

The Role of Human Resources in Stimulating Entrepreneurial Culture: The Moderating Effect of Innovation

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Abstract. This study investigated how human resource (HR) practices influence entrepreneurial culture, moderated by innovation, in small and medium enterprises (SMEs) in Saudi Arabia. A survey was administered to 374 HR managers. The results revealed HR practices positively affects entrepreneurial culture, with performance management exerting the strongest effect. Innovation was also found to significantly moderate the HR practices-entrepreneurial culture relationship. The findings suggest SMEs should leverage HR initiatives like training, rewards, and knowledge sharing to stimulate an entrepreneurial environment, with innovation integrated into these efforts. Theoretically, the study expands understanding of fostering entrepreneurial culture through HR practices and the role of innovation in enabling this link. For practice, it provides guidance to HR managers on effectively designing policies and procedures to nurture entrepreneurial thinking and behaviors, a crucial capability for SME agility and growth. The use of a cross-sectional survey methodology means the dynamics between the variables could not be fully captured. Additionally, the sample was restricted to Saudi Arabian SMEs. Further research could employ longitudinal or qualitative approaches, examine other relevant individual and organizational factors, and extend the context. Overall, this study offers timely insights on strengthening entrepreneurial culture via supportive HR systems and innovation-focused management.

Keywords: Human Resource Management Practices, Entrepreneurship, Innovation, Recruitment and Selection, Training and Development, Performance Management, Rewards and Recognition, Employee Engagement and Communication

1. Introduction

The concept of business has changed over time, and it has become more than an approach to make profit and seize a market share. Now, the idea of business launches itself from the concept of skills, engagement, talents, abilities and competences. Reaching that state, and combine the previous aims with the end result of profit and market share can only be done through making the best of every opportunity that appears in the horizon.

In a study by Danish et al. (2019), authors aimed at examining factors that affect entrepreneurial culture within an organization through focusing on the mediating effect of creativity. In order to realize this aim, researcher adopted quantitative methodology through distributing a questionnaire on (225) individuals within registered firms in Province Punjab. Results of study indicated that many factors proved their interaction with entrepreneurial culture within an organization including (leadership and management support, organizational structure and processes, employee empowerment and autonomy, learning and development opportunities, and organizational values and norms). As it appeared values and norms as a part of organizational culture influence entrepreneurial orientation. Employees who are encouraged and motivated to be creative tend to present innovative and entrepreneurial ideas.

Hasanzade et al. (2019) study aimed at proposing a framework for an entrepreneurship-oriented HRM. Meaning that the study aimed to present a framework that supports entrepreneurship mindset. The study adopted a mixed approach of qualitative and quantitative applied on 25 professors from the public administration and HR managers Iranian ministries. Results of analysis indicated that HR practices play a significant role in forming a framework for an entrepreneurship-oriented HRM including (Recruitment and Selection, Training and Development, Performance Management, Leadership and Organizational Culture, Incentives and Rewards). Thus, study indicated that in order to build a culture that is oriented towards entrepreneurship there must be HR practices that supports such intentions.

Ramos-González et al. (2022) aimed at examining how a socially responsible HR practices can effect innovation in entrepreneurial SMEs. The study adopted quantitative approach through distributing a questionnaire on purposive sample of SME owners in certain industries. Results of analysis indicated that socially responsible HR practices play a role in supporting a better entrepreneurial reputation in SMEs including (Diversity and Inclusion, Equal Employment Opportunities, Employee Well-being and Work-Life Balance, Ethical and Transparent Communication, Employee Development and Training, Sustainability and Environmental Responsibility, Corporate Social Responsibility Initiatives and Ethical Supply Chain Management).

Capelleras et al. (2019) aimed in their study to explore how entrepreneurial culture including (regional entrepreneurial activity, access to resources, and government support for entrepreneurship) moderates the relationship between entrepreneurs' human capital and growth desires. Quantitative methodology was adopted, and a structure questionnaire was filled by sample of entrepreneurs in Spain. Results of analysis indicated that individuals with higher education, relevant work experience, and diverse skills and training showed more interest in entrepreneurship and appeared to be more innovative compared to the contrary of their colleagues. In addition to that, results indicated that a supportive and vibrant entrepreneurial culture increase the level of innovation among employees due to the efforts of the HR department which increase the opportunities of entrepreneurial culture in the organization.

Amberg and McGaughey (2019) aimed at exploring how HR practices can foster a culture of entrepreneurship within multinational enterprise (MNE). Qualitative methodology through semi-structured interviews was adopted and applied on executives and managers within the MNE. Results of study indicated that HR practices including (Talent Acquisition and Development, Performance Management and Rewards, Learning and Development and Organizational Structure and Communication) were influential in fostering a culture of entrepreneurship within multinational enterprise (MNE).

Moustaghfir et al. (2020) aimed to determine the relationship between human resources management practices, entrepreneurial tendencies, and organization performance. The researchers relied on a review of previous literature in addition to a case study of an organization operating within the context of SMEs. The study proved that human resources management practices affect the entrepreneurial orientations of organizations and have a direct impact on the organization's performance through (training and development, skills development, and enhancing integration between employees and culture).

