Measuring the effect of entrepreneurial competence and social media marketing on small medium enterprises’ competitive advantage: a structural equation modeling approach

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Abstract
Small and Medium Enterprise (SME) is one of the most types of businesses in Indonesia. The growth of SME’s continues to increase from year to year which also reduces unemployment and poverty in Indonesia. With the development of the internet, this time has made the distance and location do not become an obstacle to do business activities in Social Media. The purpose of this research is to measure the effect of entrepreneurial competence and social media marketing on SME’s Competitive Advantage at South Sulawesi Province, Indonesia using Structural Equation Modelling Approach. Population in this research are SME’s on South Sulawesi Province, Indonesia. Survey research with purposive sampling was employed with 115 respondents. Data collected using questionnaire and documentation studies and Structural Equation Modelling (SEM) was used to analyze data in this research. The result shows that; (1) Entrepreneurial Competence has a significant and positive effect on SME’s Competitive Advantage, (2) Social Media Marketing has a significant and positive effect on SME’s Competitive Advantage, and (3) Entrepreneurial Competence and Social Media Marketing positively and simultaneously affect SME’s Competitive Advantage at South Sulawesi Province.

Keywords
Entrepreneurial Competence, Social Media Marketing, Competitive Advantage, Structural Equation Modeling.

1. Introduction
In the era of globalization, technological developments that occur today have made the world increasingly without a border. The development of information technology today has a broad positive impact both for individuals and for organizations and businesses. The advancement of information technology has made many people continue to race to improve information systems in many ways, one of which is the use of sophisticated gadgets that support the use of the internet. According to APJII (Indonesian Internet Service Providers Association) in 2016 out of
256.2 million Indonesians, internet users in Indonesia reached 132 million users or an increase of 51.8 percent from 2013 which only to 88 million people (Yoga Hastyadi Widiartanto, 2016)

With the internet that has developed at this time making distance and location like that does not become an obstacle to any activity at this time. Technological developments that are very fast, especially in the field of communication also make the business competition even tighter. The internet has revolutionized the way the world does business both locally and globally. The existence of the Internet breaks the boundaries of space and time. A small company or at SME scale has the same opportunity to get a market compared to a large company. Businesses that used to be only conventional can now be done online or can be done simultaneously both conventionally and online. The internet has made a business run more competitive and more efficiently.

In South Sulawesi, the growth of SMEs shows some increasing developments. It is demonstrated in the period 2006 to mid-2015 (Bank Indonesia, 2015). Based on data released by the South Sulawesi Provincial Office of Cooperatives and SMEs in June 2015, the number of SMEs in this Province reached 916,232 business units (Departemen Koperasi & UKM, 2016). Most of these business units are still classified as small businesses. It is due to conditions of capital constraints, limited quality of human resources and access to marketing owned by small businesses.

To achieve a competitive advantage, SMEs are expected to not only have the ability and excellence regarding production and marketing but also can read market needs. For this reason, these SMEs need to get particular attention and appropriate information support, so that a business network that is directed between small and medium business actors and the element of business competitiveness occurs, which is the market network.

According to Mangkunegara (2005), that entrepreneurial competence is a fundamental factor possessed by someone who has more ability, which makes it different from someone who has the average ability. So that a business can also be superior to its competitors because of the ability of individual business owners who are different and superior to competing business owners.

Everyone can have competence in running a business. These competencies can be seen in hard work, the spirit of cooperation, innovativeness, the desire to progress and study and others. Man and Lau (2002) argue that Entrepreneurial Competence can be divided into two parts. The first includes elements related to the entrepreneur's background such as nature, personality, attitude, self-image, and social role. Second, the part that involves components that can usually learn from theory and practice such as skills, experience, and knowledge. Therefore, it is necessary to conduct further studies on how entrepreneurial competencies can affect competitive advantage in business.

One competitive field is in the field of marketing. Marketing on the Internet tends to penetrate various obstacles, national boundaries and without standard rules. While conventional marketing, goods flow in large parties, through seaports, using containers, distributors, guarantee institutions, importers and bank institutions. Marketing on the internet is the same as direct marketing, where consumers deal directly with the seller, even though the seller is abroad.

