

Optimising Human Resource Development Strategies For Tourism Smes: An AHP Approach

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ABSTRACT

Indonesia's tourism sector, a cornerstone of the economy, grapples with inconsistent tourist numbers. This study pinpoints critical factors for enhancing industry efficiency, balancing urgency with feasibility. A cross-sectional survey collected insights from 1,320 employees across 440 tourism SMEs in 11 East Java regions, complemented by input from 33 policymakers. Using an AHP questionnaire, the study prioritised variables, blending quantitative and qualitative data. The research highlights Quality of Work Life as pivotal for East Java's tourism SMEs and provides tailored regional recommendations regarding human resource management to address diverse industry and regional dynamics. Notably, Banyuwangi stands out as a prime target for development due to its substantial contributions and untapped potential. These insights offer stakeholders a roadmap to boost the most affecting human resource variable of tourism SMEs and implement region-specific strategies, ultimately elevating tourism SME performance and fostering growth in East Java's tourism sector. Focusing on Banyuwangi can unlock its tourism potential and drive regional and nearby cities' economic prosperity

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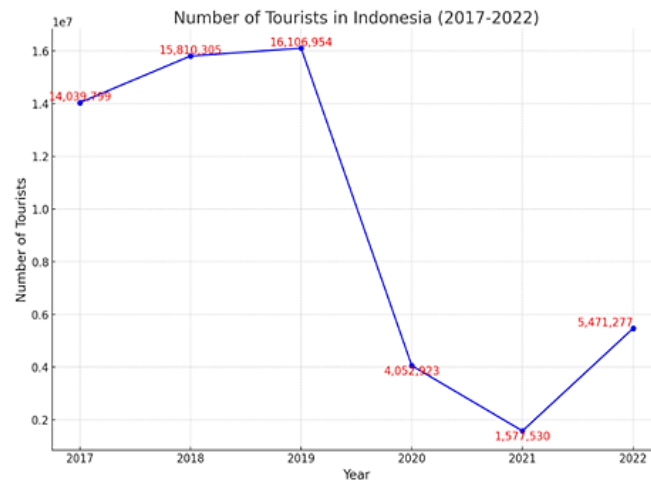


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INTRODUCTION

The tourism sector in Indonesia is crucial to the country's economy. Yet, between 2017 and 2022, the volume of international tourists has varied considerably. Even with an increase in visitors, the figures have not returned to the pre-COVID-19 pandemic levels (Badan Pusat Statistik, 2023). This pattern of inconsistent performance is a global phenomenon, necessitating that the tourism industry adapts and optimises to meet changing consumer behaviours and fully realise its potential (World Economic Forum, 2024).



Source: Finaka & Nurhanisa (2023)
Figure 1. Fluctuate tourist visit 2017-2022

Hermawati's extensive research (2022, 2024) underscores the pivotal role of tourism SMEs in stimulating economic growth. These enterprises, characterised by adaptability and robustness (Hermawati and Mas, 2017; Hermawati et al., 2020), offer significant potential for the sector's optimization. By employing Importance-Performance Analysis (IPA), Hermawati meticulously analysed consumer and stakeholders on the field perceptions to pinpoint critical areas for improvement. This systematic approach enabled the identification of key factors influencing tourism SME performance through marketing and human resource management (HRM) factors. For HRM factors, there are four crucial variables: innovative culture, quality of work-life, compensation, and individual performance.

The relationship between innovative culture, quality of work life, compensation, and individual performance in Tourism Industry SMEs in East Java is profoundly interconnected. An innovative culture significantly enhances individual performance by fostering a work environment that encourages creativity, collaboration, and experimentation. Such an environment motivates employees to exert their best efforts, as they recognize the organisation's commitment to generating new ideas and innovation. This heightened motivation and engagement directly correlate with improved individual performance. Additionally, an innovative culture facilitates collaboration and knowledge exchange, enabling employees to learn from one another, share ideas, and combine skills, thereby enhancing their capability to complete tasks innovatively. Organisations that prioritise innovation also provide opportunities for training and development, further enhancing employee skills and performance. Recognizing and rewarding innovative behaviours and outstanding performance through promotions or career development opportunities also motivate employees to be more innovative and diligent (Famiyeh et al., 2018; Yanti & Dahlan, 2017).

