



## Impact of organizational resilience, ambidexterity capability, and strategic renewal during Covid-19 on firm performance

Herrijal Jaka , University of Indonesia, Indonesia

Sari Wahyuni\* , University of Indonesia, Indonesia

Meiditomo Sutyarjoko , Indonesia Strategic Management Society, Indonesia

\*Corresponding author: [sari.wahyuni@ui.ac.id](mailto:sari.wahyuni@ui.ac.id)

This study examines the role of strategic renewal in the firm performance of Micro, Small, and Medium Enterprises (SMEs) in Tourism during Covid 19 in the context of Indonesia. Using Structural Equation Modeling, the findings highlight the importance of human capital and ambidextrous capabilities in creating resilience and improving firm performance through strategic renewal. We also find that organizational resiliencies do not always positively affect strategic renewals. We suspect that only a high degree of organizational resiliencies with innovative capabilities can orchestrate the strategic renewal. The innovative capabilities are mainly dependent on the quality of human capital. Therefore, SMEs in the tourism industry need to improve their human capital to achieve innovative capabilities to survive in crises and have a competitive advantage to keep up with the changes in the tourism industry.

**Keywords:** ambidexterity capabilities, human capital, organizational resilience, renewal strategy, organizational performance

Received Apr 4, 2022; Revised May 25, 2022; Revised June 6, 2022; Accepted August 30, 2022

**Cite as:** Jaka H, Wahyuni S & Sutyarjoko M 2022. Impact of organizational resilience, ambidexterity capability, and strategic renewal during Covid-19 on firm performance. Journal of the Academy of Business and Emerging Markets, 2(2), 37-48. <https://doi.org/10.5281/zenodo.7089716>

(c) Copyrights with the authors. This Open Access article is distributed under the terms and conditions of the [Creative Commons Attribution \(CC BY 4.0\)](https://creativecommons.org/licenses/by/4.0/)

---

### 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 et al. 2020). It can damage a business as 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 (Litheko & Potgieter 2021). Small organizations may be more vulnerable to crisis events due to the lack of preparedness, resource constraints, relatively weak market positions, and high dependency on government and local agencies (Herbane 2013). Covid-19 had a negative impact on the global economy (Lund et al. 2021). By April 2020, about 27m workers lost their jobs, and global stocks fell by over 25 percent (Eggers 2020). In times of economic crisis, SMEs face significant threats to their financial performance and survival 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 et al. 2020). Further, a crisis can also cause emotional and psychological stress for SME employees and managers (Leung et al. 2005). Studies on crisis management show that sudden and unexpected events force SMEs to meet their business objectives and pressure management to take immediate action to save the business (Litheko & Potgieter 2021). At the organizational level, crisis management requires decision-makers to quickly develop strategies that minimize financial losses and increase the organization's resilience. From the perspective of internal and external stakeholders, organizations need to understand the impact of the crisis on learning, social evaluation and performance. Indeed, crisis management is how organizations adopt strategies to deal with disruptive and unexpected events that threaten to harm the organization or its stakeholders.

One aspect of learning is people's capability. Human capital with relevant skills is an essential resource to form an organization's resilience in a dynamic environment (Barasa, Mbau & Gilson 2018). Organizations with a high level of employee involvement usually have high employee dedication and commitment that focus on organizational needs during the crisis (Felićio, Couto & Caiado 2014). The other aspect is the organization's ability to carry out ambidextrous activities. Ambidexterity is an organization's ability to manage exploitation and exploration activities efficiently. In the context of SMEs, ambidexterity is a dynamic capability that affects the resilience of SMEs. Therefore, SMEs with ambidexterity capabilities have a better ability to identify opportunities and recover from crises (Iborra, Safon & Dolz 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, forming a notion of strategic renewal. Strategic renewal involves organizational strategies, structural rearrangements, and other systemic changes (Zahra 1993). It can occur when organizations develop new strategies and improve or maintain competitiveness through the improved implementation of specific strategies (Klammer et al. 2017). Strategic renewal is related to organizational performance, growth, and profitability (Covin & Miles 1999).

In Indonesia, the Ministry of Cooperatives and SMEs reports that SMEs account for 99.99 percent of the total businesses, and large businesses about .01 percent or around 5400 units. In contrast, Large Enterprises absorb about 3.58m people, or about three percent of the total national workforce, which means that SMEs absorb around 97 percent of the national workforce. The observation indicates that SMEs in Indonesia play an extraordinary role in building the country's economy, making our study an ideal setting to test our model and hypotheses. The government of Indonesia launched a social distancing policy that disrupts the production activities of SMEs. Some companies have adopted a *Work-From-Home* policy; some have decided to lay off some of their employees, and others to carry out mass layoffs. There were layoffs of 1.5m people, including 1.24m formal workers and 265 thousand informal workers. In a period of economic and environmental turmoil, it has become increasingly clear that organizations face very high levels of market volatility and a high degree of business uncertainties that necessitate organizations to act on the changes. SMEs in the tourism sector are one of the business actors most affected by the Covid-19 (Crystal & Rambocas 2022). The government's policy of calling for strict health protocols forces everyone to avoid crowds and maintain social distancing. In addition, the government's policy to limit foreign tourists has significantly impacted tourists' visits to Indonesia.

