



## Human Resource Management Practices and Corporate Entrepreneurship: An Empirical Study in Sri Lankan SMEs

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### Article Information

#### Article History:

Received January 26, 2022

Revised March 27, 2022

Published March 27, 2022

#### Keywords:

Corporate Entrepreneurship, Human Resource Management, Competition, Innovation, SMEs

### Abstract

Environmental changes and ever-increasing competition among corporations have compelled businesses to innovate incessantly. Over the few decades, the concept 'corporate entrepreneurship' has gained notable attention among researchers and practitioners as a salient competitive strategy that evokes a firm's performance. Additionally, the resource-based view of the firm claims that human resources are the prominent enablers of competitive advantage. Notably, a limited but rising body of research has empirically examined the relationship between human resource management practices and corporate entrepreneurship. However, researchers wanting to draw conclusions confront a significant obstacle, as corporate entrepreneurship is not a one-dimensional concept. The overriding purpose of the study is to investigate the relationship between human resource management practices and corporate entrepreneurship. This paper uses a quantitative design; a questionnaire survey method was used to assess human resource management practices and corporate entrepreneurship. Data have been collected through a purposively chosen sample of 169 employees from various SMEs in Sri Lanka. Hypotheses were tested using a partial least squares structural equation modelling (PLS-SEM). The findings show that out of four HRM practices, three practices, viz., employee acquisition, technical training, compensation and incentives system, positively impact corporate entrepreneurship. Ironically, no significant association was found between performance appraisal and corporate entrepreneurship. Practical implications for managers are discussed at the end of the paper.

## INTRODUCTION

It is axiomatic that innovation is a critical enabler of firm's competitive advantage (Donate et al., 2016). Environmental changes and an ever-increasing competition among corporations have compelled businesses to be constantly innovative to be competitive (Mišanková & Kočíšová, 2014). Companies must increase their adaptability, flexibility and competitiveness by cultivating entrepreneurialism within their organisations (Montoro-Sánchez & Soriano, 2011; Covin & Wales, 2019). Entrepreneurship is widely recognised as a critical factor for increasing productivity and fostering economic growth (Landström

et al., 2012). Luc (2018) emphasises that entrepreneurial behaviour entails creativity, initiative, and risk-taking. Bischoff et al., (2020) takes a resources-and-skills approach that believes entrepreneurial behaviour is motivated by pursuing and exploiting market opportunities. Alternatively, more closely aligned with the concept of corporate entrepreneurship, entrepreneurial activity can be defined as individuals who collaborate in decision-making, the entrepreneur's capacity to discover opportunities, utilisation of its knowledge and the innovation contributed by the entrepreneur. This may take the form of a gradual and continuous sequence of organisational and technical improvements (Chen et al.,

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2016). Therefore, the literature recognises this kind of entrepreneurial effort and behaviours as corporate entrepreneurship (Kumar & Mathapati, 2015). There are various explanations of corporate entrepreneurship based on Miller and Stevenson's seminal papers (Montoro-Sánchez & Soriano, 2011). Thus, corporate entrepreneurship refers to establishing and nurturing an entrepreneurial culture within enterprises to boost firms' capacity for innovation Covin and Wales (2019). Past literature defines corporate entrepreneurship as the process of expanding a firm's capacity for acquiring and utilising the creative skills and abilities of its members (Ziyae & Sadeghi, 2021). Additionally, it promotes innovation inside the organisation by identifying new prospects, acquiring resources, implementing, exploiting, and commercialising innovative goods or services.

Furthermore, the RBV is predicated on the notion that the goal of management effort inside the organisation is to achieve sustainable competitive advantage. Attaining a sustained competitive advantage enables a business to generate economic gains or returns above the market average. As a result, this focuses on how organisations create and preserve competitive advantages. According to the RBV, the solution to this issue is the ownership of some essential resources, including value, duplication obstacles, and appropriability. Resources, at their most fundamental level, have physical, organisational, and human aspects. Recent years have seen a surge of interest in the appropriation of value by a firm's human resources (Chen et al., 2016).