It is fascinating, in the midst of government effort to encourage people to entrepreneurship and encourage the growth of SMEs, businesses start to get an essential tool in developing their business by utilizing online buying and selling sites and social media as free promotional tools. Even today, social media is not just a promotional medium but is also used as an interactive marketing tool, service, building communication with customers and prospective customers, and as a tool to sell and buy products online (Siswanto, 2012).

Competitive advantage is the result of the value created by the company for customers. The concept of competitive advantage must be considered by companies or organizations that produce goods and services for survival and profit according to Respatya (in Mohebi & Farzollahzade, 2014). Competitive advantage is regarded as an advantage over competitors obtained by offering more value to consumers than competitors' offers (Kotler & Keller, 2012).

Still, a lot of SMEs are currently still going on conventionally, which is only doing business without following the development of technology or methods of doing business today. Only a few SMEs make maximum use of social media or internet use in their business activities. Even though there are some SMEs which are developed and grow using social media. Many SMEs people who consider that business can only be massive if done conventionally or combine social and conventional media. Besides, there are also many other problems faced by SME businessmen, one of them is the personality or behavior of individual SMEs businessmen who sometimes only have the same character as business people or other traders, a businessman who does not include the value of innovation and creativity in the business.

2. Literature Review and Hypothesis Development.
2.1. Entrepreneurial Competence
Entrepreneurial competence is knowledge, attitudes, and skills that are connected to others, which entrepreneurs need to be trained and developed in order to be able to produce the best performance in managing their business.
An entrepreneur must have an advantage that is a strength for himself and his business and must improve his weaknesses in order to produce a competitive advantage for his business (Suryana, 2013). According to Fitri and Amanda (2012), competence is defined as the knowledge, skills, and abilities of individuals that directly affect performance. So that can be interpreted that successful entrepreneurs are someone who has the knowledge, skills, and quality of individuals that includes attitudes, values, and behavior. The behavior required to carry out work or activities.

Competence plays a vital role in business success. Entrepreneurial competence is defined as the ability of entrepreneurs to deal effectively with a difficult situation by feeling the limitations of the business environment and activating internal relations and resources in particular (Iandoli & Raffa, 2007). Whereas according to Bird (1995), entrepreneurial competence is defined as individual traits, such as knowledge, motives, features, self-image, social roles, and abilities that will make a company successful. Some entrepreneurial competencies can be learned through formal education, while other competencies are silent - silent and dependent on individual character and formed during the experience in one's life and career.

Vijay and Ajay (2011) stated that competency is based on a person's characteristics, which will result in superior effectiveness or performance in a job. A job competency is based on the characteristics of a person, in this case, it can be in the form of motives, traits, skills, knowledge and a collection of motives and traits possessed by an individual. Mangkunegara (2005) also states that entrepreneurial competence is a fundamental factor possessed by someone who has more abilities, which makes it different from an average person.

According to Suryana (2013) argues that to measure entrepreneurial competence there are four central capabilities needed to achieve business success, which is:

1. **Technical Competence**, which is having competence in the field of building design through the form of business to be chosen. In other words, an entrepreneur must know everything about the business or business that wants to be done both regarding knowledge about business and strategy in maintaining business continuity.

2. **Marketing Competence**, which has the competence to find a suitable market, identify customers and maintain the survival of the company. Entrepreneurs must know who their competitors are, have the will and ability to compete better, based on ethical norms and social responsibility. Keegan (2004) reveals that future marketing will be oriented to marketing strategies, where competitors are no longer as opposed to being turned off but as partners in competing to provide customer satisfaction.

3. **Financial Competence**, which has competencies in finance, purchasing, sales, bookkeeping and profit, and loss calculation. Competence in finance also includes competency in finding the cheapest funding sources, using and investing profitable funds, making a budget.

4. **Human Relations Competence**, which has competence in developing personal relationships, such as the ability to relate and establish partnerships between companies and must know the interpersonal relationships in a healthy manner. Because entrepreneurial competence is also related to the ability to maintain, develop, develop, good relationships with people, as well as parties with interest in company activities, such as with: co-workers, employees, suppliers of goods, material suppliers, investors, creditors, and the public.

