Governance of MSMEs Tourism Based on Local Wisdom that is Competitive and Sustainable in Herbal Tourism Destinations Tawangmangu

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Abstract

This research aims to conduct in-depth research to find out the governance model of local wisdom-based MSMEs that are sustainably competitive, especially in facing the crisis period, after the Covid-19 pandemic. This research uses variables and a map of the relationship between variables on the impact of sustainable competitive tourist destinations on the welfare of tourism MSME actors. This research was conducted on MSME players in herbal tourism destinations, especially the Tawangmangu destination, Karanganyar Regency, Central Java Province, Indonesia. The approach used is a qualitative method. In collecting data using in-depth interviews, FGDs, observation, study of related documents, and surveys. The determination of the research sample uses *purposive sampling* technique which is adjusted to the criteria. It is expected that this research can find out the governance of MSMEs that are sustainably competitive in the midst of a crisis and find out the supporting and inhibiting factors for the governance of tourism MSMEs that are sustainably competitive in tourism destinations, as well as preparing tourism MSMEs towards a global market (Go International) that is sustainably competitive and has an impact on the welfare of MSME actors in Tawangmangu herbal tourism destinations.

Keywords: MSME governance, Local Wisdom, Competitiveness, Sustainability, Herbal Tourism

1. Introduction

One of the sectors that must immediately receive special attention after the Covid-19 Pandemic is the tourism sector. The entire chain of the tourism sector has been affected by Covid-19. This is known from the significant decline in foreign tourist arrivals with massive cancellations, including a decrease in bookings (Sugihamretha, 2020). Trend of foreign tourist visit in 2020 can show Figure 1.
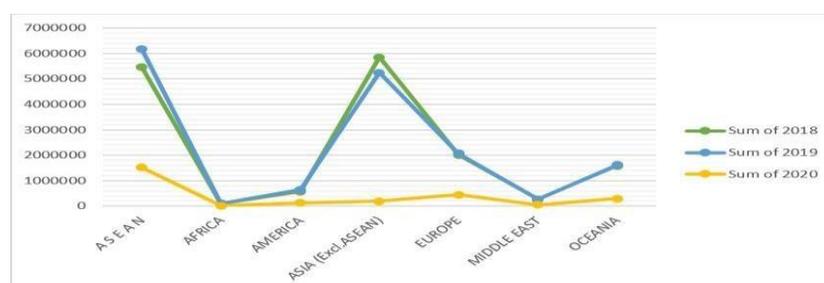

Figure 1: Trend of Foreign Tourist Visit in 2020

Figure 1 shows the trend of foreign tourist visits which experienced a very drastic decline in 2020. The decline in the tourism and travel business has an impact on Micro, Small, and Medium Enterprises (MSMEs) (Sugihamretha, 2020). Sectorally, Tourism MSMEs are the most depressed sector during the Covid-19 pandemic. The business fields where tourism MSMEs experienced a decline were accommodation, food and beverage, and transportation. Whereas

MSMEs are the buffer of the national economy. It is urgent to conduct an in-depth study to find out the governance model of MSMEs that are sustainably competitive, especially in facing the crisis period, after the Covid-19 pandemic.

On the other hand, the government' s implementation of the PEN (Economic Recovery Programme) was a key factor in the recovery of both health and economy in the first quarter of 2021 (Pink, 2021). The PEN programmes are actually not only maximising production, but also maximising public consumption. The PEN policy is only to respond to the existing crisis. This means that there is a gap that occurs after the crisis. Therefore, tourism MSMEs need to improve their governance system to remain internationally competitive and sustainable.

Indonesia's tourism development policies such as the tourism destination programme arealways directed at the basis of local wisdom in the tourism sector has a big goal to improve the welfare of the community, including tourism industry players. In the tourism destination policy of herbal tourism (Herbal Tourism) in Tawangmangu. Tawangmangu has a world- recognised tourism icon, Herbal. Therefore, this research will answer the following problems:

1. How is local wisdom-based MSME governance competitive and sustainable in theTawangmangu Herbal Tourism Destination?
2. What are the supporting and inhibiting factors of sustainable competitive tourism MSME governance in Tawangmangu herbal tourism destination?