Quality of work life (QWL) is another crucial factor influencing individual performance in these SMEs. Good QWL, characterised by a supportive work environment, organisational justice, work-life balance, and employee participation, leads to high job satisfaction. Satisfied employees exhibit greater motivation, stronger organisational commitment, and improved performance. Positive work environments and social support

help alleviate work-related stress, enhancing job satisfaction and psychological well-being. Employees who achieve a healthy balance between job responsibilities and personal life are more satisfied, motivated, and perform better. Conversely, poor work-life balance can result in stress, fatigue, and diminished performance. Employee participation in decision-making processes that affect their jobs fosters a sense of belonging, increasing work motivation and individual performance. This participatory approach strengthens employees' sense of responsibility and their commitment to achieving better performance outcomes (Qamari et al., 2020; Fatmasari et al., 2018).

Compensation also plays a pivotal role in shaping individual performance. Fair and reasonable compensation, encompassing financial incentives, recognition, and career development opportunities, significantly motivates employees to enhance their performance. Satisfied employees, who perceive their compensation as fair, are more likely to be motivated and committed to their organisation, leading to better performance. Proper compensation fosters a strong emotional bond with the organisation, encouraging loyalty and higher contributions. Competitive and beneficial compensation packages help retain high-performing employees, enabling them to develop their skills and competence further, thus boosting performance. Equitable and transparent compensation practices build trust in the organisation and its leadership, which in turn enhances individual performance through a positive perception of justice and recognition (Hampton & Hampton, 2004; Hermawati & Mas, 2016; Tonga & Huda, 2018).

Previous research has established correlations between specific variables and the performance of Indonesia's tourism industry (Hermawati & Sembhodo, 2022). While these findings provide a foundation for improvement, they fall short of offering actionable guidance for prioritisation. To address this gap, this study employs the Analytic Hierarchy Process (AHP) to incorporate practical considerations into the decision-making process. By applying AHP, the research aims to identify the most critical variables for enhancing the performance of tourism SMEs in East Java. This study is novel in its focus on practical implementation, as existing research has yet to provide clear recommendations on which aspects of the tourism industry should be prioritised for improvement. The findings will inform the development of targeted strategies to boost the overall performance of Indonesia's tourism sector.

LITERATURE REVIEW

Innovative Culture

The ability to innovate is no longer a competitive advantage; it is a prerequisite for business survival in today's dynamic marketplace. As Steele et al. (2004) suggest, a culture that fosters innovation is essential for organisations to adapt swiftly to changing market demands, particularly in the wake of unprecedented disruptions like the COVID-19 pandemic.

Dobni et al. (2008) provide a multi-faceted perspective on innovative culture, identifying key components such as organisational learning, creativity, and market orientation as fundamental drivers. These elements, when combined, create an environment where new ideas can flourish and be translated into actionable strategies.

For small businesses, the cultivation of an innovative culture is particularly critical. Harel et al. (2020) emphasise its role in stimulating product and process improvements, which are essential for SMEs to compete effectively

Quality of Work-life

Quality of Work Life (QWL) is a multifaceted concept that encompasses the overall employee experience within an organisation. It reflects the extent to which an organisation provides an environment that supports employee well-being, satisfaction, and professional growth. As noted by Ahmad (2013), QWL is rooted in employees' perceptions of safety, fulfilment, and opportunities for advancement.

Secapramana and Nugroho (2017) emphasise the symbiotic relationship between organisational objectives and employee needs in shaping QWL. This implies that effective QWL initiatives require a balanced approach that addresses both organisational performance and employee satisfaction.

The dimensions of QWL, as outlined by Hackman and Oldham (1980), are comprehensive and include both tangible and intangible factors. These factors collectively influence employee morale, job performance, and overall organisational effectiveness. Ultimately, QWL is a strategic imperative that can enhance organisational competitiveness and sustainability.