A growing body of literature has given evidence that the influence of corporate entrepreneurship on organisational performance, growth, and profitability (Braam et al., 2016). Additionally, the literature found some critical factors that contribute to the development of corporate entrepreneurship within organisations (Shafique & Kalyar, 2018) absorptive capacity, and corporate entrepreneurship under one framework. A survey method was employed for the collection of data from small and medium-sized enterprises (SMEs). When academics and researchers assessed the firm's external environment, organisational culture, structure, and human resource management (HRM) were critical enablers of corporate entrepreneurship. Several researchers predominantly emphasised the essential role of HRM practices in promoting corporate entrepreneurship and fostering entrepreneurial attitudes toward innovation among employees (Montoro-Sánchez and Soriano, 2011; Dabić & Ortiz-De-Urbina-Criado,

2011; Chen et al., 2016). Adopting HRM techniques may contribute to long-term competitive advantage through strengthening the company's human resource pool and motivating workers to focus on the company's goals (Burney & Widener, 2013; de Reuver et al., 2019) there is still a limited understanding of how the HRM-employee outcome relationship varies under different conditions. This study tests a model that positions workload as a moderator of the relationship between perceived skill-, motivation- and opportunity-enhancing High Performance Work Systems (HPWS; Kanat-Maymon et al., 2017) based on Self-Determination Theory (SDT). Concerning HRM practices, the literature has typically classified and examined them according to broad HRM subjects, and many researchers identify the following areas: recruitment and selection, training and development, compensation and reward systems, and appraisal (Mišanková & Kočíšová, 2014; Donate et al., 2016).

Established organisations must cultivate entrepreneurial behaviours — innovation, corporate venturing, and strategy renewal — to become competitive and produce value for themselves and the economy (Chen et al., 2016). It is widely acknowledged that human resources are critical as they can foster or stifle corporate entrepreneurship (Ziyae & Sadeghi, 2021; Covin & Wales, 2019; Montoro-Sánchez and Soriano, 2011). Further, innovative ability, risk-taking, and information exchange are provisions that employees require in promoting this type of behaviour (Chen et al., 2016). The traditional model of HRM encourages employees to match their contributions to organisational needs and inducements. Covin & Wales (2019) observes that a more relevant perspective to corporate entrepreneurship would promote the development of relationships among employees and the organisation and between employees and key organisational stakeholders. These interconnections are critical because they serve as vital conduits for the movement of knowledge and information, which are the foundations of innovation and entrepreneurship (Lee & Peris-Ortiz, 2011; Hornsby & Messersmith, 2015).

Over the last three decades, limited but rising literature has arisen that empirically investigates the relationship between HRM practices and corporate entrepreneurship. However, researchers who want to draw conclusions confront a massive hurdle because corporate entrepreneurship is not a one-dimensional phenomenon (Lee & Peris-Ortiz, 2011; Covin & Wales, 2019). Furthermore, nascent research has been conducted on the relationship between HRM

and corporate entrepreneurship (Covin & Wales, 2019). Previously, HRM and entrepreneurship have been studied separately. Indeed, little research on HRM in entrepreneurial organisations exists, even though HRM plays a critical role in entrepreneurial enterprises as the shaker and mover of firm development and growth (García-Moreno et al., 2018; Covin & Wales, 2019). Recently, research on the role of HRM in the entrepreneurial process has begun to emerge. There are currently no comprehensive and rigorous theoretical models connecting the two fields. While HRM and entrepreneurship are both well-developed and acknowledged disciplines in their own right, merging the two has been a relatively recent development (Hampel et al., 2020; Lee and Peris-Ortiz, 2011). Corporate entrepreneurship is a process of organisational learning fueled by collaboration, creativity, and personal devotion. As a result, it is widely believed that HRM is a critical component of its success. However, empirical study on the contributions of HRM to a firm's ability to tolerate risk, be innovative, and be proactive is urgently needed. Researchers have disclosed that corporate entrepreneurship has notably contributed to the development of theory; due to a nascent need for corporate entrepreneurship and innovation within firms, more exploration is needed (Kumari & Singh, 2018; Lukoto & Chan, 2017). Although HRM practices are essential for promoting entrepreneurial spirit within firms, most research has focused on large corporations, leaving little information regarding the phenomenon's features in small and medium-sized businesses (Chen et al., 2016).