How is the impact of sustainable competitive tourism MSME governance on the welfare of MSME actors in Tawangmangu herbal tourism destinations?

2. Literature Review

There are several articles on the topic of sustainable competitiveness of Tourism MSMEs. There are studies that focus on strategic flexibility and innovation to achieve sustainable MSME competitiveness ("Determinants of sustainable competitive advantage from resource-based view: implications for hotel industry," 2021). Other studies are more comprehensive in looking at sustainable MSME competitiveness, namely on the *variables of enabling environment, travel and tourism competitiveness index, infrastructure*, and *natural and cultural* resources (Escoto, Boza, & Madrigal, 2019). Meanwhile, other studies explain the *destination sustainable competitiveness* framework, as shown in Figure 2. (Nadalipour, Imani Khoshkhoo, & AR, 2019). Competitiveness of Sustainable Tourism Destinations can show in Figure 2.
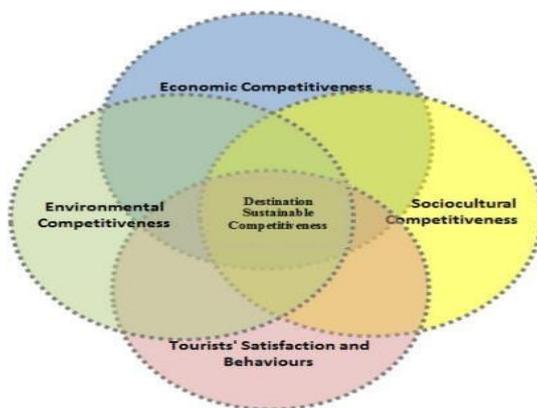

Figure 2: Competitiveness of Sustainable Tourism Destinations
Source: (Nadalipour et al., 2019)

The sustainable tourism destination competitiveness framework includes economic, social, and environmental aspects. Sustainable competitiveness must simultaneously consider the economic, socio-cultural and environmental dimensions (Nadalipour et al., 2019). In other words, MSME competitiveness can be sustainable if it is realised simultaneously across all dimensions. The explanation of the use of digitalisation does not directly refer to the governance of tourism MSMEs, as shown in Figure 3.

Figure 3: frequency of occurrence of words related to sustainable competitive tourism umkm governance
Source: processed research data (2021)

The mixed methods approach in the article only appeared in 2020 and 2021. This means that previous researchers began to pay attention to the urgency of the mixed methods approach. The number of articles reviewed to show the methodological gap is shown in Figure 4.

Figure 4: The number of articles reviewed
Source: Processed data from literature review (2021) Number of Articles by Methodology and Year of Publication

Based on the literature review above, this research uses a framework that refers to the concept or theory of sustainable competitiveness, which can be presented in the research framework in Figure 5 below (Chaharbaghi, 1999; Nadalipour et al., 2019) :

Figure 5: Assessment framework
Source: Processed data from literature review (2021)

State of the art and novelty

The nascent economic recovery since the Covid-19 *lockdown* is temporary or may be disrupted through the future tightening of reasonable restrictions related to mobility and fluctuations in demand from the tourism sector in general (Furmanski, Payton, & Daily, 2004). That means economic recovery needs to be balanced with tourism

recovery. The development and implementation of crisis guidelines is critical to facilitate tourism recovery from negative events, including Covid-19 by protecting or rebuilding the image of the area of interest, and reassuring potential visitors of the safety of the area (Zhao et al., 2020).