The lack of SMEs' knowledge of good business management practices in the event of crisis causes difficulties for SMEs to maintain and grow their business. Therefore, particularly during the crisis, strategic renewal is critical for SMEs to compete in the uncertain market, including in the tourism sector. The study aims to examine the role of strategic renewal in enhancing the firm performance of SMEs in the tourism industry. In the next section, we present our framework and develop and test hypotheses empirically, followed by results, discussion, and implications for managers.

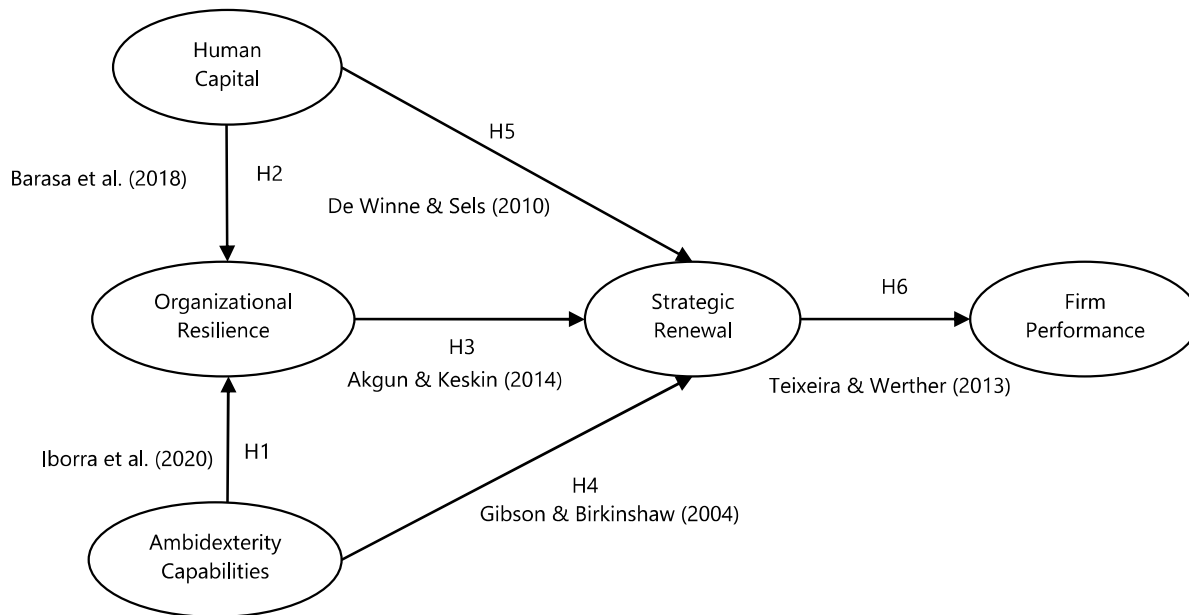
### Theoretical Framework

Studies indicate that strategic renewal is linked to ambidexterity, human capital, and organizational resilience. The ambidextrous strategy refers to orchestrated activities that synchronize the organization's exploration and exploitation activities by merging or separating sub-units of the organization. Each sub-unit specializes in exploration or exploitation activities by carrying out both activities simultaneously (O'Reilly & Tushman 2008). Organizations with an ambidextrous nature can have an advantage because the organization will be able to recognize opportunities, link those opportunities with resource competencies, and synergies exploration and exploitation activities (Junni et al. 2013). When the organization focuses only on exploitation activities, it will result in a competency trap that is not ready to respond to environmental changes. Conversely, when an organization focuses only on exploratory activities, it will be trapped in a cycle of knowledge-seeking that never stops, leading to changes without adequate business results. (Volberda & Lewin 2003). The process of exploration and exploitation will compete for organizational resources, so balancing the resources will be the key to any organization's success in navigating a crisis. Ambidextrous capability is defined as an organization's ability to efficiently manage its business through exploitation, environmental, and exploration orientation (Iborra, Safón & Dolz 2020).