Compensation

Compensation is a multifaceted strategic tool organizations employ to attract, retain, and motivate employees. As defined by Kaur et al. (2016), it encompasses a broad spectrum of rewards, both monetary and non-monetary, offered in exchange for employee contributions. The efficacy of compensation systems in driving organisational performance is well-established in the literature (Anistuti et al., 2022; Antoni et al., 2017). By aligning rewards with desired behaviours, organisations can enhance employee engagement, productivity, and overall job satisfaction.

Agarwal et al. (1998) underscore the importance of designing compensation systems that explicitly link rewards to specific performance outcomes. This contingency-based approach reinforces desired behaviours and contributes to organisational success. Building upon this, Aguinis et al. (2013) propose a comprehensive framework for effective compensation systems, emphasizing the critical role of accurate performance measurement, timely rewards, and fair reward allocation. Moreover, the integration of both monetary and non-monetary rewards is essential to meet the diverse needs and preferences of the contemporary workforce.

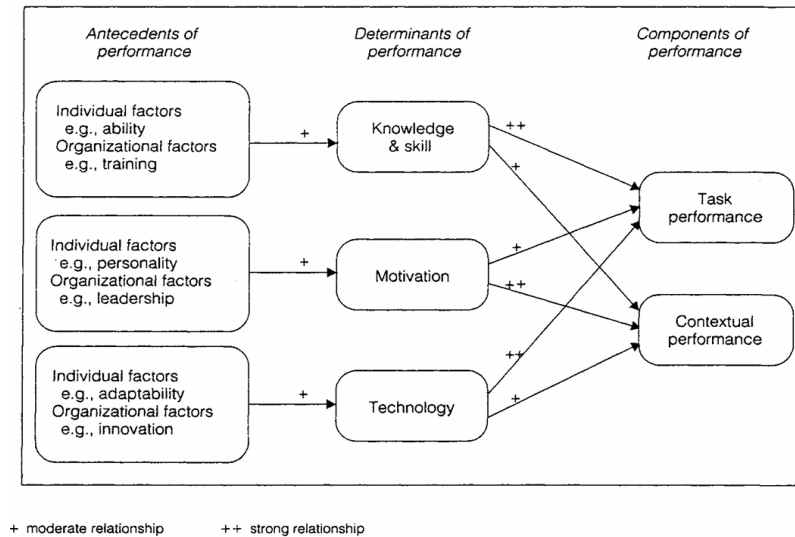
In conclusion, compensation is a strategic human resource function that, when effectively designed and implemented, can significantly impact organisational performance. By carefully considering the key components outlined by scholars, organisations can create compensation systems that attract and retain top talent, foster employee engagement, and ultimately contribute to long-term success.

Individual Performance

Individual performance represents a multifaceted construct that encompasses a broad spectrum of employee behaviours and competencies. Murphy (1998) provides a foundational framework for understanding individual performance by categorising employee behaviours into four primary dimensions: task-related activities, interpersonal interactions, unproductive behaviours, and counterproductive behaviours.

Expanding upon Murphy's work, Campbell (1990) offers a more nuanced perspective by identifying eight distinct performance dimensions. This framework highlights the

complexity of individual performance and emphasises the importance of considering a wide range of factors beyond core job responsibilities. By incorporating both task-based and interpersonal competencies, as well as behaviours related to effort, discipline, and leadership, Campbell's model provides a comprehensive foundation for understanding and measuring individual performance.



Source: Campbell et al. (1993)
Figure 2. Components of Performance

RESEARCH METHODS

This study employed a cross-sectional descriptive research design to comprehensively investigate the factors influencing the performance of tourism Small and Medium Enterprises (SMEs) within the East Java province of Indonesia. The research population encompassed all employees working within these SMEs. A stratified random sampling technique was utilised to select a sample of 440 tourism SMEs from a total of 11 regions: Pacitan, Lumajang, Malang Regency, Batu, Surabaya, Banyuwangi, Blitar, Kediri, Jombang, Ponorogo, and Pasuruan. To ensure a representative sample, three employees were randomly selected from each of the chosen SMEs, resulting in a total sample size of 1,320 respondents.

To gain a deeper understanding of the broader tourism industry context, 33 policymakers from tourism-related government institutions across the selected regions were included as participants. These policymakers, possessing in-depth knowledge of the regional tourism landscape, provided valuable insights into the industry's challenges and opportunities.