Policies to restore tourism not only during a crisis, but also post-crisis (Song & Li, 2021). In governmentpolicy, special policies are needed to promote economic recovery after a disaster or post- crisis. (Zheng, Luo, & Ritchie, n.d.). MSMEs in general in Indonesia are also affected by the Covid-19 Pandemic (Goswami, Mandal, & Nath, 2021). There are studies that place more emphasis on purchasing behaviour during the pandemic.(Larios-Gómez, Fischer, Peñalosa, & Ortega-Vivanco, 2021). The point about tourism and MSMEs is only an example of the relationship with people's behaviour. MSMEs are not the main concern, but rather efforts to *revive the tourism industry post-Covid-19* through a framework outlined in four main factors, namely government response, technological innovation, local ownership, and consumer andemployee trust (Sharma, Thomas, & Paul, 2021)

In summary, the gaps found from previous research are as follows:
1) Research related to social protection policies in overcoming the crisis due to the Covid-19 Pandemic mostly talks about social assistance,
2) the government prioritises economic recovery policies because it prioritises the stability of economic growth.

Economic recovery in the tourism sector is very important, both during the crisis and post-crisis (Zheng et al., n.d.). Tourism recovery can be carried out with various government programmes such as social protection (Boughton et al., 2021). The policy is certainly not only to respond to crisis situations, but also to overcome the crisis continuously. In the context of the crisis due to Covid-19 experienced by tourism MSMEs, comprehensive policy interventions are needed so that MSMEs remain adaptive and productive, especially having sustainable competitiveness. This is the element of novelty of this research.

3. Materials and Methods

This research uses a qualitative approach based on primary and secondary data. Primary data included the results of in-depth interviews and/or FGDs, and survey results with randomly selected research respondents as the basis for modelling tests. Meanwhile, secondary data included literature/documentation studies, namely documentation/library data sourced from journals and books, research results, scientific papers, *proceedings,* and related documentation sources. Data collection and analysis methods were combined. This method is considered to capture the best parts of both quantitative and qualitative approaches (Creswell, 2016). In its development, this method can also look for contextual/implied meanings (Creswell, 2016).

The qualitative method is carried out through the results of documentation and literature studies, namely research, scientific papers, *proceedings,* and related documentation sources, as well as interpretation of the results of *in-depth interviews* or FGDs conducted in a (semi-)structured manner according to the research focus with a number of representative informants taken purposively. (16). Meanwhile, the results of qualitative data collection are sourced from primary and secondary data, namely the results of informant interviews, *focus group discussions*, observations, and studies of policy/programme documents or other relevant secondary data. In addition, qualitative analysis data processing was also carried out using NVivo R1 *software* (Figure 8).

This research was conducted in herbal tourism destinations on tourism business actors, especially tourism MSME actors. These MSME actors constitute the sample. The determination of the research sample used a *purposive sampling* technique with a *non-probability sampling* method tailored to the inclusion and exclusion criteria. The type of *purposive sampling* chosen is *judgment sampling*, because the sample selection is adjusted to several criteria that will be determined subjectively to obtain a sample that can provide the data and information needed in conducting the analysis in this study.

The research phase began with collecting data. Data sources were collected in several ways, namely *in-depth interviews*, *focus group discussions*, observations, literature studies, and documentation. The quality of qualitative research is improved by triangulating data sources and applying *adaptive learning* in the research implementation strategy. The determination of the research location was based on several criteria, namely: MSMEs domiciled in Tawangmangu destinations, MSMEs affected by the Covid-19 pandemic, SMEs engaged in tourism, MSMEs that are at least 1 year old.

Data analysis is carried out to answer research questions or to test research hypothesesthat have been stated so that researchers must understand the variety of data analysis methods that are relevant to use in research. The analysis techniques used in this study are presented in Table 1.

Table 1: Data Analysing Technique

	Destination	*Statistics* Techniques and *Software*
1.	Explaining the governance of MSMEs that are sustainably competitive amid the crisis due to Covid-19.	Qualitative Analysis (NVivo R1)
2.	Explaining the supporting and inhibiting factors of sustainable competitive tourism MSME governance in Tawangmangu herbal tourism destination.	1. *Interview transcript/verbatim* 2. *Documentative* FGD 3. *Data saturation* and *triangulation* 4. *Coding data process*
3.	Explaining the impact of sustainable competitive tourism MSME governance on the welfare of MSME actors in Tawangmangu tourism destination.	

