

***“SURVIVE, SUSTAIN AND STRENGTHEN: UNLOCK
ENTREPRENEURIAL POTENTIALS FOR A VUCA
WORLD”***

**ANNUAL
RESEARCH CONFERENCE
OF SLFE
2022**

Proceedings Book



SLFE

Sri Lanka Forum of Entrepreneurship

HOSTED BY



Department of Entrepreneurship
Faculty of Management Studies and Commerce
University of Sri Jayewardenepura

“Survive, Sustain and Strengthen: Unlock Entrepreneurial Potentials for a VUCA World”

Annual Research Conference of SLFE 2022

25th March 2022



Chairmanship by:
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Faculty of Management Studies and Commerce
University of Sri Jayewardenepura
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Human Resource Management Practices and Corporate Entrepreneurship; an Empirical Study in Sri Lankan SMEs

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Abstract

Entrepreneurial activities are regularly started and completed by people inside the firms. Firms by themselves sit idle. Most aggregate activities that occur inside organizations combine their exercises. During the last decade, the past literature declares the effect of Corporate Entrepreneurship on organizational performance. Similarly, some influential factors contribute to the advancement of Corporate Entrepreneurship; the companies outside climate, organizational culture, structure, and human resource management (HRM) focused on the importance of HRM practices as critical components to advance corporate entrepreneurship. The main objective of the present study is to investigate the influence of HRM practices on corporate entrepreneurship success in Sri Lanka. HRM practices – Employee acquisition, Technical Training, Performance appraisals, Employee compensation considered independent variables, and success of corporate entrepreneurship considered as dependent variable for this study purpose. Data were collected from 130 small and medium corporate entrepreneurs in the Northern region, Sri Lanka with convenient sampling technique from the Data Base of Chamber of Commerce. The collected data were analyzed using the SPSS 23 and AMOS. For testing the two hypotheses, correlation analysis and the Structural Equation model with path model diagram were measured. The findings of this study indicated that the relationship between HRM practices and the success of corporate entrepreneurship has been positively significant in this study. Based on the SEM, the HRM practices have positively impacted the success of corporate entrepreneurship in SMEs in Sri Lanka. The finding of this study supports the prior studies. The research only considered the perceived profitability as the success of corporate entrepreneurs. This is a significant limitation of the study, but the researchers believe SME sales volume and SME profit for their future study.

Keywords: *HRM practices, Success of Corporate Entrepreneurship, SMEs*

Introduction

The significance of innovation for economic and social improvement is by, and large acknowledged (Okpara, 2007; Nambisan et al., 2019). The progressions in the climate and a steadily expanding intensity among firms have constrained organisations to be continually innovative to succeed. Inside this unique circumstance, firms should improve their adaptability and gain cutthroat benefits by

nurturing entrepreneurship through their activities (Soriano and Huarng, 2013; Nambisan et al., 2019; Hagedoorn, 1996) Entrepreneurship assumes an essential part in improving efficiency and advancing the country's economic prosperity. There are numerous definitions for CE, albeit all depend on the seminal papers of Miller and Stevenson. Entrepreneurial behaviour incorporates innovation, proactiveness and risk-taking. Stevenson embraces a resources-and-skills perspective and thinks that entrepreneurial behaviour depends on accomplishing and harnessing market opportunity (Wales et al., 2020; Okpara, 2007).

Thus, the literature characterises this kind of entrepreneurship as CE or entrepreneurship. In this way, CE alludes to creating and improving an entrepreneurial culture inside organisations to increment the organisations' innovative capacity. Yunis et al. (2020) define CE as the interventions that a firm carry out to elevate its product innovation, risk-taking propensity, and pro-activeness to confront the changes created by the environmental forces (Nambisan et al., 2019). Likewise, several authors have advised CE as a mechanism to provide a firm with a strong strategic position to reform its business structure, address evolving customer needs and expectations, and increase its competitive position (Lounsbury et al., 2019). Conferring this view, CE can be categorised into three clusters; new business venturing/ corporate venturing, innovativeness, and strategic renewal. It is claimed that the camaraderie in various conceptualizations of CE is the facet of innovation. Consequently, CE is recognized as the process of elevating the capacity of the firm to garner and harness the innovative abilities of the firm's individuals.

