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The Influence of Dynamic Capability on Sustainable Competitive Advantage: An Empirical Study of Small Businesses in Indonesia

Hartiwi PRABOWO[1], Teguh SRIWIDADI[2], Ridho Bramulya IKHSAN[3]

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Abstract

The purpose of this research is to determine the role of dynamic capability on the sustainable competitive advantage of small businesses in Palembang Indonesia during the Covid-19 pandemic. This is quantitative research with primary data obtained by distributing questionnaires to 50 Small and Medium Enterprises (SMEs) in the food and beverage (F&B) and clothing industry. The obtained data was analyzed using the Path Analysis supported by Smart PLS software. Path analysis is a form of multiple regression statistical analysis used to assess causal models by analyzing the relationships between a dependent variable and two or more independent variables. In this study dynamic capability is the independent variable, entrepreneurial marketing is the mediator variable, and sustainable competitive is the dependent variable. Path analysis is also used to predict the significance and centrality of hypothesized causal associations between various sets of variables. Furthermore, the data was processed in two stages, the first is the validity and reliability used to estimate the testing stage, while the second is the structural model, which analyzes the effect or relationship between f-variables utilizing the t-test. The result showed a positive and significant effect on the use of dynamic capabilities to determine sustainable competitive advantage through entrepreneurial marketing as a mediator variable of small businesses in Palembang.

Keywords: Entrepreneurial Marketing, Dynamic Capability, Sustainable Competitive Advantage

JEL Classification Code: D22, F18, F63, L26, O35

1. Introduction

The year 2020 has been one of the over-testing times in our lives. Covid-19 was announced as a worldwide pandemic without precedent for mid-March 2020 and by April, there were 1.6 million cases affirmed and 96,000 individuals had passed away (WHO, 2020). Besides, the pandemic happened when the worldwide economy had been confronting extraordinary vulnerabilities because of the exchange battle between China and the United States. The effect of this emergency has not only been extreme for huge organizations but also micro, small, and medium-sized enterprises (MSMEs). In Indonesia, it was recorded that around 82.29 percent of medium- to large-sized enterprises and 84.20 percent of micro- to small-sized enterprises incurred losses because of the Covid-19 pandemic. Shockingly, MSMEs that were once considered financially strong during the pandemic are found as – if not more – defenseless than huge undertakings (Hanggraeni & Sinamo, 2021). One of the provincial cities in Indonesia that experienced a significant impact due to the virus is Palembang. Generally, South Sumatra's Micro, Small, and Medium Enterprises (MSMEs) contribute to the economic growth of this city by 60%, however, the emergence of the pandemic affected this industry. It also led to a decrease in export, and tourism activities, investment, and household consumption.

In 2019, MSMEs in Palembang culminated to 37,351, which was the largest number compared to other regions in South Sumatra. Furthermore, in November 2020, the city's inflation rate was 0.31%, which increased to 0.92%

[1]First Author. Management Department, BINUS Online Learning, Bina Nusantara University, Jakarta, Indonesia. Email: hartiwi@binus.edu
[2]Corresponding Author. Management Department, BINUS Online Learning, Bina Nusantara University, Jakarta, Indonesia [Postal Address: Jl. K H. Syahdan No. 9 Kemanggisan – Palmerah Jakarta Barat, 11480, Indonesia] Email: tsriwidadi@binus.edu
[3]Management Department, BINUS Online Learning, Bina Nusantara University, Jakarta, Indonesia. Email: ridho.ikhsan@binus.edu

from January to November 2020. Meanwhile, the annual inflation rate from November 2019 to 2020 was 1.27 percent. According to the Palembang City Statistics, the Food, Beverage, and Tobacco Group contributed to inflation in November 2020. The statistics further showed that MSMEs need economic assistance from stakeholders and local governments to improve their sustainability in 2021. Business assistance started showing little results in the fourth quarter of 2020. The data obtained from 75 MSMEs in the food and beverage (F&B) sector showed that as many as 50% operate for approximately 3 years and the remaining 50% for 1–2 years. In terms of income, approximately 65% have a monthly income of less than IDR 18,000,000. Therefore, judging from the data on income and growth of MSMEs in Palembang, an increase is a need in terms of their ability to configure resources during the Covid 19 Pandemic for proper running and sustainability of their businesses. This research aims to analyze the influence of dynamic ability on sustainable competitive advantage using entrepreneurial marketing as a mediator.