Data collection was conducted through the administration of a structured questionnaire. A nine-point Likert scale was employed to assess the relative importance of various factors influencing the performance of tourism SMEs. Respondents were asked to rate the importance of each factor on a scale ranging from least important to most important. To prioritise these factors and make informed decisions, the Analytical Hierarchy Process (AHP) was utilised to analyse the collected data. This method allowed for the integration of both quantitative and qualitative data, providing a robust foundation for understanding the complex interplay of factors affecting tourism SME performance.

RESULTS AND DISCUSSION

The Analytic Hierarchy Process (AHP) was employed to analyse the collected data. This method involved several stages: problem decomposition, pairwise comparisons of criteria and alternatives, normalisation of comparison matrices, and calculation of eigenvector weights for both criteria and regions.

Table 1. Criterion Inter-Normality Matrix

	Innovative Culture	<i>Quality of Work Life</i>	Compensation	Individual Performance
Innovative Culture	0,1083	0,1581	0,1593	0,1564
<i>Quality of Work Life</i>	0,0457	0,0667	0,0781	0,1086
Compensation	0,0403	0,0506	0,0593	0,0975
Individual Performance	0,0242	0,0215	0,0212	0,0349

Table 2. Eigenfactor for Criterias

Criteria	Weight
Innovative Culture	0,13420
<i>Quality of Work Life</i>	0,07508
Compensation	0,06418
Individual Performance	0,03141

The results indicate that innovative culture accounts for 13.42% of the total criteria. Quality of work life contributes 7.50%, while compensation makes up 6.41%. The individual factor contributes 3.14% to the overall criteria.

Table 3. Innovative Culture Inter-Normality Matrix

	Pacitan	Lumajang	Kota Batu	Kab. Malang	Surabaya	Kediri	Banyuwangi	Blitar	Jombang	Ponorogo	Pasuruan
Pacitan	1	0,1587	0,1515	0,2439	0,2500	1,4000	0,5556	0,4348	0,2439	3,4000	1,7000
Lumajang	6,3000	1	0,7692	3,2000	3,3000	6,7000	5,5000	5,0000	3,2000	8,7000	7,0000
Kota Batu	6,6000	1,3000	1	3,5000	3,6000	7,0000	5,8000	5,3000	3,5000	9,0000	7,3000
Kab. Malang	4,1000	0,3125	0,2857	1	1,1000	4,5000	3,3000	2,8000	1,0000	6,5000	4,8000
Surabaya	4,0000	0,3030	0,2778	0,9091	1	4,4000	3,2000	2,7000	0,9000	6,4000	4,7000
Kediri	0,7143	0,1493	0,1429	0,2222	0,2273	1	0,4545	0,3704	0,2222	3,0000	1,3000
Banyuwangi	1,8000	0,1818	0,1724	0,3030	0,3125	2,2000	1	0,6667	0,3030	4,2000	2,5000
Blitar	2,3000	0,2000	0,1887	0,3571	0,3704	2,7000	1,5000	1	0,3571	4,7000	3,0000
Jombang	4,1000	0,3125	0,2857	1,0000	1,1111	4,5000	3,3000	2,8000	1	6,5000	4,8000
Ponorogo	0,2941	0,1149	0,1111	0,1538	0,1563	0,3333	0,2381	0,2128	0,1538	1	0,3704
Pasuruan	0,5882	0,1429	0,1370	0,2083	0,2128	0,7692	0,4000	0,3333	0,2083	2,7000	1

Source: Processed Data (2023)

