

The Influence of Managerial Competency and External Environment on the Competitive Advantage of a Creative Industries in West Sumatra

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Abstract. This paper aims to analyze the influence of managerial competency and external environment in the competitive advantage of creative industries of West Sumatera. The sample size is determined by Rubin formula numbering 157 managers of creative industries of West Sumatera. The sampling technique used is *proportional stratified random sampling*, in which the samples are allocated proportionally in six cities namely: Padang, Padang Panjang, Bukittinggi, Payakumbuh, Pariaman, and Solok. The research method used is survey and the data are collected through questionnaires. The data analysis technique used is *Structural Equation Model* (SEM) and PLS software tools. The study shows that managerial competency and external environment effects positively and significantly on the competitive advantage of creative industries of West Sumatera.

Key words: Managerial competency, external environment, competitive advantage, creative industries

Introduction

Today the world economic development not only concentrates on large industrial sectors based mainly on natural resources, but also has shifted to creative industries based on human resources. The role of creative industries to GDP in many countries continues to show significant effect, for example: in the UK, creative industry's contribution to GDP is 7,9%, in Australia 3,3%, in New Zealand 3,1%, and in Singapore 2,8%, while in Indonesia, it is 6,9% and able to absorb 5,8% of the workforce, and is ranked the seventh out of ten business fields defined by BPS (Pangestu, 2008). There are 14 sub-sectors categorized as creative industries, among others advertising, architecture, art market, crafts, graphic design, fashion, film, video and photography, interactive games, music, performing arts, publishing and printing, computer services and software, radio and television, and research and development. The most developed creative industry sectors in West Sumatera are crafts, in particular embroidery, appliqué and weave. These products are the icons of West

Sumatera, where almost every regency and city has them, but the potential of each area is different depending on the availability of human resources. Embroidery and appliqué grow rapidly in Bukittinggi, while weave grows in Tanah Datar/Pandai Sikek and Sawah Lunto/Silungkang (Wirda, et al; 2015).

Factors that determine the success of creative industries can be seen both from internal and external perspectives. Internal perspective is the ability of the manager to manage his business. A competent manager is needed so that the company can achieve superior performance by creating competitiveness. A manager having good competency will be a source of competitive advantage for the company (Ismail, et al; 2014a). On the other hand, external perspective is the ability of the company to adapt with external environment. Creative industries grow in a fast-moving external environment, and the dramatic change in technology and information needs to be addressed with quick-response, so that the company can survive. The challenge of global competition, in which there are no

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more barriers that restrict companies, even countries, will be a threat if not addressed properly, and will be an opportunity if the company is able to adapt (Ott, 1987). Companies are not only expected good at managing internal environment, but also able to survive in dealing with dynamics external environment in order to achieve competitive advantage (Handriani, 2011).

The importance of this study because when talking about competitive advantage, most literatures only focus on internal environment as the source of competitive advantage, while external factors tend to be ignored. External factors in a competitive environment need to be considered so that the company can have different strategy from its competitors, and remain adaptive to changes which cannot be predicted or controlled. Similarly, in the study of managerial competencies, the success of the company is determined by the manager's ability, knowledge and skill in managing business; the manager needs to have a good attitude in order to make a unique breakthrough which is different from the competitors. Studies about competitive advantage, managerial competency, and external environment had been done a lot, however, in the context of creative industries in West Sumatera, there had not been any. This study will be beneficial for creative industry practitioners so that they can pay attention to managerial competency needed to be able to adapt to competitive external environment in order to achieve competitive advantage.

Competitive Advantage of Industries

The strategy of companies nowadays focuses on making the companies more superior than their potential competitors now or in the future, able to develop, satisfy consumers, respond to the market changes quickly, manage every function in the companies, successful, and achieve financial goals. According to Thompson (1996), there are five categories of competitive advantage approach: a) low-cost leadership strategy, b) broad-differentiation strategy, c) best-cost provider strategy, d) focused on market niche strategy based on low-cost; it concentrates on narrow segment of buyers, and excels existing rivals based on low-cost, e) focused on market niche strategy based differentiation which offers the market niche members a product or a service which consumed based on tastes and needs.

Porter (1990: 39) emphasizes that

companies of a country must have competitive advantage either in the form of low-cost, or different and unique products. In order to make the competitive advantage sustainable, companies must provide high quality products and services, and manage the business efficiently focusing on cost or differentiation. The model of Porter's Generic strategy is on figure 1.