Thus, the present study aims to empirically investigate the relationship between HRM practices on corporate entrepreneurship in Sri Lankan SMEs. The remainder of the paper is organised as follows. Section two presents a related literature review survey and notes the significance of the HRM practices as determinants of corporate entrepreneurship. Grounded on the literature review, four hypotheses are developed on the link between HRM and corporate entrepreneurship. Section three provides the research methodology garnered in this study to test the stated hypothesis. Section four presents the data analysis and findings. Section five concludes.

As the business environment becomes more complex and dynamic, firms must become more entrepreneurial to identify new opportunities and capitalise on them for superior performance. The overriding aim of corporate entrepreneurship is

to facilitate entrepreneurial culture within firms (Nivlouei, 2014). Miller (1983) defines corporate entrepreneurship as a business activity to improve product innovation, risk-taking, and proactive reaction to environmental pressures. Several authors proposed corporate entrepreneurship as a strategic choice to revamp its business concept, satisfy evolving customer wants and expectations, and improve its competitive position in the market (Schaltegger et al., 2016; Ziyae & Sadeghi, 2021). Hampel et al., (2020) characterise this angle of corporate entrepreneurship as strategic entrepreneurship; it refers to identifying and exploiting opportunities to create and support sustained competitive advantage (Lee et al., 2016). It consists of strategic renewal, sustained regeneration, domain redefinition, organisational rejuvenation, and business model reconstruction (Donate et al., 2016). Corporate entrepreneurship might be the aftereffect of an eccentric blend of management, organisation, and technology, which will require an investigation to find the causes and instruments of firm restoration and technical innovation (Lee and Peris-Ortiz, 2011). Corporate entrepreneurship is reliant upon a company's capacity to ceaselessly learn and unlearn by making and exploiting new blends of knowledge (Jiménez-Barrionuevo et al., 2019).

Given the importance of corporate entrepreneurship in improving organisational growth and profitability, researchers have identified the characteristics that contribute to or enhance corporate entrepreneurship (Chen et al., 2016). Several studies have also discovered that HRM practices and working environments are critical in nurturing and sustaining innovation and, more broadly, promoting corporate entrepreneurship (Lukoto & Chan, 2017; Covin & Wales, 2019). Corporate entrepreneurship involves organisational learning, driven by collaboration, creativity and individual commitment. Therefore, it is widely held that human resources and HRM practices are essential drivers of corporate entrepreneurship success (Tsai, 2018).

In recent years, a growing literature has arisen that looks at the relationship between HRM practices and corporate entrepreneurship (Montoro-Sánchez & Soriano, 2011). Corporate entrepreneurship as a ceaseless activity of organisational restoration and minimal innovation that takes into consideration and persistent improvement prepares for blends of HR practices that could prompt adequate degrees of development and permit firms to acquire competitive advantages over rivals (Montoro-Sánchez and

Soriano, 2011). Covin and Wales (2019) sees that while the conventional model of HRM urges coordinating with worker commitments to organisational requirements and affectations, a more significant viewpoint to corporate entrepreneurship. These inter-relationships are vital because they address fundamental channels for the stream of knowledge and information, the structure of innovation and entrepreneurial opportunities. Even though HRM practices are perceived as a critical instrument for animating entrepreneurial drives inside firms, most investigations have drawn closer the phenomenon inside the setting of huge organisations; however, little is thought about its qualities in small and medium-sized undertakings (Montoro-Sánchez & Soriano, 2011). Lee and Peris-Ortiz (2011) comprehend corporate entrepreneurship as a consistent activity of organisational renewal and marginal innovation that considers a constant improvement. In that case, this prepares for blends of HR practices that lead to adequate degrees of development and get competitive. A bundle of human resources and HR Practices may be a source of sustainable competitive advantage (Guan & Frenkel, 2019) and enable corporate entrepreneurship and contribute to continuous innovation (Covin & Wales, 2019).