Human capital combines individuals' knowledge, skills, and other abilities (Barasa, Mbau & Gilson 2018). It is also defined as human capital in the form of intellectual capital, which combines various attributes such as knowledge, skills, attitudes, mental relationships, and individual actions (Yusoff, Jantan & Ibrahim 2004). Human capital is also knowledge and skills acquired by individuals, influenced by various factors (Singh & Nayak 2016). Further, talents, skills, abilities, and ideas are found to form human capital (Stewart & Ruckdeschel 1998). Human capital also includes creativity and innovation (Barasa et al. 2018). It is based on the ability, knowledge, talent, education, skills, and experience of individuals within the organization (Bontis, Keow & Richardson 2000). Resilience is resistance to shock without showing disintegration (Paton & Johnston 2001). It is about accepting change, turning unfavorable conditions into advantages, and finding ways to deal with them. Therefore, resilience is not just adaptation but also solution-oriented, creative, and proactive (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 (Singh & Nayak 2016). Resilience is essential in dealing with unexpected threats and crises (Lengnick-Hall, Beck & Lengnick-Hall 2011). 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; ie 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. Organizations realize setbacks can be a part of their business journey by increasing the organization's ability to have a chance to survive and bounce back (van Gelderen 2012). Organizational resilience is also 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 to compete during rapid and dramatic environmental change. Fluctuations in the internal and external environment create opportunities and threats for the organization. Customer expectations and demands, innovative competitors, new technologies, new markets, 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). The strategic renewal includes substitute organizations' process, content, and outcome attributes that substantially influence their long-

term effects (Agarwal & Helfat 2009). It is a 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 product innovation, business development, or business activity, implying that innovation is defined by continuous innovation (Shamsie, Martin & Miller 2009). Therefore, strategic renewal capabilities require the organizational ability to perform ambidextrous activities, adapt to the changing environment, and have human capital capable of performing such activities and adaptations, which is reflected in the Conceptual Model of this study presented in Figure 1.



**Figure 1. The Conceptual Model**

*Source: the authors*

### **Ambidextrous Capability and Organizational Resilience**

Ambidexterity capabilities and human capital on organizational resilience are positively related (Barasa et al. 2018, Iborra et al. 2020). Other hypotheses relating to ambidexterity capability, human capital, organizational resilience, and strategic renewal are also found to be positively related in literature (Akgun & Keskin 2014, De Winne & Sels 2010, Gibson & Birkinshaw 2004). The ambidextrous capability is an organization's ability to manage its business (ie efficiently. Exploitation orientation, environmental changes (ie. exploration orientation), and dynamic capability that requires sensing, acquisition, and transformation activities, play a vital role in integrating the demands of exploration and exploitation in the context of SMEs (Lubatkin et al. 2006). In line with this argument, the ambidexterity of SMEs is a dynamic capability that affects their resilience of SMEs. 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 allocating 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, we present our first hypothesis.

*H1. The ambidextrous capability has a positive effect on organizational resilience.*

### **Human Capital and Organizational Resilience**

Human capital is an essential resource in organizational resilience to face challenges in a dynamic environment. Human resources with good skills are cited as critical 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, Merette & Ruggeri 2000). Organizational resilience was also enhanced by prioritizing employee welfare (Colic-Peisker & Walker 2003). Employee welfare is created through a positive social environment where employees are free to share information and actively listen to employee needs. Organizations with a high level of employee involvement will increase employee dedication and commitment to focus on organizational needs even in crisis conditions (Felićio et al. 2014). The explanation above leads us to formulate our second hypothesis:

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

### **Organizational Resilience and Strategic Renewal**

Strategic renewal refers to the entrepreneurial phenomenon requiring changes in strategy and organization (Klammer et al. 2017). It can involve ongoing organizational strategy reforms related to restructuring and system changes (Zahra 1993). Strategic renewal can occur when organizations develop new strategies and try to improve or maintain competitiveness by implementing specific strategies. Organizations can grow in crises with different organizational resilience perspectives if they combine defensive and offensive views (Burnard & Tsinopoulos 2018). Through this combination, organizational resilience is defined as the organization's ability to effectively anticipate potential threats and adverse events to adapt to changing organizational environmental conditions. These capabilities are critical to organizational success (Coutu 2002). Organizational resilience reflects the organization's dynamic process of change and evolution to increase product innovation (Akgün & Keskin 2014). Organizational resilience is 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, we expect the following hypothesis:

*H3. Organizational resilience has a positive effect on strategic renewal.*

### **Ambidextrous Capability and Strategic Renewal**

The need and awareness to maintain a balance between exploration and exploitation is the basis for forming an ambidexterity strategy. Organizations with ambidexterity can excel because they 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 and explore new competencies (Gibson & Birkinshaw 2004). The organization's exploitation and exploration process identifies the planned strategic renewal actions (Kwee 2009). Given the explanation above, we present our fourth hypothesis:

*H4. The ambidextrous capability has a positive effect on strategic renewal.*

### **Human Capital and Strategic Renewal**

SMEs need to be competitive through innovation and creativity (Halim et al. 2017). Innovation is a

function of new knowledge; therefore, it takes some level of knowledge to develop organizational innovation (Smith, Voß & Grin 2010). The human capital framework suggests that individuals acquire more skills through cognition and experience (Barasa et al. 2018). Personal knowledge and skills are obtained through education, training, and experience (Felicio et al. 2014). Therefore, organizational innovation capability is positively influenced by human capital (Subramaniam & Youndt 2005). Acquiring more knowledge enriches human capital, intellectual capital, and market value (Vidotto & Aisenberg 2017). Organizations that employ higher levels of employee human capital should 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, our fifth hypothesis is as follows:

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

### **Strategic Renewal and Firm Performance**

A firm's strategic renewal relates to firm performance, growth, and profitability (Covin & Miles 1999). There is a positive relationship between strategic renewal and performance in first-mover earnings (Lieberman & Montgomery 1988). During a 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 a crisis, strategic renewal is essential for organizational success. Several researchers identified vital elements to explain organizational success by considering organizational success for the long term. 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 first exploit and then 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. However, the relationship between strategic renewal and organizational performance could be ambiguous when their environmental changes are more benign (Sáez-Martínez & González-Moreno 2011). Strategic collaboration and renewal impact on business performance was found to be less beneficial in low technology-intensive sectors, where the environmental pressure is less, especially when the organization cooperates with other organizations. Based on the explanation above, our final hypothesis is as follows:

*H6. During a crisis, organizational strategic renewal positively affects firm performance.*

### **Methodology and Results**

We implement qualitative and quantitative methods with Tourism SMEs in Indonesia as our sampling frame. Data collection was done by using survey methods via google form and interviews. Tourism is everything related to tourism, including developing tourist objects and attractions and other productive activities and economic value, such as lodging, tour guide, culinary, vehicle rental, and souvenir businesses. The unit analysis of this study is 82 SME owners. This study used an instrument in the form of a questionnaire using 6-point Likert scales to avoid neutral answers from respondents. We use Structural Equation Modeling (SEM) as a 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 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.

Table 1 reports the results. The evaluation criteria are Loading Factor ( $LF=.50$ ), Composite Reliability ( $CR=.70$ ), Average Variance Extracted ( $AVE=.50$ ), and Discriminant validity with the Fornell Lacker Criterion

where the AVE root of the variable is greater than the correlation between variables.

**Table 1. Variable Measurements**

<i>Variables</i>	<i>Dimension</i>	<i>Loadings</i>	<i>t-value</i>	<i>p-value</i>	<i>AVE</i>	<i>CR</i>
<i>Human Capital</i> ( $\alpha=.87$ ) (Mubarik et al. 2018)	Ability (#3 items)	.94	65.79	.00	.79	.92
	Skills (#3)	.89	46.13	.00		
	Training (#3)	.82	23.23	.00		
<i>Amb. Cap.</i> ( $\alpha=.84$ ) (Cao et al. 2009)	Balance (#3)	.97	143.33	.00	.94	.97
	Combination (#3)	.97	175.51	.00		
<i>Strategic Renewal</i> ( $\alpha=.85$ ) (Kwee 2009)	Content (#3)	.91	50.36	.00	.81	.93
	Context (#3)	.83	18.30	.00		
	Process (#3)	.96	126.30	.00		
<i>Orgn Resi</i> ( $\alpha=.90$ ) (Lengnick-Hall et al. 2011)	Behavior (#4)	.93	66.30	.00	.83	.94
	Cognitive (#3)	.91	77.00	.00		
	Contextual (#4)	.87	26.81	.00		
<i>Firm Performance</i> ( $\alpha=.82$ ) (Ng et al. 2017)	Financial (#5)	.76	10.83	.00	.68	.86
	Innovation (#3)	.80	17.20	.00		
	Operation (#3)	.90	37.10	.00		

The human capital variable is measured by three dimensions, where the three dimensions are valid with LF above .50. The three relative dimensions have a high LF, but the ability dimension has the highest LF (.94). This indicates that human capital is more dominantly reflected in inability. Variable Ambidexterity Capabilities has two valid dimensions with the same LF, which shows that Ambidexterity Capabilities will run well in companies by running balance and combination. The Strategic Renewal variable has three valid dimensions with a very high LF.

**Table 2. Hypotheses Results**

<i>Hypotheses</i>	<i>Path</i>	<i>Coefficient</i>	<i>t-value</i>	<i>p-value</i>
<i>H1 (Accepted)</i>	Ambidexterity Capability → Organizational Resilience (+)	.29**	2.66	.00
<i>H2 (Accepted)</i>	Human Capital → Organizational Resilience (+)	.50**	5.05	.00
<i>H3 (Rejected)</i>	Organizational resilience → Strategic Renewal (+)	.06	.52	.60
<i>H4 (Accepted)</i>	Ambidexterity Capability → Strategic Renewal (+)	.37**	3.07	.00
<i>H5 (Accepted)</i>	Human capital → Strategic Renewal (+)	.47**	5.02	.00
<i>H6 (Accepted)</i>	Strategic Renewal → Firm performance (+)	.67**	11.67	.00

The process dimension is the dimension with the highest LF (.96). This dimension is the first dimension that the company should maintain. Meanwhile, the context dimension still needs improvement even though the calculated LF is quite good ( $LF=.83$ ). Organizational Resilience has three valid dimensions, where the highest LF is in the behavior dimension, which shows that company resilience is how the company's behavior is carried out. The firm performance variable is most strongly reflected in the operational dimension with the highest LF (.90) despite the other two dimensions.