		Competitive Advantage	
		Lower Cost	Differentiation
Competitive Scope	Broad Target	Cost Leadership	Differentiation
	Narrow Target	Cost Focus	Differentiation Focused

Figure 1. Porter's generic competitive strategies (Porter, 1990, p 39)

There are many factors that can be the source of competitive advantage of a company; however, this study only proposes two of them, namely managerial competency and external environment. Companies become increasingly aware of the importance of competent employees because business environment demands need qualified employees, and competency is one of quality indicators. Some companies require employees to have a certificate of competency, as a guarantee that the employee is indeed worthy to hold the job responsibilities. The competency has been hotly discussed among practitioners, researchers, academics, entrepreneurs, and consultants since the end of 1980s. However, the concept of competency was started to be discussed in 1973 when Mc Clelland published a paper titled "Testing for Competency rather than Intelligence" that started the launching of competency in psychology (Clelland, 1973). According to Clelland, the competency of the employee is a lot more important than the intelligence.

Managerial Competency

Competency is a person's fundamental characteristics that generate or cause effective and outstanding performance (Boyatzis, 1982). This opinion is in accordance with what is proposed by Spencer and Spencer (1993:9), who state that competency is the characteristics found in an individual associated with reference criteria which is

effective and or superior performance in work situations. The same idea is expressed by Hoge, et al (2005), stating that competency is a measurable human capability required to achieve effective performance which consists of knowledge, skill or ability, or personal characteristics that will build performance. In addition, according to Sumual (2015), competency refers to characteristics that underlie behaviors that describe motives, personal characteristics, personal concept, values, knowledge or skill held by a person who has a superior performance in the work place. Generally, competency itself can be understood as a combination of skills, personal attributes, and knowledge reflected in performance behaviors which can be observed, measured, and evaluated (Efendi, 2015).

Spencer and Spencer (1993: 25) develop competency into six groups of competency that can predict outstanding performance among others: achievement and action, helping and human service, the impact and the influence, managerial competency, cognitive competency, and personal effectiveness. In this study, the competency used was managerial competency.

Managerial competency is the ability to manage, and to give command and influence in order that other people can develop their potentials, and improve teamwork. Competency is formed by the synergy of characters, motives, personal concepts, knowledge, and skills implemented in the form of attitudes and behaviors at work. Indicators which must be held by a competent manager are impact and influence, achievement orientation, teamwork and cooperation, analytical thinking, initiative, developing others, self confidence, directiveness / assertiveness, information seeking, team leadership and conceptual thinking (Spencer and Spencer, 1993).

According to Lado and Wilson (2013), managerial competency is the ability of the manager in acquiring, developing, distributing the resources of the organization, and converting the resources into products and services which are worth to be submitted to stakeholders. Organizations should identify managerial competency which describes the success of a manager, many of which have not been done, particularly in the measurements of the performance of managers. Some competencies that are required by a manager among others are: leadership skills, customer focus, result oriented, problem solver,

communication skills, and team worker (Abraham et al, 2001). Moreover, according to Trivellas and Reklitis (2014), the effectiveness of managerial performance will be achieved if the leader has competencies related with innovation, direction and control. A competent manager is a planner who can organize, an administrator and a communicator who can take the company to a good achievement (Chye, et al, 2010).

A competent manager will influence the company's competitive advantage. This is supported by, among others, Wright, et al (1996: 52) who state that the company's internal environment (the firm's resources) is the resource that will determine the company's strengths and weaknesses. The company's resource which is human resources covering the experiences, the capabilities, the knowledge, the skill and the judgment of all employees. The organizational resources are such as the company's process and system including the company's strategies, structure, culture, material purchasing management, production/operation, finance, research and development, marketing, information system, and control system; and the physical resources are such as plant and equipment, geographical location, access to material, distribution network, and technology. If the company is able to optimize the use of those three resources mentioned above, they will give the company sustained competitive advantage. Figure 2 shows the route to be able to sustain competitive advantage.