4. Results and Discussion

The results of the implementation of the research that have been achieved in accordance with the year of research implementation are 1) the formation of effective communication between researchers and the association of MSME business actors, namely Gita Laras, 2) the realisation of an agreement and the willingness of the MSME business association to become a research partner, 3) the creation of a discussion group forum (FGD) involving researchers and residents of the MSME association, 4) available research instruments, 5) the collection of data on respondents' opinions. Data were obtained from selected respondents in accordance with the research topics carried out. The data collected was analysed. The stages of qualitative analysis include 1) data reduction, 2) data display, 3) conclusion or verification. Because the implementation is only 70%, not all the results of the research have been reported properly.

Data sources were taken according to the criteria and objectives of the research, namely MSME actors. There are 5 data sources, namely respondents who are productive and meet the research criteria, where the criteria are determined as follows: 1) MSME actors, 2) The age of the business has been more than 1 year, 3) MSME actors related to herbal products, 4) Tawangmangu location. The results of the interview obtained which was conducted on 6 September are described as follows:

Respondent 1:
Name: Sumiyati, an entrepreneur who runs an MSME business, residing in Tawangmangu RT.02 RW.02. Pak Man's culinary production MSME business. Established since 2005, Number of employees 15 people, SMK Educator. Own capital and pioneering from scratch. Management is done well, regarding the treatment of employees. Permanent employee status, payroll every week. Employees are like family and there are no conflicts that occur. Financial management is done transparently. Payroll is not closed according to the workload of each employee. Employees already feel fair with the existing payroll system. Management is carried out with good bookkeeping and there are no conflicts in family financial management. Each family understands the production method. Innovation comes from the idea of the business owner. Innovation is done by studying YouTube. Management like a family makes the business without conflict. Marketing strategy with IG, but often done by consumers or customers. The business owner has treated every employee fairly. There are plans to expand the business, in a different place such as on the side of the road. Some community leaders have enjoyed the products.

Respondent 2:
Name: Reny, 22 years old. Junior high school graduate. Employee management by day. Salary is derived from daily earnings. Employees are satisfied with the existing payroll system. The business has a business cart on the side of the road. The business owner has regulated the working hours of employees, and there are 2 work shifts. Open from morning until 9pm. Open every Monday to Sunday. The opening and closing of the business depends on the willingness of the employees to run the business.

Respondent 3:
Name: Budiyanti. The business has been running since 2015. The business is managed by the family and assisted by 3 employees who are relatives. Capital from own capital. Finance has been done with good bookkeeping and recording. Salary is in accordance with employees' expectations and abilities. The employee management system is fair. There is good communication between the business owner and employees. This business is a start-up business from scratch. The business is located at RT01 RW 04 Kalisoro Tawangmangu. The business uses a rented place/shop on a monthly basis. The business runs independently.

Respondent 4:
Name: Sulis. Originally from Tawangmangu. Self-managed business. Pay rent for the business premises. In-laws sell in the same place. Business capital from self and from the juragam. Before opening the business, she had

started a business in the flower sector. Educational background is junior high school. Every sale is recorded by the business owner and the business provider. The business has employees. Employees have changed three times. The business is open from morning until 9pm. Turnover per day is not fixed.

Respondent 5:

Name: Mrs Fara, runs a business around Balekambang. The business is managed by the family. The new business is about 1 year old. Business capital from own family. The business is managed by her husband. Husband provides raw materials, wife processes and sells them. Started the business from scratch. The business is self-managed, with no employees because of her attachment to her husband. Business equipment is financed from own capital. The business is sustainable because of co-operation with the husband. Small family business without involving the extended family.

Based on interviews with respondents, a red line can be found which is a scientific finding, namely:

a).   MSME businesses that are managed with family-based governance will be able to improve and develop their businesses effectively.

b).   MSME businesses that are managed with family governance will minimise all conflicts between business owners and employees and even create a sense of justice.

c).   MSME businesses mostly rely on internal family capital. Good relationships between family members will create productive business development.

d).   Harmonised relationships between families greatly impact the development of increasedMSME businesses.

e).   The sustainability of MSMEs is largely determined by the close relationship between families. Financial management that is recorded in the opening provides a sense of fairness because bookkeeping creates transparency.

f).   MSME businesses that are based on family relationships minimise business dependence on other parties. The independence and harmony of family relationships will be the key to the successful development of MSMEs. Family harmony-based management is an important factor in the sustainability of MSME businesses, especially in theTawangmangu area.