Drawing upon human and social capital, HR practices aid firms to increase the individual's level of creativity, innovation and entrepreneurial behaviour within firms and could be classified as a component of a high-performance work system (HPWS) (Hornsby & Messersmith, 2015). HPWS encompasses resilient job tasks, solid and careful staffing, ongoing training and development, progressive and merit-based performance appraisal, robust compensation systems (Dorta-Afonso et al., 2021; Riaz et al., 2021) as well as to investigate its role to improve employee perceptions of HPWS. Design/methodology/approach: A qualitative study of 55 interviews was conducted with managers (senior, HR, frontline. Lee et al. (2011) state that HR is the imperious component of corporate entrepreneurship. They believe that strategies and HR practices are indispensable supplements to entrepreneurial activities. Likewise, they pose intricacy and assortment concerning HR practices and how they are deciphered from the HRM viewpoint. Hornsby and Messersmith (2015) posit that HR practices play a vital role in aiding firms to develop human and social capital essential to create and nurture entrepreneurial capabilities. They found that to harvest entrepreneurial results, the HR system should fit the

firm's knowledge management, compensation and the formulation and execution of HR policies and practices. Hornsby and Messersmith (2015) suggest that in order to stimulate entrepreneurship and innovation, firms have to design an effective HRM system that facilitates such innovative behaviour.

Covin and Wales (2019) posit that discretionary HR practices, such as incentive compensation, individual suggestion schemes, and formal individual participation programs, promote engagement, cooperation, information sharing, and voluntary, extra-role behaviours. By contrast, typical HRM approaches emphasise job definition, staffing occupations via a matching process, and monitoring required performance. Covin and Wales (2019) demonstrates that discretionary practices encourage corporate entrepreneurship through a study of US small and medium-sized businesses, and the link is most vital for firms operating in high-technology industries. Yunis et al., (2018) identify five sets of HRM practices associated with corporate entrepreneurship: orientation and training; recruitment and career development; performance appraisals; compensation; and job design. In the first place, performance appraisals are geared toward goals rather than means; they assess both individual and group performance; they incorporate innovative thinking and risk-taking behaviour (which, interestingly, is a means rather than an end); they reflect a willingness to learn from mistakes, and they consider a longer time horizon than traditional methods of administrative management. Secondly, entrepreneurial enterprise compensation emphasises external equity over internal equity; the base salary is smaller, and the pay at risk is higher. Third, entrepreneurial firms invest more time and effort in orientation, and there is more group-oriented training.

Individuals are more likely to be productive in entrepreneurial firms when they can reform their essential skills and abilities to capitalise on new opportunities (Hornsby & Messersmith, 2015). Robust and extensive recruitment and selection practices can enable firms to increase the quality of the human capital and enhance the potentiality to attract and retain high-quality individuals equipped with the knowledge, abilities, and skills vital in evoking innovative stances and the ability to produce innovations in the workplace. When firms craft corporate innovation strategies, they should focus on individual development interventions to foster such potentialities and behaviours to evoke corporate entrepreneurship (Hornsby & Messersmith, 2015). Firms can

integrate training and staffing practices to bring advancements to human capital that enable them to attain a greater and more prolific level of innovation (Aboggesa & Kaushik, 2018). Albrecht et al., (2015) have shown evidence that there is a link between the presence of a set of HR practices that foster intrapreneurial conduct and corporate entrepreneurship (such as selection, training, performance management, rewards, and career development procedures). Sharma & Taneja, (2018) found that training and development practices could promote entrepreneurial behaviour to the extent that they apply to a broad range of job situations and encourage a high level of employee participation. Bakker et al., (2012) found high-performance human resource management practices are positively related to corporate entrepreneurship.