## Discussion

Hypothesis 1 that ambidexterity capabilities affect organizational resilience positively ( $\beta=.29, p<.00$ ) is accepted. It supports the research conducted by Iborra et al. (2020) that the ambidexterity of SMEs is a dynamic capability that affects their resilience of SMEs. Organizational resilience increases when SMEs gain the ability to explore and exploit. The ability of SMEs to combine and balance the exploitation and exploration process is essential to shape the organizational resilience of SMEs. The current environmental dynamism encourages SMEs to adapt more quickly. The ability to balance exploitation and exploration is needed to increase the resilience of SMEs, 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, simultaneously, conduct product or service exploration processes tailored to the needs and current market conditions. With a limited budget, SMEs tend to prioritize productivity and efficiency.

Our second hypothesis that human capital affects organizational resilience positively ( $\beta=.50, p<.00$ ) is also accepted. Our findings support the research conducted by Barasa et al. (2018) that human capital is an essential resource in organizational resilience to face organizational challenges in a dynamic environment. We find that the training dimension of human capital strongly influences human capital to form organizational resilience. In the tourism industry, the role of human resources is crucial for the survival of SMEs, because the 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 excess cash, it will be prioritized for the expenses in improving the existing or developing new products. Indeed, training is vital to receive new knowledge as the foundation for SMEs to build organizational resilience.

However, hypothesis 3 that organizational resilience has a positive ( $\beta=.06, p>.05$ ) Influence on a strategic renewal is rejected. Organizational resilience does not affect the strategic renewal of SMEs. We suspect that the resources owned by SMEs in the tourism sector are not equally capable of building rapid organizational adaptation and innovation capabilities during the Covid-19. It is found that SMEs with the highest resilience (i.e., high adaptation and innovation capabilities) can affect the strategic renewal. SMEs that do not have—though with some degree of resilience—will not be able to reflect their resilience into their strategic renewal. One of the common obstacles of SMEs in Indonesia is the human resources ability and capital resources for business development. Resources are needed to achieve organizational resilience to carry out strategic renewal. Without these resources, SMEs will be limited to adapt and innovate when the business environment changes. In the current crisis, more radical innovations are needed from SMEs in the tourism sector to develop new ideas to increase the resilience of their organizations. We suspect 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 previous skills.

Hypothesis 4 that ambidexterity capability positively ( $\beta=.37, p<.00$ ) affects strategic renewal is accepted. This study confirms the research conducted by Gibson and Birkinshaw (2004). The statistical results show that new product development is the highest dimension of ambidexterity that could influence strategic renewal. By combining legacy knowledge and new knowledge SMEs can positively impact quality products or services development. It needs to be done because, in a crisis, SMEs should 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 successfully improves firm performance.

We also found that hypothesis 5 that human capital positively ( $\beta=.47, p<.00$ ) affects strategic renewal is accepted. Our finding is consistent with De Winne and Sels (2010) finding, in which the quality of



human resources is a source of innovation and strategic renewal. Human capital positively influences organizational innovation capability (Subramaniam & Youndt 2005). We find that the training dimension contributes significantly to human capital development, affecting strategic renewal. Sufficient skills and knowledge are required to increase the optimal exploitation and exploration capabilities. Developing skills and knowledge will follow the times so that new skills and knowledge are needed in the current crisis.

Our final hypothesis 6 is also accepted, indicating that strategic renewal positively ( $\beta=.67, p<.00$ ) affects firm performance. This result supports the study 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 firm 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 SME sales in the tourism sector as a whole. The health protocol policy is undoubtedly detrimental to SMEs in the tourism sector economically. Still, this choice cannot be avoided to suppress the growth rate of the Covid-19 pandemic in Indonesia. SMEs must remain proactive in developing the tourism sector, seeking new information and knowledge relevant to the tourism sector. Whether developing new products or markets or efficient operational patterns, obtaining information and knowledge can be used to improve the firm performance of SMEs, which has declined since the Covid-19.