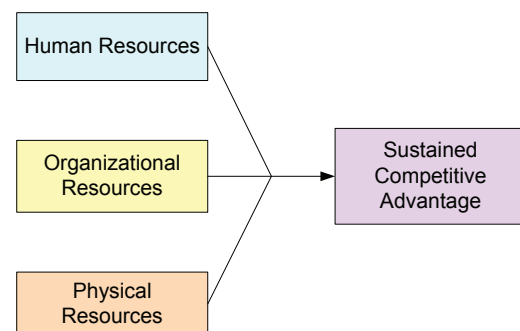


Figure 2. Route to sustained competitive advantage (Wright, 1996, p 52)

The competency held by the employees will be the competitive advantage for the organization because management of qualified human resources is the key to the success of the organization (Hoge, et al. 2005). On the other hand, Rungwitoo (2012) states that partially, knowledge and skill positively and significantly influence competitive advantage; however, the relation is weak. Simultaneously,

knowledge and skill do not affect competitive advantage significantly.

The research to 77 managers of paint industry in UEA shows that core competency has strong and positive relation with competitive advantage. To remain competitive and have competitive advantage, the manager can try to improve the organization's performance by managing every dimension of main competencies namely common vision, teamwork, and empowerment (Agha, et al. 2011). The research to 228 small-scale industries of export practitioners in Malaysia also concludes that managerial competency affects the quality of competitive advantage (Ismail, et al. 2014b). Managerial competency is a unique relation between knowledge, skill and ability which will form the manager's function affecting the competitive advantage (Khalidia and Economics 2012). From this exposure can be formulated hypothesis:

H1: Managerial competency influences competitive advantage

Organizations grow and thrive in an ecology called environment. Studies about the importance of paying attention to environment aspects around the organizations have been started since *neo classical management theory* era. Different from *classical theory* which considers organization as a closed system which is more oriented toward economic factors and efficiency, *neo classical theory* starts to pay attention on organization as an open up systems. Humanist approach which becomes the theory's central issue believes the importance of organizational interaction both internally and externally. Selznick (1948) emphasizes that organizations consist of individuals whose goals and aspirations are not necessarily the same with the formal purpose of the organization. Bargaining with the environment needs to be done. Adaptation of the organizational structure not only is based on individual desire but also must pay attention to environment.

External Environment

Organizations are not a closed system related to a stable environment, but an open-up system which interacts with environment to survive. Organizations need ecology, not only a system; it means that they need a place to live. Environment will select organizations that can survive. The form of organizations must be in accordance with the environment, otherwise they will fail. The survival of organizations is predominantly influenced by the capacity and the stability of

the organizational environment (Ott, 1987).

External environment is factors outside control influencing the company's choice about direction and action that in the end also influencing the organizational structure and the internal processes. External environment can be categorized into three sub-categories which connect to each other: far environment, industrial environment, and operational environment (Pearce and Robinson, 2013: 92). Meanwhile, Dobson, et al. (2004) group external environment into two parts which are general environment that has broader coverage like social and politics, and operating environment which is more specific also known as industrial environment or business environment. Industrial environment according to Porter (1985: 6) is influenced by five things namely: the threat of new-comer, suppliers' bargaining power, buyers' bargaining power, the threat of product substitutions, and the intensity of competition.

Companies get competitive advantage through implementing strategies which optimize internal strength by responding to existing opportunities, and neutralize external environmental threats and prevent internal weaknesses. Most researches of competitive advantage resources focus more on opportunities and threats, explaining the strength and the weaknesses or analyzing how to choose appropriate strategy. Although internal analysis of strength and weaknesses, and external analysis of opportunities and threats are accepted in most of the literatures; however, the latest researches tend to focus more on opportunities and threats analysis in a competitive environment. Competitive environment will improve the company performance (Barney, 1991).

According to the market based view (MBV), industrial factors and external market orientation are the main determinants of the company's performance. The resource of company's value planted in competitive situations characterizes the strategic position of the final products. Strategic position is owned by companies that have unique actions which are different from their competitors, or strategic position of a company is determined by how the company does the same action like other companies, but in very different ways. From this perspective, the company probability or performance is determined solely by the structure and the competitive industrial dynamics where the company

operates. The focuses of the MBV are the company's environment and the external factors. Researchers observe that the company's performance significantly depends on industrial environment, and they regard strategies in industrial context as a whole and the company's position in the market is relative to its competitors. In formulating strategies, companies usually conduct an overall assessment to their own competitive advantage through assessment of external environment based on five powers of Porter's model namely: entry barriers, substitutes' threats, suppliers' bargaining power, buyers' bargaining power, and the competition between competitors (Wang, 2014).

There are many researches support the study that external environment influences competitive advantage, among others research conducted by Suparta, et al (2013)

on micro-businesses of ornamental plants. The research concludes that external environment influences company's competitive advantage, in which external environment indicators are measured by the availability of training, the ability to buy, the availability of information, and infrastructure support.

