

## ABSTRACT

*Indonesia is a country that has various tourism potentials that support tourism industry activities. One of the districts that have the potential in the tourism sector is Rembang Regency because it has a variety of tourism potential, both natural, cultural, artificial, and culinary tourism. This tourism potential is an economic source for the people of Rembang Regency, which is developed by the tourism industry through various stakeholders. There is dynamic environmental uncertainty, especially due to the Covid-19 pandemic, causing a significant decline in the tourism industry's performance. Therefore, this study aims to design a strategy to improve the tourism industry's performance in Rembang Regency.*

*This research method uses a mixed method, namely quantitative and qualitative methods. The objects in this study are SMEs in Rembang Regency, Central Java, which are engaged in the tourism industry. In developing the conceptual model, a literature review is carried out that measures the performance of the tourism industry through the support system facilities, stakeholders, and environmental dynamism variables. Support system facilities variables include telecommunication, power source, transportation, waste management, location, clean water source, supporting industry, spatial, hospitality, safety, and security. The research sample is the owner and manager of SMEs located around the tourist area of Rembang Regency. The sample in this study was 203 SMEs, with the sampling method using a purposive sampling method. Hypothesis testing was carried out through statistical tests with Partial Least Square - Structural Equation Modeling (PLS-SEM). Meanwhile, a dynamic systems approach is used to analyze the best strategy scenarios to improve the tourism industry's performance.*

*The results of this study found that the variables support system facilities, stakeholders, and environmental dynamism positively influence the performance of the tourism industry. In addition, the developed simulation model provides recommendations to stakeholders in determining the right policy strategy scenarios to improve optimal tourism industry performance by considering operational and financial aspects. The variables used in the simulation model input based on model testing results using PLS-SEM include telecommunications, waste management, clean water sources, spatial, and stakeholders. There are 16 strategic scenarios for improving the tourism industry's performance by considering aspects of income, the number of tourists, and the amount of waste from the tourism industry.*

**Keyword:** *Tourism Industry Performance, Support System Facilities, Stakeholder, Environmental Dynamism, Causal Loop Diagram*