2. Literature Review

2.1. Dynamic Capability

The ability to achieve new forms of competitive advantage is referred to as dynamic capabilities. Dynamic capability is the capacity of an organization to purposefully create, extend, or modify its resource base. It is also defined as the organizational ability to attain new forms of competitive advantage by renewing competencies – organizational resources – to achieve congruence with the changing business environment (Hamel, 1989; Prahalad & Hamel, 1994).

Dynamic capability is a firm process that uses resources, specifically the processes to integrate, reconfigure, gain and release resources to match and even create market change", however, in this work, the dynamic capability is seen as organization's activities, procedures, and practices that enhance its competitiveness, thereby helping it to maintain a leading role in its industry (Teece et al., 1997). The term 'capabilities' accentuates the important piece of major administration in changing, planning, and reconfiguring inward and outside authoritative capacities, resources, and practical capabilities to simplify the requirements of a developing climate.

The dynamic capability was captured in three dimensions (sensing capability, learning capability, reconfiguration capability. According to Teece et al. (1997), the first dimension sensing capability constitutes an organization's propensity to notice the changes in the environment based on its current capability. That is, sensing capability has to do with the ability to promptly recognize opportunities in the environment when it presents itself, while also, having the means to monitor threats from the environment. The second dimension of learning capability is the ability to create, acquire and share knowledge to respond to opportunities and threats from the operating environment. Last, the third dimension of reconfiguration capability is the organization's potential to generate capabilities to integrate current capabilities (Ambrosini et al., 2009). Dynamic Capability can be defined as the inherent capability of the organization to optimally and purposefully adapt and catapult the organization's resource base (Adeniran & Johnston, 2012).

The main aim and objective of the theory are to provide impetus to the firms to achieve and sustain the competitive advantage and carve a distinguished identity in the industry giving tough competition to its arch-rivals in the market (Eisenhardt & Martin, 2000). The goal is to identify the various factors and dimensions of the firm's centric capabilities that can optimally utilize and work as a source of advantage and to explain how the myriad combinations of competencies and resource can be developed, deployed, and protected having a long-term approach and vision in mind (Teece & Pisano, 2003). Dynamic capabilities are distinct from functional, or zero-level, capabilities Dynamic capabilities are unique. It is a "signature process." They are often tied to original business models and practices, making them difficult to imitate, and they enable the creation, extension, and modification within an organization.

Dynamic capability may be considered as a source of competitive advantage. Dynamic capability theory goes beyond the idea that sustainable competitive advantage is based on a firm's acquisition of valuable, rare, inimitable, and non-substitutable (VRIN) resources. Dynamic capabilities are responsible for enabling organizations to integrate, marshal and reconfigure their resources and capabilities to adapt to rapidly changing environments (Teece et al., 1997). Thus, Dynamic capabilities are processes that enable an organization to reconfigure its strategy and resources to achieve sustainable competitive advantages and superior performance in rapidly changing environments.

According to Teece (2007), dynamic capabilities essentially says that what matters for business is corporate agility: the capacity to (1) sense and shape opportunities and threats, (2) seize opportunities, and (3) maintain competitiveness through enhancing, combining, protecting, and, when necessary, reconfiguring the business enterprise's intangible and tangible assets.

Zollo and Winter (2002) stated that dynamic capabilities can be distinguished from operational capabilities, which pertain to the current operations of an organization. Dynamic capabilities, by contrast, refer to "the capacity of an organization to purposefully create, extend, or modify its resource base". The basic assumption of the dynamic capabilities framework is that core competency should be used to modify short-term competitive positions that can be used to build longer-term competitive advantage. Three dynamic capabilities are necessary to meet new challenges. Organizations and their employees need the capability to learn quickly and to build strategic assets. New strategic assets such as capability, technology, and customer feedback have to be integrated within the company. Existing strategic assets have to be transformed or reconfigured (Winter, 2003; Zahra et al., 2006; Helfat and Peteraf, 2009).

Hernandez-Linares et al. (2021) stated that some types of dynamic capabilities integrate firm resources (e.g., processes/routines involving product development and strategic decision making). Other types involve the reconfiguration of resources within the firm (e.g., knowledge transfer and collaboration). Finally, some are related to the gain and release of resources (e.g. knowledge creation, alliance and acquisition, and exit routines) (Eisenhardt & Martin, 2000). Such processes and routines are considered dynamic capabilities because they enable firms to create, renew, or orchestrate their resources in a manner that creates new value and allows them to compete and evolve. Firms today need to be quick, flexible, and innovative in their response to technological and market changes. They need to be able to reinvent themselves and grow through transformation. Dynamic capabilities are the specific capabilities that enable firms to adapt to rapidly changing environments and hold on to their competitive advantage. They are absolutely critical to a firm's long-term success.