### 2.2. Social Media Marketing.

Social media marketing is a marketing activity strategy using social media sites like Facebook, Twitter, YouTube, and so on. Social media is one powerful way to promote the products and services we have through internet marketing. The trick is simple but has a fantastic effect. Social media marketing is the latest addition to the marketing world where it is used to establish communication on integrated marketing plans. Social media marketing consists of experiments using social media to invite consumers to buy products or services that are beneficial to consumers. Social media marketing is marketing that uses online communities, social networks, blog and other marketing (Mangold and Faulds, 2009)

Social media marketing is a form of direct or indirect marketing that is used to build awareness, recognition, remember and action for brands, businesses, products, people or other entities and is done using tools from the social Web, such as sharing blogging, microblogging, social networking, social bookmarking and content [16]. Social media marketing includes specific tactics such as sharing coupons or announcing sales on Facebook or Twitter, or it can include broader building brand initiatives such as communicating with people or creating exciting content on blogs, in a video uploaded to YouTube or in a joint presentation share slide. Besides, social media marketing offers an excellent opportunity for entrepreneurs, small businesses, medium-sized companies, and large companies to build their brands and their businesses (Gurnelius, 2011).

There are four pillars of social media marketing according to Gurnelius (2011), which are:

1. **Reading:** marketing through social media begins with research and research that must be sustainable. Marketing through social media requires much reading. Not only lives on what happens in the industry but also needs to be aware of ongoing online conversations that occur with industry, products, services, customers, and competitors. Read in various forms to digest as much information as is related to a business so that it can effectively communicate well.
2. Create: create and publish useful and meaningful online content. Success in social media marketing comes from developing online conversations about business, brands, products, and promotions by offering content that interests the target audience.

3. Share: a unique aspect of social media marketing is sharing content as a method for direct marketing business. At present consumers have relied on relationships, reviews, recommendations, and conversations so that they can be used to share information by sharing online content. Sharing content can be in two primary forms. First, sharing interesting and useful content is found online during reading (first pillar). By finding blog posts filled with tips to help customers. Second, share the content created (the second pillar). For example, upload a presentation via SlideShare, videos on YouTube and images on Flickr. Share the content to publish online through various social media tools. Publish a post on a blog, share via Twitter, through social bookmarking, through social networks. The goal is to share content with a broader audience.

4. Discuss: when consumers interact with marketers by leaving comments on one of the blog posts connected with marketers via Twitter or social networks, it is imperative to be responded to by the company. Nobody likes to be ignored, but everyone likes to be definite knowledge. In other words, it shows that companies‘ value, respect opinions and want to build relationships with consumers.

There are some benefits of social media according to Puntoadi (2011):

1. Personal branding is not only figuring, but it is also for everyone. Various social media such as Facebook, Twitter, YouTube can be a medium for people to communicate, discuss, and even gain popularity on social media. The advantage of building personal branding through social media is that it does not recognize false tricks or popularity, because its audience will determine.

2. Fantastic marketing result through social media. People do not watch TV’s anymore, they watch their mobile phones. The phenomenon in which the people’s way of life today tends to be more utilizing their smartphones. With a smartphone, we can see various information.

3. Social media provides an opportunity to interact more closely with consumers. Social media offers a more individual, personal and two-way form of communication. Through social media, marketers can find out about their consumer habits and interact personally and build more profound attachments.

4. Social media has viral properties. Viral according to Puntoadi (2011) means having a virus-like nature that spreads quickly. The information that emerges from a product can be spread quickly because the social media occupants have a shared character.

2.3. Competitive Advantage

Competitive advantage is vital for an effort to face competition in business activities. Zimmerer et al. (2005) define competitive advantage as a collection of factors that distinguish a company from its competitors and give it a unique position in the market. Besides that, competitive advantage is a profit strategy of companies that collaborate to compete more effectively in the market. Strategies designed to achieve continuous competitive advantage so that companies can continue to be market leaders (Prakosa, 2005). Companies experience a competitive advantage when actions in an industry or market create economic value and when several competing companies are involved in similar actions (Barney, 2010)

Competitive advantage is regarded as an advantage over competitors obtained by offering more value to consumers than competitors’ offers [8]. Competitive advantage is expected to be able to achieve profits according to plan, increase market share, increase customer satisfaction, and continue the survival of a business (Saiman, 2014).