Table 4. Quality of Work-life Inter-Normality Matrix

	Pacitan	Lumajang	Kota Batu	Kab. Malang	Surabaya	Kediri	Banyuwangi	Blitar	Jombang	Ponorogo	Pasuruan
Pacitan	1	0,7391	0,8947	1,9412	0,5000	0,1954	3,4706	0,4474	0,2048	0,2787	0,1532
Lumajang	1,3529	1	1,2353	2,2941	0,6071	0,2099	3,8235	0,5313	0,2208	0,3091	0,1619
Kota Batu	1,1176	0,8095	1	2,0588	0,5313	0,2000	3,5882	0,4722	0,2099	0,2881	0,1560
Kab. Malang	0,5152	0,4359	0,4857	1	0,5313	0,1650	2,5294	0,3148	0,1717	0,2208	0,1339
Surabaya	2,0000	1,6471	1,8824	2,9412	1	0,2429	4,4706	0,8095	0,2576	0,3864	0,1809
Kediri	5,1176	4,7647	5,0000	6,0588	4,1176	1	7,5882	3,8824	1,2353	2,5294	0,4146
Banyuwangi	0,2881	0,2615	0,2787	0,3953	0,2237	0,1318	1	0,2125	0,1360	0,1650	0,1111
Blitar	2,2353	1,8824	2,1176	3,1765	1,2353	0,2576	4,7059	1	0,2742	0,4250	0,1889
Jombang	4,8824	4,5294	4,7647	5,8235	3,8824	0,8095	7,3529	3,6471	1	2,2941	0,3778
Ponorogo	3,5882	3,2353	3,4706	4,5294	2,5882	0,3953	6,0588	2,3529	0,4359	1	0,2537
Pasuruan	6,5294	6,1765	6,4118	7,4706	5,5294	2,4118	9,0000	5,2941	2,6471	3,9412	1

Source: Processed Data (2023)

Table 5. Compensation Inter-Normality Matrix

	Pacitan	Lumajang	Kota Batu	Kab. Malang	Surabaya	Kediri	Banyuwangi	Blitar	Jombang	Ponorogo	Pasuruan
Pacitan	1	0,2707	1,9263	0,5689	0,1367	0,1776	1,8421	0,2480	0,2381	2,6842	0,3220
Lumajang	3,6947	1	4,6211	2,9368	0,2164	0,3405	4,5368	0,7480	0,6643	5,3789	1,5895
Kota Batu	0,5191	0,2164	1	0,3725	0,1213	0,1525	0,9223	0,2017	0,1951	1,7579	0,2480
Kab. Malang	1,7579	0,3405	2,6842	1	0,1525	0,2052	2,6000	0,3055	0,2905	3,4421	0,4260
Surabaya	7,3158	4,6211	8,2421	6,5579	1	2,6842	8,1579	4,2842	4,1158	9,0000	5,2105
Kediri	5,6316	2,9368	6,5579	4,8737	0,3725	1	6,4737	2,6000	2,4316	7,3158	7,3158
Banyuwangi	0,5429	0,2204	1,0842	0,3846	0,1226	0,1545	1	0,2052	0,1983	1,8421	0,2533
Blitar	4,0316	1,3368	4,9579	3,2737	0,2334	0,3846	4,8737	1	0,8559	5,7158	1,9263
Jombang	4,2000	1,5053	5,1263	3,4421	0,2430	0,4113	5,0421	1,1684	1	5,8842	2,0947
Ponorogo	0,3725	0,1859	0,5689	0,2905	0,1111	0,1367	0,5429	0,1750	0,1699	1	0,2088
Pasuruan	3,1053	0,6291	4,0316	2,3474	0,1919	0,1367	3,9474	0,5191	0,4774	4,7895	1

Source: Processed Data (2023)