All companies strive to build the internal capabilities that give them a competitive advantage; however, to sustain that competitive edge, companies need to understand the difference between ordinary capabilities and dynamic capabilities. Ordinary capabilities are the routines or standard operating procedures that an organization uses to sell the same product, on the same scale, to the same customers, over time (Winter, 2003). These capabilities can be taught and are easily imitated by competitors offering little or no competitive advantage. Dynamic capabilities, on the other hand, operate to extend, modify, or create ordinary capabilities. They are the types of capabilities that change the product, the production process, the scale, or the customers served (Winter, 2003). Dynamic capabilities are idiosyncratic and unique to each company's culture and history. They are hard to build and difficult to imitate, but necessary for long-term growth. In short, dynamic capabilities are key when it comes to developing innovative offerings and new business models in response to disruptive change.

Three dynamic capabilities are necessary to meet new challenges. Organizations and their employees need the capability to learn quickly and to build strategic assets. New strategic assets such as capability, technology, and customer feedback have to be integrated within the company. Existing strategic assets have to be transformed or reconfigured. Sensing is an inherently entrepreneurial set of capabilities that involves exploring technological opportunities, probing markets, and listening to customers, along with scanning the other elements of the business ecosystem. It requires management to build and "test" hypotheses about the market and technological evolution, including the recognition of "latent" demand. Learning requires common codes of communication and coordinated search procedures. The organizational knowledge generated resides in new patterns of activity, in "routines," or a new logic of organization. Routines are patterns of interactions that represent successful solutions to particular problems. These patterns of interaction are resident in group behavior, and certain sub-routines may be resident in individual behavior. Collaborations and partnerships can be a source for new organizational learning, which helps firms to recognize dysfunctional routines and prevent strategic blind spots. Similar to learning, building strategic assets is another dynamic capability. For example, alliance and acquisition routines can enable firms to bring new strategic assets into the firm from external sources. Reconfiguration capability refers to the recombination and transformation of existing resources that empower a firm to acclimatize to fluctuating market conditions. The integration between knowledge management and dynamic capabilities in agile organizations.

Lee and Yoo (2019) stated that the development of dynamic capabilities relies on three clusters of activities – sensing, seizing, and transforming. Sensing activities involve identifying and assessing emerging opportunities in the external environment. Seizing activities involve mobilizing resources to take advantage of these new opportunities. Transforming activities involve renewing company processes and maintaining their relevance to consumers. Firms who take the time to develop and hone their sensing, seizing, and transforming capabilities will discover that they are better able to innovate and create new business models. That being said, firms need to keep in mind that innovative offerings and new business models cannot succeed without the entrepreneurial and leadership capabilities of top management teams.

Dynamic capabilities, along with strategy, enable firms to transform and pursue strategic objectives. For instance, incumbent firms across industries are building their dynamic capabilities to pursue effective digital business model innovation or digital transformation. They are reconfiguring their internal and external resources to leverage emerging technologies, respond to changing consumer behaviors, and ultimately, outperform competitors. Regardless of the industry or types of transformation, investing in dynamic capabilities will deliver long-term value for a company.

Chowdhury and Quaddus (2017) stated that dynamic capabilities are closely related to the concept of ordinary capabilities as they both are organizational capabilities, yet both are distinct in nature. The resource-based view of the firm and the dynamic capabilities view (DCV) have focused on two broad categories of organizational capabilities that are essential for firm performance: zero-order ordinary capabilities needed to exploit a firm's current strategic assets through day-to-day operations (Winter, 2003) and higher-order dynamic capabilities required to alter a firm's resource base by integrating, building, and reconfiguring competences.

2.2. Entrepreneurial Marketing

Entrepreneurial marketing includes innovation, risk-taking, and being proactive. Entrepreneurial marketing campaigns try to highlight the company's greatest strengths while emphasizing its value to the customer. Focusing on innovative products or exemplary customer service is a way to stand out from competitors. Entrepreneurial marketing is less about a single marketing strategy and more about a marketing spirit that differentiates itself from traditional marketing practices. It eschews many of the fundamental principles of marketing because they are typically designed for large, well-established firms (Morris et al., 2002).