Notwithstanding, very few explorations have been conducted to find the relationship between HRM and corporate entrepreneurship in SMEs, specifically in developed country contexts. Moreover, the findings from one setting cannot be generalisable to the other setting. Because of the nature and quality of the human resources, adoption of different HR practices in SMEs, organisational culture, the nature of the SMEs are varied. Thus, it can be hypothesised:

H1: Employee acquisition positively impacts corporate entrepreneurship

H2: Technical training positively impacts corporate entrepreneurship

H3: Performance appraisal positively impacts corporate entrepreneurship

H4: Compensation and incentives system positively impact corporate entrepreneurship

## METHOD

This study aims to investigate the relationship between HRM practices and corporate innovation in Sri Lankan SMEs. Grounded on rigorous ontological and epistemological assumptions, the present research garners a quantitative survey research method. A self-administrated questionnaire was used to garner data. The questionnaire includes three sections that are demographic variables, HRM practices and corporate entrepreneurship. The population of the current study consists of all owner-managers SMEs in Sri Lanka. The purposive sampling method used to marshal data and the unit of analysis was individual level. A total of 240 questionnaires and out

of those distributed, 203 were returned, yielding a response rate of 79.6%. Of the returned questionnaires, 34 partly filled in questionnaires were discarded and eventually, 169 were used in this study. The sample represents 68 per cent males and 32 per cent females. This shows that females have low representation in the SMEs sector in Sri Lanka. Regarding educational qualification, 43.8 per cent have G.C.E Advance level qualification, 24.9 per cent possess G.C.E ordinary level, 17.6 per cent have a degree, and the remaining 13.7 per cent own a postgraduate degree. The respondents have varying age groups with a mean age of 34 years. Most of the respondents (62.4 per cent) have 1-5 years of experience, 27.8 per cent of the respondents have less than 1 year of experience, and 9.8 per cent of the respondents have more than six years of experience.

## Measures

Corporate entrepreneurship was measured by a nine-item scale developed by (Zahra, 1991). The sample item includes "Implementing new programs to enhance innovation throughout the company over the past three years". HRM practices were measured by the work developed by (Agarwala, 2003). Employee acquisition (e.g., greater importance to be attached to fit between the person and company culture); technical training (e.g., systematic training needs assessment, providing job-relevant training); performance appraisals (e.g., giving weight to the individual); compensation and incentives (increasing component of variable pay). Each of these variables was measured by a seven-point Likert-type scale, ranging from 1 (strongly disagree) to 7 (strongly agree).

## RESULTS AND DISCUSSIONS

In this study, partial least squares structural equation modelling (PLS-SEM) is deployed (Mehmood et al., 2015). Moreover, all hypotheses in this study were tested using SmartPLS-SEM. PLS-SEM is the casual modelling approach that includes two robust step processes. The evaluation of the measurement model (outer model) and assessing the structural model (inner model; Hair et al., 2014).

Internal consistency of the measurement model has been assessed for ensuring reliability and validity. The model's reliability is tested using composite reliability, Cronbach's Alpha, and rho\_A. Table 1 shows that all construct's composite reliability and Cronbach's Alpha is greater than the threshold value of 0.7 (Hair et al., 2021).

Thus, confirming the measurement model's internal consistency.

The convergent validity of the model was assessed using average variance extracted (AVE) suggested by (Hair et al., 2014). AVE values higher than 0.500 are good (Hair et al., 2014), since they explain more than half of

the variability of the items they reflect. Table 1 reveals that AVE values of all constructs exceed the minimum threshold value of 0.5 (Hair et al., 2014). Thus, it provides support to the convergent validity of the model.

#### **Discriminant validity of the model**

**Table 1.** Cronbach's Alpha, Composite Reliability, Average Variance Extracted (AVE)

	Items	Loadings	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Corporate entrepreneurship	Ce1	0.553	0.800	0.834	0.859	0.511
	Ce2	0.611				
	Ce3	0.927				
	Ce4	0.745				
	Ce5	0.731				
	Ce6	0.611				
Compensation	C1	0.596	0.871	0.882	0.901	0.568
	C2	0.796				
	C3	0.782				
	C4	0.661				
	C5	0.909				
	C6	0.784				
	C7	0.704				
Employee acquisition	ea1	0.826	0.822	0.836	0.882	0.651
	ea2	0.841				
	ea3	0.820				
	ea4	0.736				
Performance appraisal	p1	0.629	0.879	0.942	0.905	0.578
	p2	0.870				
	p3	0.681				
	p4	0.631				
	p5	0.799				
	p6	0.864				
	p7	0.774				
Training	t1	0.581	0.736	0.791	0.836	0.569
	t2	0.681				
	t3	0.942				
	t4	0.765				