This finding is in accordance with the research done by Handriani (2011) who states that external environment affects the competitiveness of small-medium enterprises in Semarang Regency. Study done by Beaver and Prince in Suparta, et al (2013) also found the same thing. According to Banham (2010) opportunities and threats faced by small and medium enterprises among others are technological advance (available new technology, affordable new technology), consumer's expectation (consumer's expectation for price, quality, product or service), supplier requirement (major supplier requirement), regulatory changes (north American free trade agreement, exchange rate fluctuation, changes in government regulation), increasing competition (erosion of profits, increased competition in market place, export market opportunity, desire to complete global), while Azis (2010),

believes that external environment that must be considered by small-medium enterprises are market turbulence, technology turbulence, and competitive intensity.

Those indicators become references in this research. From the exposure, the hypothesis of the research is:

H2: External environment influences competitive advantage of the company.

From the review of the literature obtained the research model as shown in Figure 3.

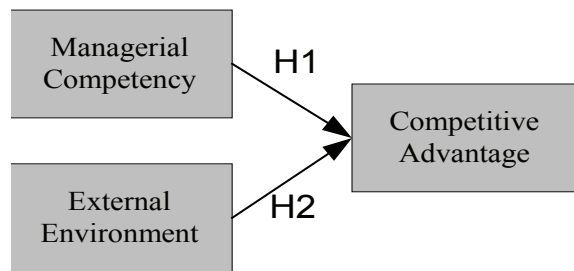


Figure 3. The research model

The type of the research is verificative, in which hypothesis are tested using statistical calculations (Nazer, 1988:63). Verificative research is used to determine the influence of managerial competency and external environment to competitive advantage of creative industries of West Sumatera.

The location of the research is in 6 cities in West Sumatera namely Bukittinggi, Padang, Padang Panjang, Payakumbuh, Pariaman, and Solok. The reason why those locations are chosen is because they were craft creative industry centers in West Sumatera, especially for embroidery, appliqué, and weave. The subjects of the research are managers of creative industry businesses in West Sumatera, particularly embroidery, appliqué and weave which population are 238 people, and by using the formula of Rubin (1997) obtained the sample size of 157. The sampling method used is *proportional stratified random sampling* by categorizing samples in each business unit/ craft centre in six cities in West Sumatera. The sample size of each city can be seen in Table 1.

Table 1
Research Sample Allocation

No	City	Population (unit)	Sample
1	Solok	8	5
2	Padang	13	9
3	Padang Panjang	18	12
4	Payakumbuh	6	4
5	Pariaman	7	5
6	Bukittinggi	186	123
	Amount	238	157

Source: Department of Cooperative and SMEs of West Sumatera (treated)

The data used in the research are

primary data and secondary data. The primary data collection technique (managerial competency, external environment, and competitive advantage) is conducted by distributing questionnaires to respondents who represented the population. The questionnaires are arranged based on ordinal scale guided on Likert summated rating, in which the answer of each item has a gradation from very positive to very negative namely: 1: very incorrect / strongly disagree, 2: incorrect/ disagree, 3: less agree/doubtful, 4: correct / agree, and 5: very correct / strongly agree. The source of secondary data is the data about creative industry obtained from related offices, which are the province or the city's Department of Cooperative and SMEs.

There are three variables measured, which are: managerial competency, external environment, and competitive advantage. Managerial competency instrument used indicators from Spencer and Spencer (1993) consisting of 11 dimensions namely: impact and influence, achievement orientation, teamwork and cooperation, analytical thinking, initiative, developing other, self confidence, directiveness/ assertiveness, information seeking, team leadership, and conceptual thinking. External environment used research indicators which are used by Aziz (2010) consisting of 3 dimensions which are market turbulence, technology turbulence, and competitive intensity. Competitive advantage used indicators from Porter (1998) namely: cost leadership, differentiation, and focus. A more complete definition of the research operation can be found on Attachment 1.

The data analysis technique used is structural equation model (SEM) using PLS software as calculation tools. Data analysis with PLS approach is done by evaluating measurement model and structural model. There are 3 types of test used in evaluating measurement model such as: a). Individual test of item's reliability conducted to see reliable indicators. Items would be considered reliable if the loading factor was > 0,5. b). Internal consistency test, done to test the reliability of a group of indicators in measuring variables they measured. The perceived value is the value of composite reliability. Recommended value was > 0,70. c). Discriminant validity test, conducted to see how big the difference between variables was (average variance extracted/AVE, which must be > 0,50, and the square root value of AVE of each variable must be higher than correlation value of other variables (Hair, et

al, 2014: 107).