The primary challenge facing the entrepreneur is competing against larger, better-known, and more resourceful companies. How can a start-up with a small staff, limited budget, and minuscule customer base hope to compete against the giants in their industry? They do this by turning their weaknesses into their strengths. By their very nature, start-up companies can be more flexible and unorthodox than their major competitors. Marketing is one area where entrepreneurs can actually define a unique identity for themselves. Since marketing is a tool that is available to any business willing to invest in it, it is one of the best ways for emerging companies to define their image in the minds of consumers. The most common features of entrepreneurial marketing include innovation, risk-taking, and being proactive. Entrepreneurial marketing campaigns try to highlight the company's greatest strengths while emphasizing its value to the customer. Focusing on innovative products or exemplary customer service is a way to stand out from competitors. They make this pitch using cheap and accessible tools including viral videos, Tweets, Facebook pages, and email marketing. Any marketing strategies can be considered as long as they produce results. Painbeni et al. (2013) stated that entrepreneurial marketing is best defined by the types of companies that use it. The easiest way to identify an entrepreneurial marketing effort is to look at the company doing the marketing. Start-ups and emerging companies use entrepreneurial marketing to help establish themselves in emerging industries. It is important to distinguish these businesses from small businesses. While they do start small, their goal is to grow rapidly and to become major players in their industry as quickly as possible (Jones & Rowley, 2011).

Entrepreneurial marketing plans are based on input from every aspect of the company — from production, to finance, to personnel. To succeed, start-ups should work in a coordinated way to use their resources as efficiently as possible. Marketing decisions must reflect the real-world circumstances facing the company. On a basic level, entrepreneurial marketing is a set of unconventional practices that can help start-ups and younger firms emerge and have an edge in competitive markets. The main difference between these and traditional approaches is that entrepreneurial marketing tends to focus on satisfying the customer and building trust by providing innovative products and services that disrupt or appeal to a specific market (Morris et al., 2002). Entrepreneurial marketing is a combination of entrepreneurial skill and marketing skill, when applied, it brings out the best possible outcome from the non-conventional way. The core measuring dimensions - proactiveness, opportunity focus, risk-taking, innovativeness, customer intensity, resource leverage, and value creation decides the effectiveness of an enterprise with the restricted resources. Entrepreneurial marketing was developed for SMEs; however, it can add a sustainable competitive advantage to any size of the enterprise (Jones & Rowley, 2011). Furthermore, it unites accentuation access by providing innovative pieces of information, identifying new openings and wellsprings of progression. This process is also associated with the ability to confront difficulties out resources using the right method, which is conducted and formed by owner/executives' character and traits.

According to Bjerke and Hultman (2004), entrepreneurial marketing is "the marketing of small businesses growing through entrepreneurship." Its practice has been especially common in small firms and, for many entrepreneur-led companies, it is something that is "second nature". Entrepreneurial marketing addresses the challenge of making entrepreneurial decisions under the constraints of limited resources, expertise, impact, and size – and it is subject to external change factors. On the other hand, entrepreneurial marketing is driven by specific outcome goals and needs. Entrepreneurial marketing is the result of three elements: entrepreneurial interpretation of information, decision making, and marketing actions. Entrepreneurial marketing is proactive by nature (Morris et al., 2002), in small firms, marketing often is informal and reactive to market opportunities and the entrepreneur has an influence on the decision-making process.

Marketing and entrepreneurship influence the fate of small firms around the world – their success, their growth, and their profitability (Hills et al., 2008). Moreover, Hills et al. (2008) argue that there are many links between the two concepts. Both are driven and affected by environmental turbulence and both have a behavioral orientation. Marketing within the small firm can often be viewed as an integral part of managing entrepreneurial activities and the sum of marketing plus entrepreneurship is greater than their parts. The term “entrepreneurial” refers to the overall activities and behavior of entrepreneurs, which includes behavior that is competitive and drives the marketing process. Subsequently, entrepreneurial marketing describes the marketing adopted by firms that pursue opportunities and seek value in turbulent and unstructured market conditions.