Table 6. Individual Performance Inter-Normality Matrix

	Pacitan	Lumajang	Kota Batu	Kab. Malang	Surabaya	Kediri	Banyuwangi	Blitar	Jombang	Ponorogo	Pasuruan
Pacitan	1	2,8923	1,7846	0,4276	3,7692	1,3692	2,7538	1,6923	2,0154	3,6769	2,7538
Lumajang	0,3457	1	0,4745	0,2364	1,8769	0,3963	0,8784	0,4545	0,5328	1,7846	0,8784
Kota Batu	0,5603	2,1077	1	0,3202	2,9846	0,7065	1,9692	0,9155	1,2308	2,8923	1,9692
Kab. Malang	2,3385	4,2308	3,1231	1	5,1077	2,7077	4,0923	3,0308	3,3538	5,0154	4,0923
Surabaya	0,2653	0,5328	0,3351	0,1958	1	0,2941	0,4962	0,3250	0,3631	0,9155	0,4962
Kediri	0,7303	2,5231	1,4154	0,3693	3,4000	1	2,3846	1,3231	1,6462	3,3077	2,3846
Banyuwangi	0,3631	1,1385	0,5078	0,2444	2,0154	0,4194	1	0,4851	0,5752	1,9231	1,0000
Blitar	0,5909	2,2000	1,0923	0,3299	3,0769	0,7558	2,0615	1	1,3231	2,9846	2,0615
Jombang	0,4962	1,8769	0,8125	0,2982	2,7538	0,6075	1,7385	0,7558	1	2,6615	1,7385
Ponorogo	0,2720	0,5603	0,3457	0,1994	1,0923	0,3023	0,5200	0,3351	0,3757	1	0,5200
Pasuruan	0,3631	1,1385	0,5078	0,2444	2,0154	0,4194	1,0000	0,4851	0,5752	1,9231	1

Source: Processed Data (2023)

Table 7. Eigenfactor for Criteria and Regions

	Innovative Culture	<i>Quality of Work Life</i>	Compensation	Individual Performance
Pacitan	0,0331	0,0359	0,0326	0,1421
Lumajang	0,2265	0,0424	0,0889	0,0498
Kota Batu	0,2514	0,0380	0,0224	0,0931
Kab. Malang	0,1079	0,0257	0,0439	0,2445
Surabaya	0,1035	0,0567	0,2946	0,0321
Kediri	0,0281	0,1770	0,1971	0,1174
Banyuwangi	0,0457	0,0157	0,0232	0,0539
Blitar	0,0558	0,0630	0,1019	0,0981
Jombang	0,1080	0,1626	0,1092	0,0816
Ponorogo	0,0151	0,1051	0,0171	0,0335
Pasuruan	0,0250	0,2780	0,0689	0,0539

Table 8. Prioritised Regions

Criteria	Weight	Alternatives	Weight
Innovative Culture	13,42%	Pacitan	3,31%
		Lumajang	22,65%
		Kota Batu	25,14%
		Kab. Malang	10,79%
		Surabaya	10,35%
		Kediri	2,81%
		Banyuwangi	4,57%
		Blitar	5,58%
		Jombang	10,80%
		Ponorogo	1,51%
<i>Quality of Work Life</i>	7,51%	Pasuruan	2,50%
		Pacitan	3,59%
		Lumajang	4,24%
		Kota Batu	3,80%
		Kab. Malang	2,57%
		Surabaya	5,67%
		Kediri	17,70%
		Banyuwangi	1,57%
		Blitar	6,30%
		Jombang	16,26%
Compensation	6,42%	Ponorogo	10,51%
		Pasuruan	27,80%
		Pacitan	3,26%
		Lumajang	8,89%
		Kota Batu	2,24%
		Kab. Malang	4,39%
		Surabaya	29,46%
		Kediri	19,71%
		Banyuwangi	2,32%
		Blitar	10,19%
Individual Performance	3,14%	Jombang	10,92%
		Ponorogo	1,71%
		Pasuruan	6,89%
		Pacitan	14,21%
		Lumajang	4,98%
		Kota Batu	9,31%
		Kab. Malang	24,45%
		Surabaya	3,21%
		Kediri	11,74%
		Banyuwangi	5,39%

The eigenfactor table for criteria reveals that innovative culture is the top priority for enhancing the performance of SMEs in East Java's tourism industry, with a priority value of 13.42%. From the prioritised criteria table, Batu City stands out as the leading alternative for improving innovative culture. Pasuruan is identified as the priority for enhancing quality of work life, while Surabaya and Malang Regency are recognized, respectively, as the top alternatives for improving compensation and individual performance. This priority ranking can be used as a guide for identifying key criteria or performance determinants for SMEs in the East Java tourism industry.