Entrepreneurial activities are regularly started and completed by people inside the firms. Firms by themselves sit idle. Most aggregate activities that occur inside organizations combine their exercises. In this manner, firms will be innovative proactive and take hazards through the moves of their individuals (Lounsbury et al., 2019). In this way, analyzing organizational or workgroup level innovative abilities furthermore, capacities require an investigation at the individual level. During the last decade, the empirical literature has shown the effect of CE on firm performance, development and productivity. It likewise recognized some key components that add to great CE. At the point when authors dissected the companies outside climate, organizational culture or structure and human resource management (HRM), a few of them focused on the importance of HRM practices as critical components to advance CE and, in this way, facilitating entrepreneurial attitudes towards innovation among employees (Boone et al., 2019). A little yet growing literature has arisen on the link between human resource management and corporate entrepreneurship. In progressively powerful and challenging conditions, established firms are required to foster entrepreneurial behaviour – innovation, corporate venturing and strategic renewal – to contend effectively and make value, both for themselves and the economic system overall. HR assumes a fundamental part to the extent that they can empower or frustrate corporate entrepreneurship. Workers prepared to innovate, face challenges, and disseminate knowledge are fundamental, joined by reward frameworks that energises this behaviour. HRM and entrepreneurship regions have rarely been examined together previously. Indeed, scarcely any investigations on HRM in entrepreneurial firms exist, even though HRM assumes a vital role as the shaker and mover in firm growth and development (Audretsch et al., 2020; Leonidou et al., 2020; Mathushan and Pushpanathan 2020).

Research on the role of HRM in the entrepreneurial progression is simply now starting to arise. Complete and thorough theoretical models that relate the two regions don't exist. Albeit the fields of HRM and entrepreneurship are very much evolved and known disciplines by themselves, joining the investigation of the two has been an ongoing phenomenon (Salamzadeh et al., 2019). Interest in this joined space of HRM and entrepreneurship has extended incredibly since 2000, with the presence of more rigorous empirical studies. However, researchers face a significant challenge to accomplishing more with this new field of study: HRM in entrepreneurial firms (Montoro-Sánchez and Soriano, 2011).

The research in HRM practices in the different areas done by the different researchers. But very rare researches done by the researchers in nationally and internationally related to the relationship between HRM practices and corporate entrepreneurship. The overriding aim of the inquiry revolves around two main research questions: to what extent HRM practices are advantageous to the CE effectiveness, and how do HRM practices create a climate to foster innovation that promotes CE in firms.

To what extent do the HRM practices influence corporate entrepreneurship success in Vavuniya District?

The objectives of the study are to

- To find the relationship between HRM Practices and Corporate entrepreneurship success.
- To examine the impact of HRM practices on corporate entrepreneurship.