Sadiku-Dushi et al. (2019) stated that entrepreneurial marketing is characterized as an organizational orientation having seven underlying dimensions, namely, proactiveness, opportunity focus, calculated risk-taking, and innovativeness, customer intensity, resource leveraging, and value creation. The first four dimensions come from entrepreneurial orientation literature. A fifth dimension, resource leveraging, is very stressed in guerilla marketing and is very often found in the entrepreneurship literature. Whereas the two last dimensions are from marketing orientation literature. Proactiveness means that the marketer does not take the external environment as a set of circumstances in which the company can only be adapted. Proactiveness is a response to opportunities and gives a company the ability to predict the changes or market needs and be among the first to react to them. Calculated risk-taking is the firm’s ability to use calculated actions to reduce the risk of opportunity pursuit. Calculated risk-taking involves a readiness to chase opportunities that have a realistic chance of producing losses or significant performance discrepancy. Innovativeness is considered a critical determinant of firms’ performance. Innovation is defined as the firm’s ability to maintain a flow of new ideas that can be interpreted into new products, services, technologies, or markets. Focusing on innovation may help firms to move beyond opportunity recognition, by using new or existing resources in new ways. Opportunity focus stands for unnoticed market positions that are sources of sustainable profit potential. Opportunity recognition today has an important role in entrepreneurship theory and has a very important role in entrepreneurship research. Commitment to opportunities and opportunity re-cognition skills are identified as factors that distinguish entrepreneurial marketing apart from traditional marketing. The ability of the firm is seen in the selection of the opportunity that determines success. Entrepreneurial marketers can leverage recourses in many ways like recognizing resources not seen by others, using others’ resources to complete own purpose, complement recourses with one another to increase their value, use certain resources to find other resources, and extending resources much more than others have done in the past. Customer intensity is considered as an element that builds up the passion for the customer and the employees’ recognition with products and services, as the main values of the company. Customer intensity is a key dimension of entrepreneurial marketing and a central element of the market orientation construct. Value creation is described as the marketers’ task is to find the unused source of customer value and to create exclusive com.

2.3. Sustainable Competitive Advantage

Today’s business environment is very competitive. It’s now a lot easier and cheaper to start a business, particularly with technology enabling the business to be conducted online and internationally to win customers in foreign markets. Vinayan et al. (2012) stated a sustainable competitive advantage is the backbone of most businesses that are thriving today. Businesses that have understood this and followed a sustainable competitive advantage strategy have remained the market leaders in their industry for a long time. Barney (2001) stated a firm enjoys a competitive advantage when it provides its customers benefits similar to its competitors but at a lower price. That’s because it manufactures its products at a much lower cost as compared to the competitors. The lower cost of production gives it the cost advantage allowing it to price its products lower than competitors. The same firm also enjoys a competitive advantage when it provides its customer’s benefits superior to what is being offered by its competitors, but at the same price. These excellent benefits give the firm a differentiation advantage. (Eisenhardt & Martin, 2000; Teece et al., 1997).

Specifically, competitive advantages are conditions that allow a company or country to produce a good or service of equal value at a lower price or in a more desirable fashion. These conditions allow the productive entity to generate more sales or superior margins compared to its market rivals. Competitive advantages are attributed to a variety of factors including cost structure, branding, the quality of product offerings, the distribution network, intellectual property, and customer service. Competitive advantages generate greater value for a firm and its shareholders because of certain strengths or conditions. The more sustainable the competitive advantage, the more difficult it is for competitors to neutralize the advantage (Barney, 2001).

Sustainable competitive advantage is the key to business success. It is the force that enables a business to have greater focus, more sales, better profit margins, and higher customer and staff retention than competitors. It is the major driver of long-term business value and is what purchasers will place the most value on when looking to acquire a business. Without a sustainable competitive advantage, you risk being another ‘me too’ business that muddles along achieving less than satisfactory results. At its most basic level, there are three key types of sustainable competitive advantage. Cost advantage: the business competes on price. Value advantage: the business provides a differentiated offering that is perceived to be of superior value. Focus advantage: the business focuses on a specific market niche, with a tailored offering designed specifically for that segment of the market (Eisenhardt & Martin, 2000; Teece et al., 1997).

A sustainable competitive advantage refers to a company's certain abilities, assets, or attributes that are difficult to recreate or surpass in success. As such, they sustain their competitive advantage over other similar and like-minded companies in the market. Haseeb et al. (2019), stated that competitive advantages are attributed to a variety of factors including cost structure, branding, the quality of product offerings, the distribution network, intellectual property, and customer service. For any enterprising firm, the competitive advantage may stem from any of the hosts of functions it performs. In other words, each of these functions is the source of generating this much desired and valued competitive advantage and edge over others in the industry.

Bambang et al. (2021) described competitive advantage as an attribute that allows an organization to outperform its competitors. A competitive advantage may include access to natural resources, such as high-grade ores or a low-cost power source, highly skilled labor, geographic location, high entry barriers, and access to new technology. A firm is said to have a competitive advantage when it is implementing a value-creating strategy not simultaneously being implemented by any current or potential player. Competitive advantage is the leverage a business has over its competitors. This can be gained by offering clients better and greater value. Advertising products or services with lower prices or higher quality piques the interest of consumers. Target markets recognize these unique products or services (Heriyanto et. al., 2021). This is the reason behind brand loyalty, or why customers prefer one particular product or service over another. The value proposition is important when understanding competitive advantage. If the value proposition is effective, that is, if the value proposition offers clients better and greater value, it can produce a competitive advantage in either the product or service. The value proposition can increase customer expectations and choices.