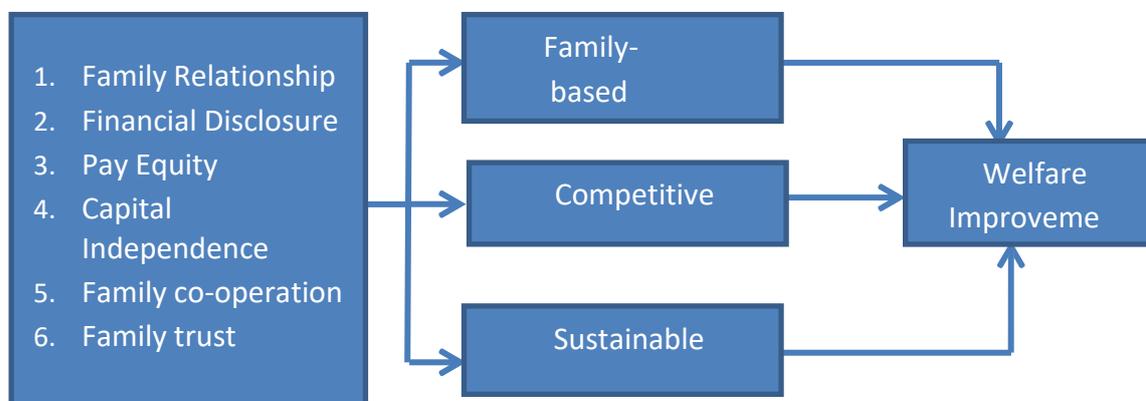Based on these findings, the model that can be built is as follows Figure 6:

Figure 6: Concept of MSME Model in Competitiveness and Sustainability

The results of the model findings will be re-tested quantitatively to verify the model formed. The research results provide a conclusion that SME governance will be able to be competitive and have an impact on business sustainability if it is managed with a family system that prioritises communication, openness, independence and justice.

Answering the first research problem:

How is the governance of local wisdom-based MSMEs that are competitive and sustainable in the Tawangmangu Herbal Tourism Destination?

The results of the field observation study show that the governance of local wisdom-based MSMEs in order to be competitive and sustainable is by applying a family-based business governance system that prioritises principles such as good communication, financial transparency, fairness in payroll, capital independence, family cooperation, building mutual trust as in one family.

Answering the second research problem:

What are the supporting and inhibiting factors for sustainable competitive tourism MSME governance in Tawangmangu herbal tourism destinations?

The results of the field observation study show that the supporting factors for sustainable competitive tourism MSME

governance in Tawangmangu herbal tourism destinations that apply the family system are all the workers involved are close relatives or village neighbours, who usually already have a relationship with the business owner. Meanwhile, the inhibiting factor is limited capital. Most MSMEs in Tawangmangu lack access to capital provided by the government. This could be due to the lack of government involvement in MSME business development.

Answering the second research problem:

How is the impact of sustainable competitive tourism MSME governance on the welfare of MSME actors in Tawangmangu herbal tourism destinations?

The results of observational studies in the field show that MSME governance that uses a family system if carried out properly by MSME business owners is able to bring businesses to have business competitiveness and sustainability. This shows that governance is the key to the sustainability of a business, especially MSMEs.

5. Conclussion

Summary

Local wisdom-based MSME governance that is managed with a family system that prioritises the principles of harmonious relationships such as family, openness in financial management, fairness in payroll, capital independence, family cooperation and mutual trust will provide competitive and sustainable business capabilities. Competitive and sustainable businesses will certainly provide increased welfare for families and communities.

Advice

There is a need for further research related to business governance systems based on family governance. Family-based governance is the key to the successful development of local wisdom-based MSME businesses.

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