Literature Review

Human Resource Management Practices and Corporate Entrepreneurship

In recent years, little yet growing literature has arisen on the relationship between HRM practices and CE. Similarly, a considerable challenge exists for specialists looking to make determinations from this research, in that CE is not a one-dimensional construct (Amberg and McGaughey, 2019; Salamzadeh et al., 2019). Today, in small and medium-sized firms (SMEs), entrepreneurs should take an essential perspective, proven by the need to examine the venture to find how they may further develop client relations just as advance improved innovative activities. CE as a ceaseless activity of organizational restoration and minimal innovation that takes into consideration persistent improvement prepares for blends of HR practices that could prompt adequate degrees of development and could permit a seller of this nature to acquire competitive advantages over rivals of a similar brand name (Montoro-Sánchez and Soriano, 2011). HRM is significant for accomplishing a business; accordingly, HRM practices should focus much on building connections among individuals as they do on coordinating with singular workers to work circumstances. Hayton (2005) sees that while the conventional model of HRM urges coordinating with worker commitments to organizational requirements and affectations, a more significant viewpoint to corporate entrepreneurship would empower the structure of connections among workers, among individuals and the firm and workers and key organizational stakeholders (Amberg and McGaughey, 2019). These inter-relationships are vital because they address fundamental channels for the stream of knowledge and information, which are the structure squares 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 organizations; however, little is thought about its qualities in small and medium-sized undertakings (Montoro-Sánchez and Soriano, 2011). Suppose advantages (Lee and PerisOrtiz, 2011; Hornsby and Messersmith, 2015) comprehend corporate entrepreneurship as a consistent activity of organizational renewal and marginal innovation that considers a constant improvement. In that case, this prepares for blends of human resource practices that lead to adequate degrees of development furthermore, get competitive. The singular, idiosyncratic use of the bundle of human resources and HRP may be a source of sustainable competitive advantage for the firm (Barney and Wright, 1998) and enable, from the perspective of corporate entrepreneurship, continuous innovation (Hayton, 2005). Lee and Peris-Ortiz (2011), HR as the other imperative component of corporate entrepreneurship, strategies and human resource practices, as an indispensable supplement to innovative movement, likewise offer intricacy and assortment, both concerning HRP and regarding how they are deciphered from human resource management (HRM) viewpoint. Based on the literature survey

following hypotheses were derived for this study purpose. The hypotheses are; H1: HRM practices will positively relate to corporate entrepreneurship.

H2: HRM practices will positively impact corporate entrepreneurship success.

Methodology

Grounded on rigorous ontological and epistemological assumptions, the present study garners a quantitative research method. The data was acquired from the SMEs in the northern region with convenient sampling. Unit of analysis was individual level. A total of hundred and fifty questionnaires were distributed, and 130 were found to be relevant for further analysis. The response rate was 79%. There have been various ways to measure corporate entrepreneurship. The present study employs the work of (Knight, 1997). Sample items encapsulate a strong emphasis on the marketing of tried-and-true products or services, changes in product or service lines have been mostly minor, have a strong proclivity for low-risk projects (with normal and specific rates of return). And human resource management practices were measured by the work developed by (Agarwala, 2003). Employee acquisition (greater importance to be attached to fit between the person and company culture, emphasizing 'career' not 'job' and selling company image to attract potential employees); technical training (systematic training needs assessment, cross-functional training, providing job-relevant training); performance appraisals (giving weight to the individual, team and organizational performance while appraising; using quantifiable criteria for appraisals; participative appraisals); compensation and incentives (increasing component of variable pay, stock options, combining individual and team incentives). 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

For testing hypothesis one, correlation analyses were done in this study. The results are illustrated in Table 1.

Table 1. Correlation analysis between HRM practices and success of corporate entrepreneurship

	Mean	SD	1	2	3	4	5
Employee acquisition	3.2528	.37901	1				
Technical training	3.6010	.45514	0.344	1			
Performance appraisal	4.0182	.37186	0.159	0.284	1		
Employee compensation	3.5215	.17266	0.171	0.060	0.513	1	
Success	4.3218	.28359	0.615**	0.789**	0.844**	.847**	1

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Survey Data

The correlation coefficient of employee acquisition (0.615= 0.01<p), technical training (0.789= 0.01<p), performance appraisal (0.844= 0.01<p) employee compensation (.847= 0.01<p) are statistically significant at (0.001) with the corporate entrepreneurship success. Therefore, it is empirically and statistically evident that HRM practices that include employee acquisition, technical

training, performance appraisal, employee compensation are significant predictors of corporate entrepreneurial success. Hence Hypothesis one is accepted.

For testing the hypothesis 2 path model diagram was discussed in this study. It is illustrated in figure 1.