2.4. Hypotheses

H1: *Dynamic Capability has a positive effect on the entrepreneurial marketing of MSMEs.*

H2: *Dynamic Capability has a positive effect on the sustainable competitive advantage of MSMEs.*

H3: *Entrepreneurial marketing has a positive effect on the sustainable competitive advantage of MSMEs.*

H4: *Dynamic Capability has a positive effect on sustainable competitive advantage through the entrepreneurial marketing of MSMEs.*

3. Research Methods and Materials

This is quantitative research, which tallies with dynamic capability, entrepreneurial marketing, and sustainable competitive advantage (Cooper & Schindler, 2013). Data was collected using a questionnaire and analyzed using a five-point Likert scale from 1 (strongly disagree) to 5 (strongly agreed). Furthermore, this study used the total population of MSME in Palembang City, with the G * Power used to calculate statistical power analysis of *t*-tests, χ^2-tests, *F*-tests, *z*-tests, etc. Several tests were used to determine the number of research samples as well as the α error probability of 5% and 3 variables. The least number of 75 samples was obtained using the SmartPLS 3.0 programming (Hair et al., 2016). PLS testing was carried out in two phases (Figure 1). The first is the validity and reliability test, while the second is testing the structural model to decide the impact or correlation between variables that use the *t*-test.

4. Results and Discussion

4.1. Results

4.1.1. Measurement Models Evaluation (Outer Model)

The measurement model's assessment comprises three processes namely the convergent validity test, discriminant validity test, and composite reliability test. According to Hair et al. (2016), the convergent validity test with the SmartPLS 3.0 program is determined from the loading factor value for each indicator. Hair et al. (2012), stated that a correlation procedure is used to meet the convergent validity with a loading factor above 0.5. Individual indicators are considered reliable, assuming they have a loading factor value above 0.7, however, those from 0.5 to 0.6 are still acceptable (Hair et al., 2016). Figure 2 shows that convergent validity tests all indicators on every variable with a loading factor value above 0.5, except SCA3 (0.486). Therefore, all three variables have good reliability.

Hair et al. (2016) measured the discriminant validity by comparing the average variance extracted (AVE) value in each variable that satisfies the pre-requisite value of more than 0.5. An HTMT proportion score below 0.90 is used