### Conclusions and Implications for Managers

This study conveys the importance of ambidexterity capability, human capital, and strategic renewal on the firm performance of Tourism SMEs in Indonesia. In crisis conditions due to the Covid-19, SMEs with those capabilities can deliver the expected performance. This study explains that Tourism SMEs in Indonesia have a delicate level of resilience when there is pressure in a crisis such as the Covid-19. Currently, Tourism SMEs are not ready to face this pressure, which can be due to the lack of resources owned by Tourism SMEs in building capacity. Human resources is a source of innovation and strategic renewal because increasing the ability of optimal exploitation and exploration requires sufficient skills and knowledge. SMEs should invest in either training activities or productive employees to keep with the changes in the tourism industry. Strategic renewal is fundamental to improving firm performance because carrying out the process of exploitation and exploration correctly and adequately affects SMEs' performance. It takes the exploitation of legacy knowledge combined with an investigation of new knowledge so that the strategic renewal process that is carried out successfully improves performance. SMEs should remain proactive in developing the tourism sector industry, seeking new information and knowledge related to SMEs' tourism sector. The limitation of this study is that it was only conducted on 82 SMEs in Western and Central Indonesia. Each company or industry has a different character where several unique factors support different strategies. Future research hopefully could fulfill this gap by using more SMEs from other geographical locations. This study has limitations of time and place since most of the communication was conducted online.

### References

- Agarwal R & Helfat CE 2009. Strategic renewal of organizations. *Organization Science*, 20(2), 281–293.  
<https://doi.org/10.1287/orsc.1090.0423>
- Akgün AE & Keskin H 2014. Organizational resilience capacity and firm product innovativeness and performance. *International Journal of Production Research*, 52(23), 6918–6937.  
<https://doi.org/10.1080/00207543.2014.910624>
- Alves J, Jose C, Lok TC, Luo Y & Hao W 2020. Crisis management for small business during the covid-19 outbreak: survival, resilience and renewal strategies of firms in Macau, 1–29.  
<https://doi.org/10.21203/rs.3.rs-34541/v1>
- Barasa E, Mbau R & Gilson L 2018. What is resilience and how can it be nurtured? A systematic review of

- empirical literature on organizational resilience. *International Journal of Health Policy and Management*, 7(6), 491–503. <https://doi.org/10.15171/ijhpm.2018.06>
- Burnard K, Bhamra R & Tsinopoulos C 2018. Building organizational resilience: four configurations. *IEEE Transactions on Engineering Management*, 1–12. <https://doi.org/10.1109/TEM.2018.2796181>
- Bontis N, Keow W & Richardson S 2000. Intellectual capital and business performance in Malaysian industry. *Journal of Intellectual Capital*, 1, 85–100. <https://doi.org/10.1108/14691930010324188>
- Cao Q, Gedajlovic E & Zhang H 2009. Unpacking organizational ambidexterity: dimensions, contingencies, and synergistic effects. *Organization Science*, 20(4), 781–796. <https://doi.org/10.1287/orsc.1090.0426>
- Colic-Peisker V & Walker I 2003. Human capital, acculturation and social identity: Bosnian refugees in Australia. *Journal of Community and Applied Social Psychology*, 13(5), 337–360. <https://doi.org/10.1002/casp.743>
- Coutu DL 2002. How resilience works. *Harvard Business Review*, 80(5), 46. <https://hbr.org/2002/05/how-resilience-works>
- Covin, JG & Miles MP 1999. Corporate entrepreneurship and the pursuit of competitive advantage. *Entrepreneurship Theory and Practice*, 23(3), 47–63. <https://doi.org/10.1177/104225879902300304>
- Crystal D & Rambocas M 2022. Exploring how social media marketing influences small business performance amidst the COVID-19 pandemic in Trinidad and Tobago. *Journal of the Academy of Business and Emerging Markets*, 2(2), 59–72. <https://doi.org/10.5281/zenodo.6330523>
- Danes S, Stafford, K, Haynes G, Amarapurkar S 2009. Family capital of family firms bridging human, social, and financial capital. *Family Business Review*, 22, 199–215. <https://doi.org/10.1177/0894486509333424>
- De Winne S & Sels L 2010. Interrelationships between human capital, HRM and innovation in Belgian start-ups aiming at an innovation strategy. *International Journal of Human Resource Management*, 21(11), 1863–1883. <https://doi.org/10.1080/09585192.2010.505088>
- Eggers F 2020. Masters of disasters? Challenges and opportunities for SMEs in times of crisis. *Journal of Business Research*, 116(May), 199–208. <https://doi.org/10.1016/j.jbusres.2020.05.025>
- Felício JA, Couto E & Caiado, J 2014. Human capital, social capital and organizational performance. *Management Decision*, 52(2), 350–364. <https://doi.org/10.1108/MD-04-2013-0260>
- Gibson CB & Birkinshaw J 2004. The Antecedents, consequences, and mediating role of organizational ambidexterity. *Academy of Management Journal*, 47(2), 209–226. <https://doi.org/10.5465/20159573>
- Gucciardi F, Crane M & Ntoumanis N, Parker S, Thøgersen-Ntoumani C, Ducker K, Peeling P, Chapman M, Quested E, Temby P 2018. The emergence of team resilience: A multilevel conceptual model of facilitating factors. *Journal of Occupational and Organizational Psychology*, 91(4), 729–768. <https://doi.org/10.1111/joop.12237>
- Halim A, Ahmad H, Ho N & Ramayah T 2017. The outsourcing dilemma on decision to outsource among small and medium enterprises in Malaysia. *Global Business Review*. <https://doi.org/10.1177/0972150916668603>
- Herbane B 2013. Exploring crisis management in UK small- and medium-sized enterprises. *Journal of Contingencies and Crisis Management*, 21(2), 82–95. <https://doi.org/10.1111/1468-5973.12006>
- Iborra M, Safón V & Dolz C 2020. What explains the resilience of SMEs? Ambidexterity capability and strategic consistency. *Long Range Planning*, 53(6), 101947. <https://doi.org/10.1016/j.lrp.2019.101947>
- Junni P, Sarala, RM, Taras, VAS & Tarba SY 2013. Organizational ambidexterity and performance. *Academy of Management Perspectives*, 27(4), 299–312. <https://doi.org/10.5465/amp.2012.0015>
- Karl E 1993. The collapse of sensemaking in organizations: the Mann Gulch disaster. *Administrative Science Quarterly*, 38(4), 628–652. <https://doi.org/10.2307/2393339>
- Klammer A, Gueldenberg S, Kraus S & O'Dwyer M 2017. To change or not to change—antecedents and outcomes of strategic renewal in SMEs. *International Entrepreneurship and Management Journal*, 13(3), 739–756. <https://doi.org/10.1007/s11365-016-0420-9>
- Kwee Z 2009. Investigating three key principles of sustained strategic renewal: a longitudinal study of