After evaluating measurement model, the next step is evaluating structural model. Evaluating structural model is done by looking at R² value and the significance of path coefficient. The higher the R² value shows the higher the variance percentage of endogenous variables which are influenced by the exogenous variables. Because PLS does not assume the normality of the data distribution, PLS uses nonparametric test to determine significant level of the path coefficient, in which the t-value is produced by running *bootstrapping algorithm* in smart PLS conducted to determine the admissibility of the hypothesis. When the level of significance 0,05, hypothesis would be supported if the t-value exceeded the critical value which was 1,645 (Hair, et al. 2014: 171).

Respondents' characteristics of the research can be seen on Table 2.

Table 2
Respondents' Characteristics Based on Age, Gender, Working Period, and Education

Age (Year)	Percentage (%)
20-30	7
31-40	34
41-50	35
51-60	18
61-70	6
Gender	
Woman	71.97
Man	28.03
Working period (year)	
1-5	22.29
6-10	24.84
11-15	24.20
16-20	10.83
21-25	6.37
26-30	3.18
31-35	6.37
36-40	1.91
Education	
Elementary School	2.55
Junior High School	11.46
Senior High School	56.69
Diploma III	8.92
Bachelor degree	18.47
Magister degree	1.91

Source: Treated primary data (2015)

By looking at respondents composition based on age, it can be concluded that respondents have represented the population of all age groups. The majority of respondents (79%) are 31 – 50 years of age, showing that most of creative industries are led by young people who have strong will to improve their managerial competency. Respondents composition based on gender shows that 71,92% of creative industries are managed by women. It is because the product category is fashion which consumers are mostly women. Female managers have better understanding of fashion trends, the benefits, the uses and the advantages of the products, so the business is more suitably managed by women. Respondents composition based on working period shows that the majority of respondents' working period is between 6-15 years. It means that the managers have had enough experience to manage the business. Most of the respondents (56,69%) are high school graduates, while 29,4% of them have higher level of education (diploma III, Bachelor degree, and Master degree), and only 14,1% graduated from junior high school and elementary school. It means that the human resources who manage creative industries especially embroidery, appliqué and weave are educated people so that it would have an impact on better quality of the business management

Data Analysis

The data analysis method which was used in the research was *structural equation model* (SEM) with PLS tools. There were two stages of data analysis using PLS conducted to analyze the data namely evaluating measurement model and evaluating structural model.

Evaluating Measurement Model

Evaluating measurement model could be done using path diagram which is made and treated with PLS. Path diagram can be seen on figure 4. From the output of path diagram, it can be seen that there are some indicators which loading factors are $< 0,5$, so that they must be discarded from the model, among others: on variable of managerial competency indicators were M1, M2, M5, M6, M7, M9, and M10, on variable of external environment indicators were L3, L4, L5, and L8, and on variable of competitive advantage indicators were C3, C4, C5, C6, C7, and C12. Figure 5 shows the output of path diagram after discarding unreliable indicators.

From the test, after discarding unreliable indicators, all the constructs become reliable because the loading factor was $> 0,5$ (integrated).

The composite reliability value of the research model after discarding indicators