The concept of competitive advantage according to Porter in Yuni Istanto (2010) cannot be understood by looking at a company as a whole, but must be from the origin of competitive advantage that is a variety of different activities carried out by the company in designing, producing, marketing, delivering and support the product.

The concept of competitive advantage according to Day and Wensley in Yuni Istanto (2010) is defined as a different competition in the superiority of expertise and resources. Broadly shows what is researched in the market, namely positional advantages based on superior customer value or achieving lower relative costs and generating profitable market share and performance.

Meanwhile, Cravens in Yuni Istanto (2010) argued that competitive advantage should be seen as a dynamic process not just seen as a result. Competitive advantage has a process stage consisting of sources of excellence, superior position and achievement of the final results and investment in profits to maintain excellence maintained by fighting as hard as possible to make continuous improvements to the value given to buyers and or reduce costs in providing products or services.

D’Aveni (in Suryana, 2013) also states that excellence is fundamentally dynamic and cannot be sustained. Today and the future competition must be seen as competition with high dynamics is not static so we need to go through it with some strategic thinking.

2.4. Hypothesis

Based on the background and literature review that has been described previously, the hypotheses proposed are:
“Entrepreneurial competence and social media marketing have a positive and significant effect on the Competitive Advantage of SMEs in South Sulawesi Province.”

3. Research Method
The study included in associative research categories, which is research aimed at finding out the relationship between two or more variables (Sugiyono, 2012) with the survey method, where data collected through interviews based on instruments/questionnaires. Questionnaires are structured in such a way as to include information related to entrepreneurial competencies and social media marketing that affect the competitive advantage of SMEs. The target population in this study are all SMEs located in districts or cities in South Sulawesi Province. The sampling technique used was purposive sampling, which is the technique of determining the sample that adjusted to the research needs. Sampling criteria are; has been operating for at least ten years and shows significant asset development compared to its initiation. The implementation of questionnaires in this study was carried out by accidental sampling, which is conducting research when researchers meet directly with respondents. Number of samples as much of 115 respondents decided by using the rule of thumb in SEM analysis. In this study, the operationalized variables are all variables which included in the hypothesis that has formulated. To provide a clear picture and facilitate the implementation of research, it necessary to define the variables to be examined as follows:

Table 1. Operational Definition of research variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Definition</th>
<th>Dimension</th>
<th>Indicators</th>
</tr>
</thead>
</table>
| Entrepreneurial Competence (X1) | The nature of individuals, such as knowledge, motives, features, self-image, social roles, and abilities that will make a company successful | 1. Technical Competence | 1. Understand the undertaken business strategy  
2. Experience in business  
3. Knowledge in the field of entrepreneurship |
|                               |                                                                           | 2. Marketing Competence | 1. Knowledge in marketing  
2. Running a marketing strategy |
|                               |                                                                           | 3. Financial Competence | 1. Make financial statements in business activities  
2. Knowledge in business finance |
|                               |                                                                           | 4. Human Relation Competence | 1. Have a good attitude with business partners  
2. Having the ability to relate |
| Social Media Marketing (X2)   | Marketing strategy using social media sites                               | 1. Trust            | 1. Creating consumer trust  
2. Convincing consumers |
|                               |                                                                           | Accessibility       | 1. General social media selection  
2. Facilitate consumers |
|                               |                                                                           | Responsiveness      | 1. Respond in customer service  
2. conducting promotions regularly. |
| SMEs Competitive Advantage (Y) | Collection of factors that differentiate a company from the competition and deliver its unique position in the market. | 1. Product Uniqueness | 1. Able to create products that are different from competitors  
2. Has its advantages |
|                               |                                                                           | 2. Product Quality   | 1. Good product quality  
2. Quality raw materials  
3. Having product quality standards |
2. Affordable prices |

4. Results and Discussion
4.1 Validity and Reliability Analysis
It can be seen in the following table 3 that Cronbach Alpha values for all variables are all above 0.6. Thus, all indicator variables in this study are considered all reliable (Ghozali, 2013).

Table 2. Reliability Analysis

<table>
<thead>
<tr>
<th>Cronbach's Alpha</th>
<th>Variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.646</td>
<td>Entrepreneurial Competence</td>
</tr>
</tbody>
</table>
While in Table 4 below shows that there is one indicator that has a low loading factor which is EC4, then this indicator is excluded from the analysis and analysis is restarted without that indicator (Ilyas & Munir, 2017).