The model's discriminant validity was assessed using two methods. One, the Fornell and Larcker criterion, requires that the square root of the AVE (diagonal values) of each construct be greater than the correlation (off-diagonal values) with any other construct. Table 2 shows the results of discriminant validity, and the condition is met. The second method was the Heterotrait-Monotrait Ratio (HTMT). If the HTMT values are less than the threshold value, it can be said that the discriminant validity of the model is satisfactory. Table 3 shows that all values are less than the threshold value of 0.85 (Hair et al., 2014).

Thus, this model, it does not indicate any discriminant validity problems for all constructs.

The R<sup>2</sup> values of the construct's emphasis an adequate level of predictability, which is higher than the suggested value (Hair et al., 2014). Table 4 shows R<sup>2</sup> values. Predictive relevance (Q<sup>2</sup>) of the model was assessed using blindfolding procedure. According to Hair et al. (2014) Q<sup>2</sup> values should be greater than zero. In this study, the Q<sup>2</sup> value of the model was 0.453 which indicates that the model's predictive relevance is satisfactory.

**Table 2.** Fornell and Larcker criterion

	EA	TR	PA	C	CE
Employee acquisition	<b>0.807</b>				
Training	0.709	<b>0.954</b>			
Performance appraisal	0.771	0.597	<b>0.861</b>		
Compensation	0.724	0.772	0.746	<b>0.854</b>	
CE	0.609	0.613	0.675	0.645	<b>0.715</b>

**Table 3.** Heterotrait-Monotrait Ratio (HTMT)

	EA	TR	PA	C
Employee acquisition				
Training	0.893			
Performance appraisal	0.833	0.669		
Compensation	0.965	0.900	0.957	
CE	0.999	1.167	0.732	0.974

Note- Employee acquisition (EA), Training (TR), Performance appraisal (PA), Compensation (C), corporate entrepreneurship (CE).

**Table 4.** Measuring the Value of R<sup>2</sup>

Predictor construct	Target construct	R <sup>2</sup>	Predictive accuracy
EA, TR, PA, C	CE	0.897	Substantial