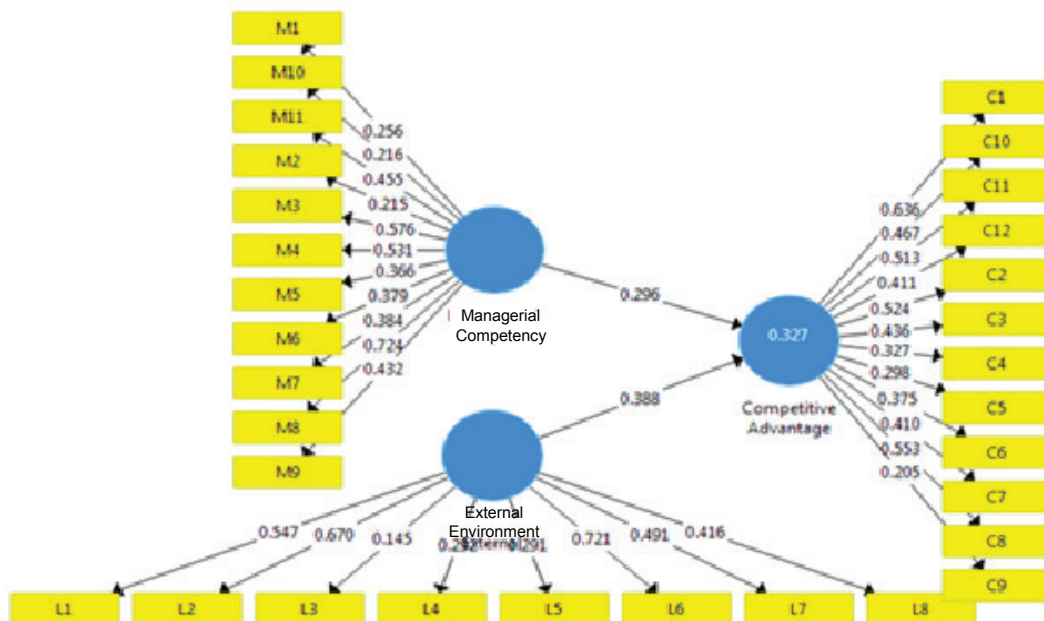


Figure 4
Path diagram model

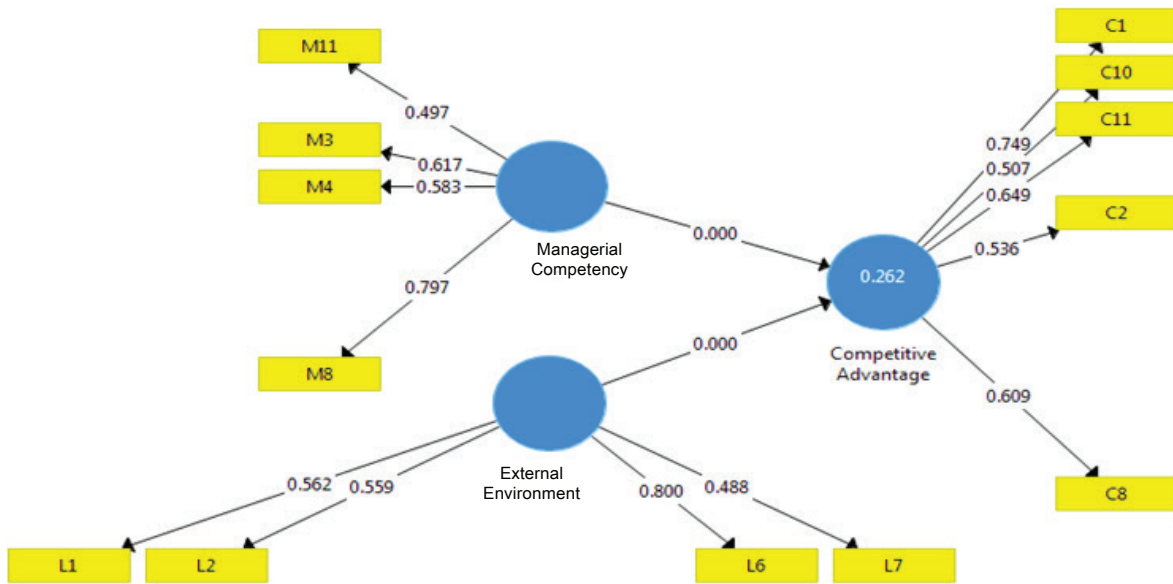


Figure 5. The output of path diagram after discarding unreliable indicators

which have < 0,50 loading factor can be seen on Table 3.

Table 3
Quality Criteria

	Composite Reliability	R Square
Managerial Competency	00,722	
External Environment	0,700	
Competitive Advantage	0,750	0,253

On Table 3, it can be seen that the composite reliability value of managerial competency and competitive advantage variables was higher than 0,70, while external environment variable value is exactly at 0,70. It means that the internal consistency is fulfilled.

The result of Discriminant Validity test can be seen on table 4. Discriminant validity test compares the correlation between one variable with another variable. The correlation value of competitive advantage variable indicators (C1, C10, C11, C2, and C8) with their latent variables (competitive advantage) was higher than the correlation value of competitive advantage indicators with the latent variables of managerial competency. For example, the correlation of C1 indicator with the latent variable of competitive

advantage is 0,79, and the correlation between C1 indicator with the managerial competency is 0,269. $0,79 > 0,269$, so C1 is valid. Likewise, indicators of C10, C11, C2, and C8 were also valid. The correlation value between external environment variable indicators with their latent variables is higher than the correlation value between managerial competency indicators with their latent variables. The correlation value between managerial competency variable indicators with their latent variables is higher than the correlation between competitive advantage indicators with their latent variables. From the result, it can be concluded that all indicators on those three variables were valid.