Table 9. Consistency Check

Criteria	Eigen/Lambda Max	C I	C R	Notes
Inter-criteria	8,26881	0,03840	3%	Konsisten
Innovative Culture	11,43052	0,04305	3%	Konsisten
<i>Quality of Work Life</i>	11,43390	0,04339	3%	Konsisten
Compensation	11,50685	0,05068	4%	Konsisten
Individual Performance	11,10816	0,01082	1%	Konsisten

This study reveals that, according to the urgency levels perceived by field stakeholders, the aspects that need improvement in order of priority are innovative culture, quality of work-life, compensation, and individual performance. Each region has its own set of priorities. Generally, specific areas should focus on enhancing certain aspects: Pacitan should prioritize improving quality of work-life; Lumajang and Kota Batu should focus on enhancing innovative culture; Kab Malang and Banyuwangi should concentrate on improving individual performance; Surabaya, Kediri, and Blitar should prioritize improving compensation; and Jombang, Ponorogo, and Pasuruan should focus on enhancing quality of work-life.

Innovative Culture

Previous research has identified several strategies to enhance an innovative culture within organizations. Innovative culture is often fostered by a sense of ownership among business organization members (Cimbaljević et al., 2019). The relationship between innovative culture and performance was demonstrated in a study where innovative performance was the dependent variable in Malaysian SMEs (Lekmat et al., 2018). Innovation can occur in various forms, including product, process, organizational, and business innovation (Sampaio et al., 2019). Furthermore, individuals can be encouraged to innovate by nurturing a culture that drives them to improve operations or products. According to Hermawati (2022), three key components are essential for cultivating an innovative culture: enhancing creativity, creating a supportive environment that encourages risk-taking, and improving teamwork. This aligns with findings from Astuty and Suryana (2018), which indicate that factors such as organizational structure and flexibility play a significant role in shaping an innovative culture.

Quality of Work-life

The quality of work life is a holistic approach designed to enhance employee satisfaction, encourage continuous learning, and support effective management of change and transitions within the organization (Bare et al., 2020). Employee dissatisfaction with the quality of work life is a widespread issue, affecting individuals across all positions and levels (Sampaio et al., 2019). According to Hermawati (2022), there are several key areas that can be targeted to improve the quality of work life:

1. Encouraging employee participation: Actively involving employees in decision-making processes and organizational activities boosts engagement and satisfaction.
2. Enhancing conflict resolution effectiveness: Implementing efficient conflict resolution strategies helps reduce workplace tensions and fosters a more harmonious environment.
3. Improving intra-organizational communication: Strengthening internal communication promotes transparency and collaboration among employees.
4. Prioritizing work health and safety: Ensuring a safe working environment is fundamental to employee well-being.
5. Securing job stability and career growth: Providing opportunities for career development and ensuring job security are essential for maintaining employee morale.
6. Offering fair compensation: Competitive and fair compensation is crucial for employee satisfaction.
7. Fostering a sense of pride and ownership: Cultivating a sense of pride and ownership among employees enhances their commitment to the organization.

Compensation

In the context of Tourism SME human resource management, compensation refers to the total rewards, including salary, benefits, and incentives, provided to employees for their work within the organization. It is crucial for Tourism SMEs to prioritize their human resources by offering competitive compensation packages to attract and retain talented individuals (Seow, 2024). Compensation plays a significant role in motivating employees and enhancing their job satisfaction, which ultimately leads to improved performance and productivity within the organization (Halim, 2023).

To improve compensation in Tourism SMEs, several strategies can be implemented. Firstly, it is essential for SMEs to conduct regular market research to ensure that their compensation packages are competitive and aligned with industry standards (Armoni et al., 2018). Additionally, implementing long-term oriented pricing strategies can help ensure the profitability and sustainability of the business, allowing for better compensation for employees (Armoni et al., 2018). Moreover, focusing on factors such as recruitment and selection, training and development, performance evaluation, and compensation variables can significantly impact human resource management practices within SMEs (Halim, 2023).

Furthermore, enhancing the interplay between human resources and marketing strategies can lead to improved individual and overall SME performance. Studies have shown that factors such as spiritual marketing, innovation culture, quality of work life, and rewards directly impact individual performance, thereby enhancing overall SME performance (Hermawati, 2023). Additionally, fostering innovativeness and cooperation, especially through intensified relations with innovative suppliers and clients, can lead to the introduction of service and organizational innovations, ultimately improving the competitiveness of Tourism SMEs (Carvalho et al., 2020).