- long-lived firms. Erasmus Research Institute of Management. <https://doi.org/10.1016/j.jbusvent.2010.07.001>
- Laroche M, Merette M & Ruggeri GC 2000. On the concept and dimensions of human capital in a knowledge-based economy context. *Canadian Public Policy*, 25(1), 87–100. <https://doi.org/10.2307/3551403>
- Lengnick-Hall CA, Beck TE & Lengnick-Hall ML 2011. Developing a capacity for organizational resilience through strategic human resource management. *Human Resource Management Review*, 21(3), 243–255. <https://doi.org/10.1016/j.hrmr.2010.07.001>
- Leung K, Bhagat R, Buchan N, Erez M & Gibson C 2005. Culture and international business: recent advances and their implications for future research. *Journal of International Business Studies*, 36, 357–378. <https://doi.org/10.1057/palgrave.jibs.8400150>
- Lieberman M & Montgomery D 1988. First mover advantages. *Strategic Management Journal*, 36(4), 357–378. [https://doi.org/10.1057/978-1-349-94848-2\\_602-1](https://doi.org/10.1057/978-1-349-94848-2_602-1)
- Litheko A & Potgieter M 2021. Stakeholder relationship management in African rural tourism development. *Journal of the Academy of Business and Emerging Markets*, 1(2), 63–76. <https://doi.org/10.5281/zenodo.5039671>
- Lubatkin MH, Simsek Z, Ling Y & Veiga JF 2006. Ambidexterity and performance in small-to-medium-sized firms: the pivotal role of top management team behavioral integration. *Journal of Management*, 32(5), 646–672. <https://doi.org/10.1177/0149206306290712>
- Lund S, Madgavkar A, Manyika J, Smit S, Ellingrud K & Robinson O 2021. The future of work after COVID-19. McKinsey & Company. Retrieved from <https://www.mckinsey.com/featured-insights/future-of-work/the-future-of-work-after-covid-19> [Accessed Apr 21, 2021]
- Mubarik MS, Chandran VGR & Devadason ES 2018. Measuring human capital in small and medium manufacturing enterprises: what matters? *Social Indicators Research*, 137(2), 605–623. <https://doi.org/10.1007/s11205-017-1601-9>
- Ng KS, Ahmad AR, Chan Wei K & Hairul RMS 2017. SMES are embracing innovation for business performance. *Journal of Innovation Management in Small and Medium Enterprises*, 2017, 1–17. <https://doi.org/10.5171/2017.824512>
- O'Reilly CA & Tushman ML 2008. Ambidexterity as a dynamic capability: Resolving the innovator's dilemma. *Research in Organizational Behavior*, 28, 185–206. <https://doi.org/10.1016/j.riob.2008.06.002>
- Paton D & Johnston D 2001. Disasters and communities: vulnerability, resilience and preparedness. *Disaster Prevention and Management*, 10(4), 270–277. <https://doi.org/10.1108/EUM0000000005930>
- Ravasi D & Lojcono G 2005. Managing design and designers for strategic renewal. *Long Range Planning*, 38(1), 51–77. <https://doi.org/10.1016/j.lrp.2004.11.010>
- Sáez-Martínez FJ & González-Moreno Á 2011. Strategic renewal, cooperation, and performance: a contingency approach. *Journal of Management and Strategy*, 2(4), 43–55. <https://doi.org/10.5430/jms.v2n4p43>
- Shamsie J, Martin X & Miller D 2009. In with the old, in with the new: capabilities, strategies, and performance among the Hollywood studios. *Strategic Management Journal*, 30(13), 1440–1452. <https://doi.org/10.1002/smj.789>
- Sidhu JS, Commandeur HR & Volberda HW 2007. The multifaceted nature of exploration and exploitation: value of supply, demand, and spatial search for innovation. *Organization Science*, 18(1), 20–38. <https://doi.org/10.1287/orsc.1060.0212>
- Singh R & Nayak JK 2016. The Effects of stress and human capital perspective on compulsive buying: a life course study in India. *Global Business Review*, 17(6), 1454–1468. Retrieved from: <https://journals.sagepub.com/doi/10.1177/0972150916660436>
- Smith A, Voß JP & Grin J 2010. Innovation studies and sustainability transitions: The allure of the multilevel perspective and its challenges. *Research Policy*, 39(4), 435–448. <https://doi.org/10.1016/j.respol.2010.01.023>