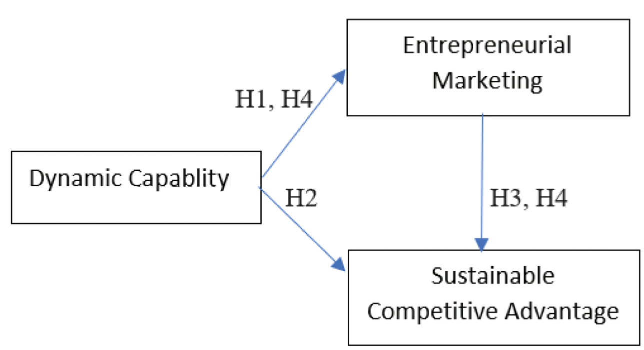

Figure 1: Conceptual Model

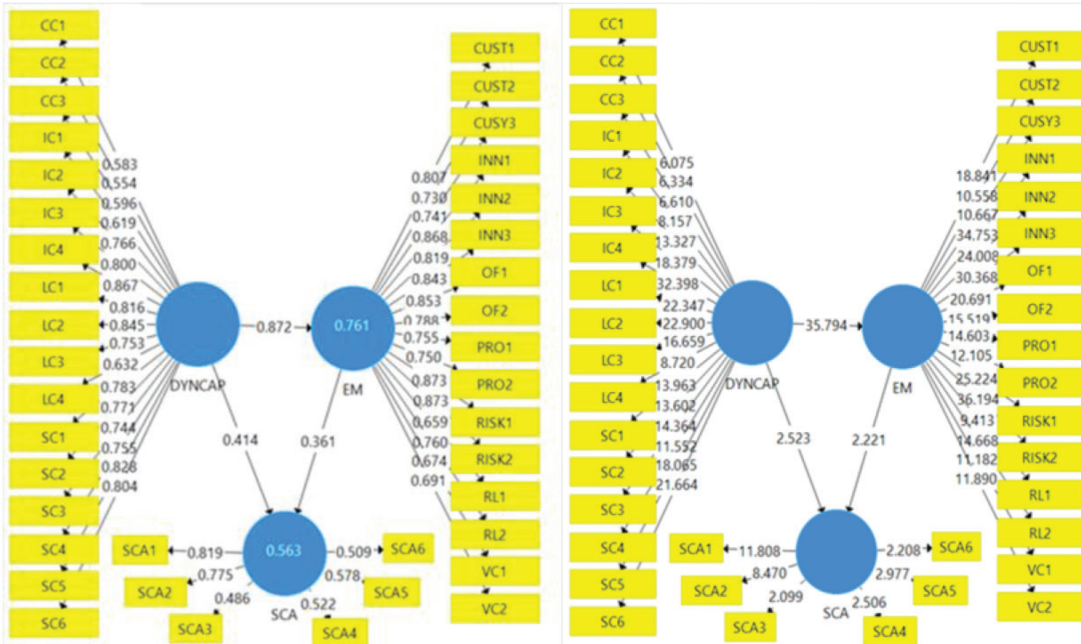

Figure 2: Structural Model

to test discriminant validity (Cohen, 2013). The HTMT proportion scores in this research were below 0.90, thereby indicating that discriminant validity was met, as shown in Table 2 (Hair et al., 2017). Meanwhile, the reliability shown on the three variables of Cronbach's alpha and composite reliability in Table 1 is above 0.7. This means that all three variables have good reliability.

4.1.2. Evaluation of Structural Models (Inner Model)

The heterotrait-monotrait ratio of correlations (HTMT) is a new method for assessing discriminant validity in partial least squares structural equation modeling, which is one of the key building blocks of model evaluation (Henseler et al., 2015) This research was carried out by comparing the Monte Carlo approach to the Fornell-Larcker basis and the evaluation of (halfway) cross-loadings. Monte Carlo simulations are used to model the probability of different outcomes in a process that cannot easily be predicted due to the intervention of random variables. It is a technique used to understand the impact of risk and uncertainty in prediction and forecasting models. From the analysis, the convergent, divergent, and discriminant validity were established and admissible using Fornell and Larcker criterion. However, discriminant validity is an issue when employing the HTMT criterion. This shows that the latent variables under study faced the issue of multicollinearity and should be looked into for further details. This also implied that the HTMT criterion is a stringent measure that could detect the possible indiscriminate among the latent variables. Fornell-Larcker measure is used with HTMT to evaluate discriminant validity below 0.90, set up between two reflective constructs. Table 2 shows that all HTMT ratios are below 0.90, therefore, all variables fulfilled discriminant validity.

The structural model exhibits the relationship between latent variables and the path coefficients, which are interpreted as standardized coefficients of OLS (ordinary least square) regression. Figure 2 and Table 3 show the summary results of structural model calculations.

The structural model tends to address the association between latent variables with the path coefficients analyzed as standardized coefficients of OLS (customary least square) regression. Figure 2 and Table 3 outline the structural model results of the estimations.

Proof of acceptance or rejection of the hypothesis refers to the *t*-statistic or *p*-value, respectively. Furthermore, the path coefficient is used to indicate the simultaneous direction of the relationship between exogenous and endogenous variables. All hypotheses are proven by testing the structural model and producing a linear equation. Dynamic Capability has a positive and significant effect on entrepreneurial marketing with a *t*-statistic value of 35.794 and a *p*-value of 0.000. In addition, dynamic capability has a positive and significant effect on sustainable competitive advantage with a *t*-statistic value of 2.523 and a *p*-value of 0.011. Meanwhile, entrepreneurial marketing has a positive and significant impact on the sustainable competitive advantage with a *t*-statistic value of $2.221 > 1.96$ and a *p*-value of $0.023 < 0.05$. Furthermore, dynamic capability has a positive relationship with competitive advantage through SMEs'

Table 1: Loading Factor (LF), AVE, Composite Reliability, and Cronbach's Alpha Test

Variables	Item	LF	AVE	CR	Cronbach's Alpha
Dynamic Capability	CC1	0583	0.552	0.954	0.948
	CC2	0.554			
	CC3	0.596			
	IC1	0.619			
	IC2	0.766			
	IC3	0.800			
	IC4	0.867			
	LC1	0.816			
	LC2	0.845			
	LC3	0.753			
	LC4	0.632			
	SC1	0.783			
	SC2	0.771			
	SC3	0.744			
	SC4	0.755			
	SC5	0.828			
	SC6	0.804			
Entrepreneurial Marketing	CUST1	0.807	0.614	0.962	0.948
	CUST2	0.730			
	CUST3	0.741			
	INN1	0.868			
	INN2	0.819			
	INN3	0.843			
	OF1	0.853			
	OF2	0.788			
	PRO1	0.755			
	PRO2	0.750			
	RISK1	0.873			
	RISK2	0.873			
	RL1	0.659			
	RL2	0.760			
	VC1	0674			
	VC2	0.691			
Sustainable Competitive Advantage	SCA1	0.819	0.596	0.790	0.773
	SCA2	0.775			
	SCA3	0.486			
	SCA4	0.522			
	SCA5	0.578			
	SCA6	0.509			