### Table 3. Indicators Loading Factors

<table>
<thead>
<tr>
<th>Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>SMM1 &lt;&lt;&lt; SMM</td>
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<tr>
<td>SMM2 &lt;&lt;&lt; SMM</td>
</tr>
<tr>
<td>SMM3 &lt;&lt;&lt; SMM</td>
</tr>
<tr>
<td>CA3 &lt;&lt;&lt; CA</td>
</tr>
<tr>
<td>CA2 &lt;&lt;&lt; CA</td>
</tr>
<tr>
<td>CA1 &lt;&lt;&lt; CA</td>
</tr>
<tr>
<td>EC1 &lt;&lt;&lt; EC</td>
</tr>
<tr>
<td>EC2 &lt;&lt;&lt; EC</td>
</tr>
<tr>
<td>EC3 &lt;&lt;&lt; EC</td>
</tr>
<tr>
<td>EC4 &lt;&lt;&lt; EC</td>
</tr>
</tbody>
</table>

After excluded an indicator that has low loading factor, the Structural Equation Modelling analysis repeated with the following results:

![Figure 1. AMOS Estimation Result](image)

Hypothesis testing using table 4 which produced by AMOS software is as follows:

### Table 4. Estimation Result

<table>
<thead>
<tr>
<th>Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>CA &lt;&lt;&lt; SMM</td>
</tr>
<tr>
<td>CA &lt;&lt;&lt; EC</td>
</tr>
<tr>
<td>SMM1 &lt;&lt;&lt; SMM</td>
</tr>
<tr>
<td>SMM2 &lt;&lt;&lt; SMM</td>
</tr>
<tr>
<td>SMM3 &lt;&lt;&lt; SMM</td>
</tr>
<tr>
<td>CA1 &lt;&lt;&lt; CA</td>
</tr>
<tr>
<td>CA2 &lt;&lt;&lt; CA</td>
</tr>
<tr>
<td>CA3 &lt;&lt;&lt; CA</td>
</tr>
<tr>
<td>EC1 &lt;&lt;&lt; EC</td>
</tr>
</tbody>
</table>
It can be seen in Table 4 that the results of SEM estimation using AMOS software shows the relationship between the variables of Entrepreneurial Competency (X1) and Social Media Marketing (X2) on the SMEs Competitive Advantages (Y) is positive and significant. Thus, the hypothesis states that Entrepreneurial Competence and Social Media Marketing have a positive and significant effect on the SMEs Competitive Advantages is accepted.

5. Conclusion.

Based on the results of the study, it is found that entrepreneurial competencies have a positive and significant influence. The implication of these findings, SME owners must be able to increase individual competencies towards the business they own so that it will make SMEs competitiveness also increase. It is in line with the opinion of Mangkunegara (2005) which states that entrepreneurial competence is a fundamental factor that a person has in doing business that makes it different from other business owners who have the average ability. The ability of entrepreneurial competence is as the ability of entrepreneurs to deal effectively with a difficult situation by feeling the limitations of the business environment and activating internal relationships and resources (Iandoli & Raffa, 2007).

Whereas Vijay and Ajay (2011) stated that entrepreneurial competence could make it possible to increase business sustainability and business success. These things will increase the competitiveness of a business that will help make a business have an advantage in business competition. SMEs owner who has entrepreneurial competencies both in marketing, finance, building relationships, and technical competencies will have an advantage in business competition.

The results also show that social media marketing has a positive and significant effect. It is in line with the research of Nugroho and Kastaman (2014) which states that the use of social media in marketing activities will increase sales in a business to make a business more competitive in business competition. Maharani Mutia et al. (2012) also support this statement by stating that social media provides a competitive advantage by increasing the bargaining position towards customers. It is following the phenomenon that social media plays a role in marketing for young people who are always in touch with internet-based technology and the use of social media, so people spend more time reading on social media than reading newspapers and things can spread widely through social media. Research findings are also following the study of Gurnelius (2011) which mentions the pillars in social media marketing. Social media marketing really plays important parts in creating a competitive advantage for small and medium enterprises.

References.


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