- Stewart T & Ruckdeschel C 1998. Intellectual capital: the new wealth of organizations. *Performance Improvement*, 37, 56–59. <https://doi.org/10.1002/pfi.4140370713>
- Subramaniam M & Youndt MA 2005. The influence of intellectual capital on the types of innovative capabilities. *Academy of Management Journal*, 48(3), 450–463. <https://doi.org/10.5465/amj.2005.17407911>
- Teixeira E & Werther WB 2013. Resilience: continuous renewal of competitive advantages. *Business Horizons*, 56(3), 333–342. <https://doi.org/10.1016/j.bushor.2013.01.009>
- Tushman ML & O'Reilly CA 1996. Managing evolutionary and revolutionary change. *California Management*, 38(4), 8–29. <https://journals.sagepub.com/doi/10.2307/41165852> [Accessed Sept 10, 2022]
- Van Gelderen M 2012. Perseverance strategies for enterprising individuals. *International Journal of Entrepreneurial Behaviour & Research*, 18, 630–648. <https://doi.org/10.1108/13552551211268102>
- Vidotto J, Ferenhof H, Selig P & Bastos R 2017. A human capital measurement scale. *Journal of Intellectual Capital*, 18, 316–329. <https://doi.org/10.1108/JIC-08-2016-0085>
- Vogus TJ & Sutcliffe KM 2007. Organizational resilience: towards a theory and research agenda. In 2007 IEEE International Conference on Systems, Man and Cybernetics. 3418–3422. IEEE. <https://doi.org/10.1109/ICSMC.2007.4414160>
- Volberda H & Lewin A 2003. Co-evolutionary dynamics within and between. *The Journal of Management Studies*, 40(8), 2111. <https://doi.org/10.1046/j.1467-6486.2003.00414.x>
- Yusoff, Jantan & Ibrahim 2004. The interactive effects of human capital, structural capital and social capital on firm performance. *Asian Academy of Management Journal*. [https://www.researchgate.net/publication/43656013\\_the\\_interactive\\_effects\\_of\\_human\\_capital\\_structural\\_capital\\_and\\_social\\_capital\\_on\\_firm\\_performance](https://www.researchgate.net/publication/43656013_the_interactive_effects_of_human_capital_structural_capital_and_social_capital_on_firm_performance) [Accessed Sept 10, 2022]
- Zahra SA 1993. Environment, corporate entrepreneurship, and financial performance: A taxonomic approach. *Journal of Business Venturing*, 8(4), 319–340. [https://doi.org/10.1016/0883-9026\(93\)90003-N](https://doi.org/10.1016/0883-9026(93)90003-N)

### Authors



Herrijal Jaka (OrcID 0000-0001-8304-3273) is an alumnus of Post Graduate Management in the Faculty of Economics and Business at the University of Indonesia. He can be contacted at [herrijal.jaka@ui.ac.id](mailto:herrijal.jaka@ui.ac.id)



Dr. Sari Wahyuni (OrcID 0000-0003-1477-8529) is an Associate Professor at the Faculty of Economics and Business, University of Indonesia, and the President of the Indonesian Strategic Management Society. Her research interest is in strategic management, international business, and competitiveness. Dr. Sari Wahyuni can be contacted at [sari.wahyuni@ui.ac.id](mailto:sari.wahyuni@ui.ac.id)



Dr. Meiditomo Sutyarjoko (OrcID 0000-0002-8368-4270) is a Member of the Indonesia Strategic Management Society and an experienced executive in the Information Technology and services industry. His expertise is in people management, strategic mindset, and telecommunication. Mr. Sutyarjoko can be contacted at [meidi@icloud.com](mailto:meidi@icloud.com)