innovation capability is positively influenced by human capital (Subramaniam & Youndt, 2005).

In this study, the training dimension is the strongest variable of human capital that affects strategic renewal. In order to increase the optimal exploitation and exploration capabilities, sufficient skills and knowledge are required (De Winne and Sels, 2010). Capability to develop new knowledge and skills is essentials as those competencies will be needed in the crisis conditions.

Strategic Renewal Affect Performance (H6 Accepted)

This study indicates that strategic renewal affects organizational performance. It supports the research conducted by Teixeira and Werther (2013), where strategic innovation and renewal encourage organizations to stay ahead of their competitors by gaining a competitive advantage that leads to superior performance.

In the current crisis, SMEs are forced to determine and decide on the right business strategy because the impact of the Covid-19 has reduced SMEs sales in the tourism sector as a whole. The health protocol policy is undoubtedly detrimental to SMEs in the tourism sector, and this is unavoidable to suppress the growth rate of the Covid-19 in Indonesia.

Thus, SMEs must remain proactive, seeking new knowledge and skills relevant to the tourism sector. Developing new products, developing new markets, or looking for more efficient operational patterns, those knowledge and skills can be used as a solution for SME in revitalizing its business performance that has been disrupted by the Covid-19.

CONCLUSIONS AND IMPLICATIONS

This study conveys a message on the importance of the ambidextrous capability, human capital, and strategic renewal on the performance of SMEs in the tourism sector ("Tourism SMEs"). In crisis conditions, SMEs with those capabilities are able to deliver the expected performance.

This study explains that Tourism SMEs in Indonesia have a delicate level of resilience when coping with Covid-19 situation. Currently, Tourism SMEs are not ready to face this pressure, which can be due to the lack of resources in building capacity rapid organizational adaptation.

Human resources is a key source of innovation and strategic renewal capabilities, because ability to optimally exploits and explores need sufficient knowledge and skills. SME must invest in training activities and in employee productivity while keeping up with changes in the tourism sector.

Particularly in the time of crisis, strategic renewal is fundamental in helping to improve performance because carrying out the process of exploitation and exploration correctly and adequately do affect any SMEs performance. It takes the exploitation of legacy knowledge and skills combined with an exploration of new knowledge and skills such that strategic renewal process can be successfully carried out.

SME must remain proactive in developing the tourism sector, by seeking and acquiring new knowledge and skills.

This study was only conducted on 82 Tourism SMEs in Western and Central Indonesia. Each company or industry has its own specificities, where several unique factors fit to certain strategy. In the future, to increase the numbers of companies and industries being researched will be our first recommendation. In addition, there are limitations of time and place, since most of the communication was conducted via on-line (virtually).

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