Table 2: Heterotrait-Monotrait Ratio (HTMT)

Variables	Dycap	EM	SCA
Dynamic Capability (Dycap)			
Entrepreneurial Marketing (EM)	0.895		
Sustainable Competitive Advantage (SCA)	0.639	0.616	

Table 3: Hypothesis Testing and R^2

Path	Standard	*T*-statistics	*P*-values	Decision	R^2
Dyncap → EM	0.875	35.794	0.000	H1 Accepted	0.761
Dyncap → SCA	0.421	2.523	0.011	H2 Accepted	0.563
EM → SCA	0.365	2.221	0.023	H3 Accepted	
Dyncap → EM → SCA	0.315	5.540	0.000	H4 Accepted	

Table 4: The Variables Effects

Path Analysis	Cohen's f^2	Effect Size
Dyncap → EM	3.179	Large
Dyncap → SCA	0.094	Small
EM → SCA	0.071	Small

entrepreneurial marketing because it has a *T*-statistic value of 5.540 > 1.96 and a *p*-value of 0.000.

Proof of acceptance or rejection of the hypothesis refers to the *t*-statistic or *p*-value, respectively. Furthermore, the path coefficient is used to indicate the simultaneous direction of the relationship between exogenous and endogenous variables. All hypotheses were demonstrated by examining the structural model and creating a linear equation. The dynamic capability has a positive and significant impact on entrepreneurial marketing because it has a *t*-statistic value of 35.794 and a *p*-value of 0.000. The dynamic Capability has a positive and significant impact on sustainability with a *t*-statistic value of 2.523 and a *p*-value of 0.011. Entrepreneurial marketing affects the sustainable competitive advantage with a *t*-statistic value of 2.221 > 1.96 and a *p*-value of 0.023 < 0.05. In addition, there is a positive connection between the dynamic capabilities and sustainable competitive advantage through SMEs' entrepreneurial marketing because it has a *t*-statistics of 5.540 > 1.96 and a *p*-value of 0.000.

The first equation using the *R*-square value is 0.761 or 76.1%, which leads to a dynamic capability of 76.1% in a strong category. The value of the second equation is 0.563 or 56.3%, which shows that dynamic capability predicts sustainable competitive advantage by 56.3% and in the strong category.

The values of f^2 at 3.179, 0.094, and 0.071 are similar to those recommended by Ringle et al. (2015). These values are interpreted as predictors of small, medium, and large variables at the structural level (Chin, 1998). Table 4 shows that based on Cohen's f^2 indicator, dynamic capability has a significant and positive effect on entrepreneurial marketing and competitive advantage. Meanwhile, entrepreneurial marketing has a positive effect on sustainable competitive advantage.

5. Discussion

Several studies have been carried out on entrepreneurial marketing. Hills et al. (2008) offered an outline of the development of EM. Hills furthermore examined the new American Marketing Association (AMA) to determine the meaning of marketing and tracked found out that its definition permits the existence of EM inside these definitional limits. EM is used as a qualitative study in Sweden and the United States. Bavarsad (2015) carried out another study, indicating the lack of a significant relationship between entrepreneurial marketing and sustainable competitive advantage in gold, metals, diamonds, and precious stones with an approximate value of –0.22 (*p*-value = 0.30). In this study, dynamic capability has a positive effect on sustainable competitive advantage through the entrepreneurial marketing of MSMEs. Meanwhile, Lee and Yoo (2019) stated that dynamic capability affects sustainable competitive advantage through product innovation.

6. Conclusion

In conclusion, this research shows that dynamic capability has a positive and significant effect on entrepreneurial marketing, which invariably obtains a sustainable and competitive advantage for small businesses. Therefore, dynamic capabilities, also known as CC2, were used to ensure an appropriate allocation of resources, such as information, time, and reports, entrepreneurial marketing such as VC1, creating value for consumers with excellent service, and sustainable competitive advantage. Hence, the business needs to improve all indicators to achieve sustainable competitive advantage.

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