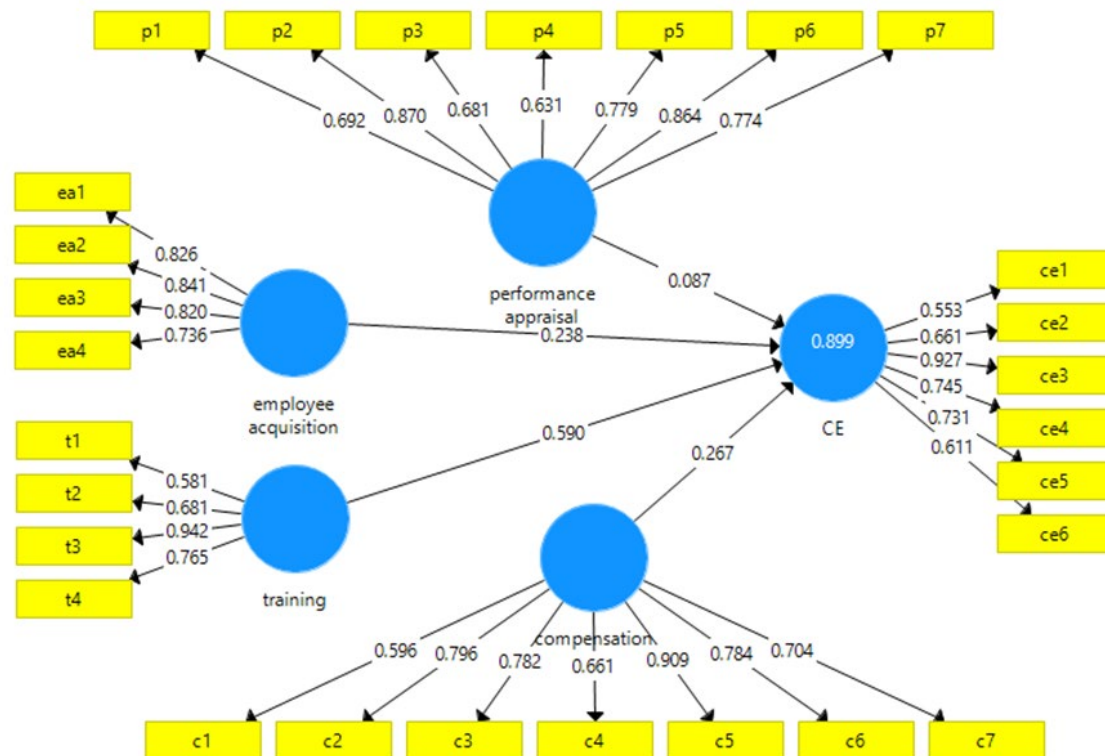


Figure 1. PLS algorithm

Table 5. Path Coefficients

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statis- tics ( O/ STDEV )	P Values	f <sup>2</sup>
Compensation -> CE	0.267	0.247	0.110	2.422	0.016	0.192
Employee acquisition -> CE	0.238	0.247	0.079	3.017	0.003	0.159
Performance appraisal -> CE	0.087	0.082	0.050	1.746	0.001	0.119
Training -> CE	0.590	0.600	0.060	9.855	0.000	1.268

## RESULTS AND DISCUSSIONS

Innovation is the salient enabler of corporate entrepreneurship, and human resources are the real levers of firm innovation. Thus, a firm's human resources and its effective management can facilitate corporate entrepreneurship within firms. That is to say, to nurture corporate entrepreneurship, organisations have to craft ideal and robust HR practices that could enable firms to leverage firm innovation, which results in corporate entrepreneurial growth. Thus, the present study sought to investigate the relationship between HRM practices and corporate entrepreneurship in SMEs. The study's hypotheses were tested by

PLS-SEM using 5000 subsamples bootstrapping and the results are depicted in Table 5.

The findings show that the hypothesis (H1) predicted that employee acquisition positively impacts corporate entrepreneurship ( $\beta=0.238$ ,  $T=3.017$ ,  $p<0.05$ ), thus H1 supported. The value of  $f^2$  is 0.192 indicating medium size effect. The findings are consistent with the earlier findings (Albrecht et al., 2015; Donate et al., 2016) that shows selective hiring practices enable firms to attract and retain creative and competent individuals who embrace teamworking and problem solving that are critical in evoking corporate entrepreneurship. Firms should hire competent individuals and make them congruent with the company goals and values.



Additionally, firms equip with talented and skillful individuals can leverage entrepreneurial insights. The hypothesis (H2) foretold that technical training positively impacts corporate entrepreneurship ( $\beta = 0.590$ ,  $T = 9.855$ ,  $p < 0.05$ ) is supported. The value of  $f^2$  is 0.159 indicating medium size effect. The results are in line with the earlier studies (Albrecht et al., 2015; Donate et al., 2016). The findings suggest that training allows individuals to shape their work-related attitude and behaviour, learn and reinforce new skills, knowledge and abilities that are essential in evoking innovation within firms. Training is a good practice that helps employees to conquer the factors that hinder individual performance and satisfaction. Mišanková & Kočíšová (2014) and Donate et al., (2016) found effective training and staff development practices have a positive association with firm innovation. Thus, training is the antecedent of corporate entrepreneurship. Since training profoundly affects corporate entrepreneurship, the findings suggest that SMEs should continuously provide robust and extensive training to their employees. The hypothesis (H3) prophesied that performance appraisal positively impacts corporate entrepreneurship ( $\beta = 0.087$ ,  $T = 1.746$ ,  $p < 0.05$ ). So, it is supported. The  $f^2$  is 0.119 indicating small size effect. The findings are in line with the previous findings (Albrecht et al., 2015; Donate et al., 2016). Literature shows poorly implemented performance evaluation systems could be an obstacle in fostering entrepreneurial behaviour in firms. Performance appraisal aids employees rectify their work-related behaviour and to strengthen and motivate the desired behaviours that are vital in enhancing corporate entrepreneurship in organizations. Importantly, performance appraisal should focus on the end result instead of the methods deployed to attain those outcomes (Kumari & Singh, 2018). The hypothesis (H4) predicted that compensation and incentives system positively impact corporate entrepreneurship ( $\beta = 0.267$ ,  $T = 2.422$ ,  $p < 0.05$ ) is supported. The  $f^2$  is 1.268 indicating large size effect. The result is in support of previous studies (Covin & Wales, 2019; Bryant & Allen, 2013). Investments in human capital and offering incentives for the contribution of innovation are the significant aspects concerning firm innovation. Incentives facilitate desired attitude and individual's drive to contribute to the organization's innovativeness. Sattar & Ahmed, (2014) found compensation aids in achieving continued commitment and diligence that are vital in the new venture success. Firms designing compensation system must add to the creation