Based on the stages of the measurement model testing, it can be concluded that the research model has fulfilled all stages of testing, so that the stage of structural model testing could be done. Structural model test is done to determine the admissibility of the proposed hypothesis.

On significance level 0,05, hypothesis would be supported if the t-value exceeded the critical value which was 1,645.

From Table 5, it can be concluded that managerial competency significantly and positively affect competitive advantage. External environment influenced significantly and positively to the competitive advantage of creative industries of West Sumatera.

Table 4
Discriminant Validity Test

	Competitive Advantage	Managerial Competency	External Environment
C1	0.749	0.269	0.450
C10	0.507	0.259	0.174
C11	0.649	0.346	0.194
C2	0.536	0.189	0.265
C8	0.609	0.222	0.167
L1	0.252	0.201	0.562
L2	0.187	0.167	0.559
L6	0.396	0.361	0.800
L7	0.138	0.140	0.488
M11	0.191	0.497	0.253
M3	0.237	0.617	0.159
M4	0.226	0.583	0.264
M8	0.366	0.797	0.305

Table 5
Hypothesis Testing

	T Statistics	Critical Value	Description
Managerial Competency -> Competitive Advantage	3.481	1,645	Significan
External Environment -> Competitive Advantage	4.202	1,645	Significan

Discussion The Influence of Managerial Competency to Competitive Advantage

From the hypothesis testing, it can be concluded that managerial competency influenced significantly and positively to the competitive advantage of creative industries of West Sumatera. It means that the higher managerial competency is, the stronger competitive advantage will be. This finding is in accordance with the theory of Resource Based View, stated by Barney (1991), which is a method to analyze and identify strategic advantages of a company based on the combination / collection of its unique resources among others: physical assets, non-physical assets, and special capability of the company. Every company develops the competency of those resources, and when it has been developed appropriately, it will be the company's source of competitive advantage (Pearce and Robinson, 2013). A competent manager will be categorized as non-physical asset, because his/her skill will create new innovation through ideas according to his/her intellectual. A person's

intellectual capacity is intangible. Through his/her intellectual capacity, someone will produce products or strategies which are different and unique which cannot be easily copied by his/her potential competitors, and this will create competitive advantage.

Some researchers who have also conducted the same study, such as: Hoge (2005), Rungwitoo (2012) also found that managerial competency affected competitive advantage. Managerial competency determines the success of a company, which is not only measured from financial achievement but also from the ability to be more competitive so that the company can survive among uncertain business competition. A competent manager will do something different from other company that makes his/her company unique, having characteristics which cannot easily imitated by others, and makes the company have competitive advantage.

Competency is a compilation of knowledge which differentiates a company from other companies, and it will be the source of competitive advantage. To maintain the competitive advantage, the

manager can improve the performance of the organization by managing every dimension of the competencies (Agha, et al. 2011). The dimensions of competencies used in this research were: teamwork and cooperation, analytical thinking, directiveness/assertiveness, and conceptual thinking. The four indicators in the variable had their own roles to achieve the competitive advantage in creative industries of West Sumatera. Teamwork and cooperation were applied in the team which involved employees in making decision and in gathering ideas. The success of a company is not only determined by the manager, but also by people are around it. The task of the manager is to direct the members of the organization to work accordingly. Having mutual respect and giving employees chances to provide feedback will evoke the feeling of ownership of the company. Analytical thinking is the ability to anticipate problems in business, and conceptual thinking is the ability to identify the main problem quickly. Different from employees, the manager's tasks are not in technical area, but in conceptual area. The ability to think analytically and conceptually will make a manager able to analyze every problem that arises, and seek solutions. So, quick response can be done in making different strategies from other competitors. Directiveness/assertiveness is the ability to rekindle unmotivated employees' morale. Each employee in a company has different level of motivation; the task of the manager is to motivate them to do their best for the company. Those indicators are components of managerial competency which are able to improve the competitive advantage of creative industries in West Sumatera.