For testing the hypotheses, the researchers entered the data into path model analysis using the AMOS. Analysis using a path model diagram. The model results illustrated that the Eigenvalue of the variables is above 1.00. The overall chi-square value of 1.890 with one degree of freedom is non-significant at the .10 level; its p-value is .356. CMIN/DF is .873. The value below two is preferred. The goodness of fit index (GFI) is .987, and the comparative fit index (CFI) is .942. These are greater than the desired cutoff .95. The normed fit index (NFI) is .911. The value is greater than the desired cutoff .90 (Hu and Bentler, 1999). The root mean square error of approximation (RMSEA) is .032. There is a good model fit RMSEA less than or equal to .05, and the RMSEA of the model is less than the cutoff. Hence, the results indicate that the data fit the hypothesized model marginally well, incorporating entrepreneurship's HRM practices and success.

Based on the path model diagram in figure 1, employee acquisition, technical training, performance appraisal, and employee compensation positively impact the success of corporate entrepreneurship. Based on the results in Table 2, technical training has a higher impact on the success of corporate entrepreneurship than that of other variables. Finally, the impact of HRM Practices on the success of corporate entrepreneurship has been positively significant ($\beta=0.76$, $p<.01$). Then, hypothesis 2 is accepted.

Figure 1: Path model diagram of the impact of HRM practices on the success of corporate entrepreneurship.

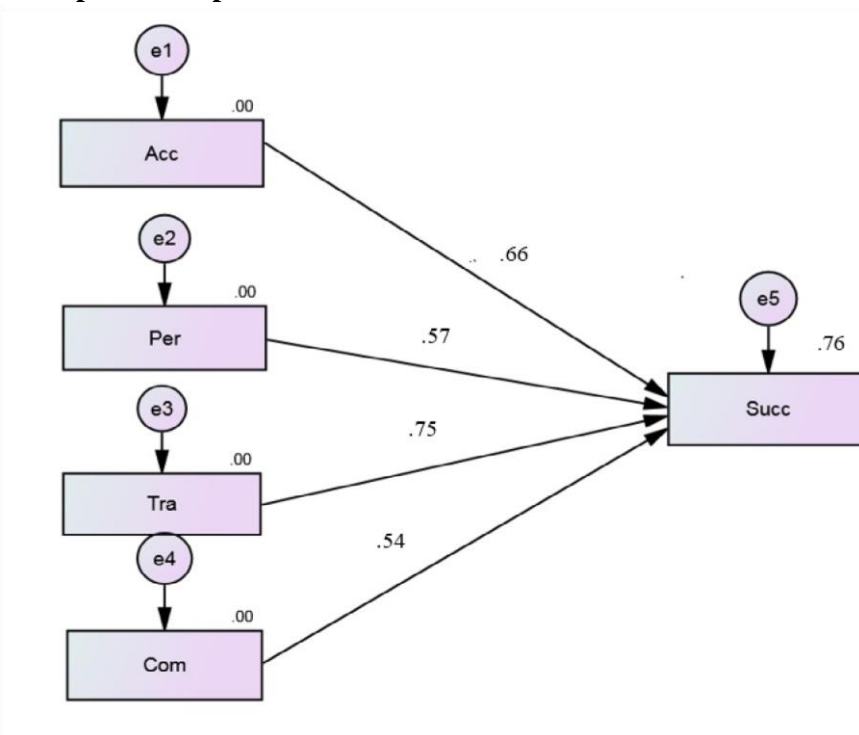


Table 2: Regression Weights: (Group number 1 - Default model)

	Estimate	S.E.	C.R.	P
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Success	<---	Employee acquisition	.821	.663	.329	.042
Success	<---	Technical training	.815	.753	4.080	***
Success	<---	Performance appraisal	.645	.565	2.237	.025
Success	<---	Employee compensation	.761	.538	2.612	.009

Source: Survey Data **Conclusion**

This study aims to analyze the influence of HRM practices on the success of corporate entrepreneurship. The study's findings observed that the positive relationship between HRM practices and the success of corporate social entrepreneurship and HRM practices have positive impact on the success of corporate entrepreneurship. The finding of this study supports the prior studies done by Knight (1997) and Agarwala (2003). The research only considered the perceived profitability as the success of corporate entrepreneurs. This is a significant limitation of the study, but the researchers believe sales volume and profit of SMEs for their future study.

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