Individual Performance

In the case of Tourism SMEs in Indonesia, individual performance is defined as how much different or better an employee would be supported by his/her organization to achieve organizational success. A myriad of actions influences the performance of an individual in this setting. According to results of the research in the tourism sector due to interaction between spiritual marketing, innovation culture, quality of work life, and rewards resulted in significantly affected overall SME performance (Hermawati: 2023). Likewise, market orientation or individual performance have act as a mediator in small and medium enterprises (SMEs) owner managed SMEs local context East Java Indonesia before (Hermawati et al., 2022).

To increase individual performance in the case of Indonesian Tourism SMEs is to target on enhancing Individual Entrepreneurial Orientation and Innovation, which might be a first step through concentrating at this number one element. Entrepreneurial orientation negatively moderates between individual performance and innovation supported by evidence from the study (Astuti, 2024). Herein, the strategic role of EO in creating sustainable competitive advantage (s.e, Drummond et al., 2006 Wellen Lake & Simula., 2015; Wachira et al.,; also see Rachmawati et a l2020) that contributes to improved performance especially for tourism sector (achieving SCOR). In Indonesia, dynamic capabilities and innovation have been suggested as important approaches to promote SME performance (Fitriati et al., 2020), reinforcing the importance of innovation for personal and organizational growth.

In addition, the use of digital capability scales can also affect performance on tourism SMEs in Indonesia. According to Aditiawarman & Wahyuni (2022), competitive advantage generated by digital capabilities and strategic agility serves as the cornerstone of SME performance which stresses on adopting technologies early and reacting rapidly to market variation. Moreover, strategic management implementation and the use of financial capital will also have an important role in improving SMEs performance in Indonesia indicating that efficient resources utilization on every activity & function must be done to succeed at individual or organizational level (Omsa 2017; Widnyana et al. 2021).

CONCLUSION

Based on the findings of this study, it has been identified that the primary areas requiring enhancement include the promotion of an innovative culture, an improved quality of work-life, equitable compensation, and the enhancement of individual performance. It is crucial for tourism SMEs to pay attention to region-specific recommendations that are customized to the unique characteristics and requirements of the local tourism industry and the prevailing climatic conditions. Moreover, the study underscores the significance of prioritizing Banyuwangi for the enhancement of tourism SME performance, taking into account its substantial contributions to the tourism sector and its considerable untapped tourism potential.

Implications

The research findings present valuable insights for tourism SMEs and policymakers in East Java. By adopting a market-driven approach and implementing area-specific recommendations, tourism SMEs can effectively enhance their competitive advantage and contribute to the overall expansion of the tourism sector in the region.

Limitations

The limitations of this research should be considered within the context of its applicability primarily to small and medium-sized enterprises (SMEs) operating in the tourism sector in East Java. It is important to note that the dynamics of market orientation and its impact may vary across different business scales. Furthermore, the study's confinement to the specific context of East Java means that regional differences in demographics, collective psychographics, industry-specific characteristics, and consumer behavior patterns could influence the effectiveness of market orientation practices. Additionally, the research's exclusive focus on the tourism industry limits the generalizability of its findings to other industries, as each industry possesses unique characteristics, competitive landscapes, and customer bases, potentially necessitating tailored market orientation approaches

Reccomendations

For future research, it is recommended to delve into the following areas in order to enhance our understanding of how to effectively optimize the development of small and medium-sized enterprises (SMEs) in the tourism sector:

1. **Implementation Strategies:** There is a need to conduct in-depth investigations into how tourism SMEs, operating in diverse contexts, can successfully implement market-oriented strategies. This could involve the undertaking of case studies to analyze successful implementations and to identify challenges faced by these enterprises in varied environments.
2. **Regional Specificity:** A comparative analysis of region-specific recommendations for the development of tourism SMEs should be undertaken. This would entail studying successful initiatives in different regions and identifying best practices for tailoring development plans in accordance with the specific conditions prevalent in the industry within each region.

By thoroughly examining these areas, researchers can establish a more comprehensive framework aimed at fostering the growth of tourism SMEs in East Java and other similar regions.

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