and development of the entrepreneurial climate.

This study presents several significant practical implications for SME managers per se. When crafting employee acquisition strategies, managers must place greater importance on the fit between individuals and company culture—emphasising 'career' not 'job' and selling company image to attract potential employees also significant when firms are in the quest to facilitate corporate entrepreneurship. Furthermore, during the selection process, conducting psychological testing, developing an industry-academia interface is also essential for attracting and hiring creative individuals who can contribute to the innovation process. Additionally, systematic training needs assessment, cross-functional training, job-relevant training, and facilitating the transfer of training to actual job performance are crucial for employees to learn and absorb new skills, knowledge, and abilities that can evoke corporate entrepreneurship effectiveness. In the same vein, compensation strategies should include increasing variable pay components, combining individual and team incentives, performance-linked incentives, customising perks to individual needs, offering a variety of allowances, and conducting compensation surveys.

## CONCLUSION AND RECOMMENDATION

Over the last two decades, global competition has compelled firms to become more entrepreneurial-oriented to survive and thrive. In this perspective, corporate entrepreneurship has been viewed as a critical source for firms to develop their people's innovative capabilities while increasing firm performance. Thus, the present study sought to investigate the relationship between HRM practices and corporate entrepreneurship in SMEs. The findings show that out of four HRM practices such as employee acquisition, technical training, compensation and incentives system, positively and significantly impact corporate entrepreneurship. The study's findings suggest that innovation is one of the salient factors for corporate entrepreneurship performance. Thus, through HRM practices, firms can leverage innovation; consequently, corporate entrepreneurship can be cultivated within the organisation. Knowing that specific human resource strategies have a greater potential to encourage employees' creativity and innovativeness that might help entrepreneurs or owner-managers focus their energy and financial resources on such human resource strategies. The findings of the study can be deployed as a mechanism of increasing the impact

of an organization's HRM practices to evoke corporate entrepreneurial behavior. HRM practices aids firms to generate value to reap sustained competitive advantage, to boost innovation. To attain those, firms must pay close attention on these HRM practices and it should be congruent with other practices and processes of the organization. Additionally, the effective HRM system should cover robust staffing, extensive training, empowering and compensating.

Limitation of the study provides insights into future research. Firstly, cross-sectional data were garnered to investigate the relationship between HRM and CE. This could be advantageous in predicting the links between constructs. However, no assumption regarding causality can be drawn. Future researchers can focus on longitudinal study in investigating those relationships. Secondly, this study is conducted in SMEs sector alone. Thus, the findings could be specific to this sector. It cannot be generalizable to the other sector. Therefore, future researchers can extend the study to other sectors to generalize the findings. Thirdly, in this study, only four HRM practices employed that are specific to the SME context, future researchers can also consider other HRM practices such as communication strategy, sharing information-feedback, employment security, interaction facilitates, team activities, performance review, incentives to meet objectives, written policy. Additionally, it will be interesting if the researchers consider mediating and moderating variables in the relationship between HRM and CE.

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