Competency is a collection of knowledge, skill and attitude in a person to do his/her job or the function of the job effectively, and is a standard expected from employees (James & Richie, 2005), One of the factors that made managerial competency in creative industries in West Sumatera better was knowledge got from education. From the research, it is obtained a description that the creative industries' managers graduates from high school (56,69%), and even from university (29,3%). The managers' high level of education affected his/her leadership quality that the knowledge he/she had could improve his/her competency as a manager, and make his/her company do something different from others. In connection with attitude as a component forming competency,

then, the culture of West Sumatera people who are famous for their entrepreneur spirit made them feel more comfortable to work as the leader than the employee. It was also one factor that made leadership quality better and the company could achieve competitive advantage.

The Influence of External Environment to Competitive Advantage

Based on the hypothesis testing, it can be concluded that external environment influenced significantly and positively to competitive advantage of creative industries of West Sumatera. It means that the more challenging the external environment is, the stronger the competitive advantage will be.

This finding is in accordance with the theory of industrial organization which states that competitive advantage is determined by external factors. One of the theories which are famous for industrial organization perspective is the Porter's Five Force model. According to Barney (1991), companies have competitive advantage through implementing strategies which optimize internal forces by responding to opportunities available in the environment, and neutralize the threats of external environment as well as prevent internal weakness. The ability to adapt to external environment is a competitive advantage held by a company because not all companies can survive the threats of external environment; only adaptive ones can.

In line with Barney (1991), Ott (1987) claims that organizational survival is more dominated and influenced by the capacity and the stability of the environment of the organization. A good and conducive ecology is needed so that the company remains survive. However, the company is not always in an ideal condition because every new breakthrough will be responded quickly by competitors. To overcome this situation, a unique strategy which cannot be easily known and imitated by potential competitors and the ability to adapt to neutralize environmental threats is needed, so that the company has competitive advantage.

There are several researches which support the study that external environment influences the competitive advantage, among others are researches which were done by Suparta, et al. (2013), Handriani (2011), and Beaver and Prince in Suparta, et al.(2013).

Organization is not a closed system

which relates to a stable environment, but it is an open system which interacts with its environment to survive. Organization is as an open system positions environment as a determinant factor of its success. The survival of the organization will be ensured if there is an interaction with the environment. In this research, external environment is seen from: market turbulence, technology turbulence, and competitive intensity; however, technology turbulence indicator is excluded from the analysis because of PLS calculation result, so the indicator is not valid. It is because the products were handmade, so that technology advances are not so influential. Embroidery, appliqué and weave are unique products, heritages, and are made manually using traditional and simple tools by hands. The influenced indicators for the company competitive advantage are market turbulence and competitive intensity.

Market turbulence is reflected in the consumers' tendency to change quickly and rapidly. Consumers tend to look for new models every time. The demand for fashion products always follows fashion trends which move fast, so the ability to see the current trends is needed in order that the products can be produced and sold according to market demand and consumers' tastes. The company's ability to address changes in consumers' taste in term of design, color, and material is a source of competitive advantage.

Competitive intensity is measured from price competition and consumers' sensitivity to price. Competitive intensity caused by price competition is natural in business. Business practitioners will compete to set competitive prices in order to get consumers. The ability to determine price according to consumers' expectations or even lower that can cause consumer surplus is a source of competitive advantage for the company.

Conclusions

Managerial competency is a source of competitive advantage for the company. A competent manager will produce a unique performance which is different from competitors. The result shows that managerial competency held by managers of creative industries of West Sumatera influenced the companies' competitive advantage. There are four managerial competency indicators which are able to improve the competitive advantage, among others: team work and cooperation, analytical thinking, directiveness/

assertiveness, and conceptual thinking.

The source of the company's competitive advantage does not only come from internal factors, but also from the ability to neutralize external threats. The result shows that external environment with market turbulence and competitive intensity as indicators influenced the competitive advantage of creative industries of West Sumatera.

The success of creative industries of West Sumatera is determined by the role of triple helix namely: business, government, and intellectuals. Competency relates to knowledge, skill, and aptitude. The components of knowledge and skill are relatively easier to change, while the component of ability needs time to construct. In connection with upgrading knowledge and skill, the role of business, government, and intellectuals is required in coaching and training business practitioners of creative industries of West Sumatera, so that there will appear creativity to do something unique and different from others.

Limitation

The research had limited samples; there were only 157 business practitioners recorded in Department of Cooperative and Small-Medium Enterprises of West Sumatera. Hopefully, future researches will involve bigger samples so that the result will be more representative. Combination of qualitative and quantitative researches should be done in the future; by doing qualitative research, hopefully, the real condition and problem of creative industries can be known.

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