After reviewing previous relevant studies, we noticed a literature gap represented by the limited studies that combined variables (creativity, leadership, and human resources) such that creativity has a moderating role. There has been a need for an experimental study that addresses the moderating role of creativity on the relationship between the variables of human resources and entrepreneurship. In addition to the importance of strengthening the theoretical literature on the subject, which would lead to a higher understanding and deeper study of the mediating role of creativity on the relationship between human resources and entrepreneurship.

The purpose of study lies in its ability to provide orientation to organization regarding approaches to feed innovation and use it to increase entrepreneurship in organizations through HR practices and efforts. In addition to that, the study can be a guide to other organization to modify their training and development strategies to give more support and enhancements to innovation practices.

Aim, Questions and Objectives of Study

In research, we aim at examining the influence of HR practices on entrepreneurial culture within an organization through the moderating influence of innovation. In other words, it is aimed to shed the light on how innovation can moderate the influence of HR practices on entrepreneurial culture. The study will seek to focus on answering the following question:

“How innovation can moderate the relationship between HR practices and entrepreneurial culture in an organization?”

Reaching an answer to our study question was done through realizing the following objectives:

- a) Identify the main and most influential HR practices
- b) Define the concept and constructs of entrepreneurial culture
- c) Explore the relationship between HR practices and innovation
- d) Connect between HR practices, innovation and entrepreneurial culture

2. Literature Review

Human resource management is one of the oldest and most known management types that has been used since thousands of years but in different forms and approaches (Margherita and Bua, 2021). Firstly, and in the simplest possible definitions, human resources management refers to that administration entrusted with managing and developing the human element working in the organization, regardless of its interest or field of work (Nicolás-Agustín et al., 2022).

The primary goal of human resources management is to focus on individual performance in order to reach effective collective performance that will positively influence the overall performance of the organization (Vereycken et al., 2021). Doz (2020) believes that human resources management is viewed as the management that views the human element working in the organization as the most important existing asset, and always seeks to develop and enhance it in order to ensure superior and effective organizational performance.

Human resource management started as an approach of giving extra attention to the working individuals, with the course of time, its importance shifted to being a science that is taught and examined in the most renowned universities and organizations in the world (Sriviboon and Jermsittiparsert, 2019). Today, human resource management is based on a number of practices that are defined according to their appearance and influence on the organization as in the following (Raza and Khan, 2022; Ababneh

et al., 2021; Chanana and Sangeeta, 2021):

2.1. Recruitment and Selection

It is considered one of the first and most complex human resources management processes, through which the process of selecting, testing and hiring the most suitable individuals for the organization and its goals is carried out. Management also needs to be fully aware of the strategies required in order to attract effective talent and select the individuals most suitable for the job requirements it desires.

Training and Development: The task of training and development comes in the stage that follows selection and recruitment. Human resources department is informed and familiar with the nature of the skills, talents and qualifications that exist among individuals, and it identifies the strengths in them in order to exploit them, and indicates the weak points in order to develop them and its development. This is done through training and development programs, and various workshops and training, which are in the interest of the employee and the organization together

Performance Management: Performance management is not an easy matter, as managing the performance of individuals with different skills, levels, cultural backgrounds, and psychological personalities may be so difficult that the human resources department works to evaluate and analyze the performance of employees. At this stage, multiple goals are set and the ability of individuals to achieve the organization's strategic goals is demonstrated.

Rewards and Recognition: Recognizing the importance of individuals' efforts and their positive impact on the organization can appear in the form of respect, appreciation, and reward. However, it must be done in the form of rewards and material benefits that make individuals feel the importance of their performance and give them a feeling that they are essential employees in the organization. Here, motivational and compensation programs are created for individuals in order to motivate them to provide better and better performance, and this includes increases, promotions, health insurance, paid vacations, and various financial rewards.

Employee Engagement and Communication: The participation of employees and the mechanism of communication with them determines the efforts they provide to the organization. Loss of communication between employees and management or leadership is very frustrating, and increases the burden of problems and complications that individuals may be exposed to. In addition, the level of employee participation determines the level of their commitment to their work and achieving the organizational goals under which they work. HR practices in promoting employee engagement include feedback, team building activities, and the foundations of effective communication.

Organizational Structure and Support: Defining the organizational hierarchy is crucial and important in determining employee relationships with management and leadership, and it determines the decision-making mechanism. This matter is entrusted to human resources management by clarifying roles and responsibilities, enhancing cooperation, and facilitating communication.

Learning and Knowledge Sharing: One of the most important means of developing and improving employee skills is learning and sharing knowledge. Through the Human Resources Department, training and education programs are provided to employees, and means of communication and information sharing are facilitated. It also contributes to enhancing knowledge exchange practices by focusing on a culture of learning, initiative and adaptation within different work conditions.

2.2. Entrepreneurial Culture

Danish et al. (2019) stated that entrepreneurial culture is the sum of beliefs, behaviors and values that exist within an entrepreneurial community. As for Buccieri et al. (2020), it was found that it is the organizational culture that creates the spirit of initiative and leadership within working individuals and encourages them to innovate, create and excel. Entrepreneurship culture is essential in building a stimulating and innovative work environment that enhances the success of entrepreneurial projects (Prasetyo, 2019).

According to Capelleras et al. (2019), entrepreneurial culture is based on many specifications that distinguish it from the normal organizational culture, or that implicitly present in organizations. Not only does it encourage success and excellence, but also it is flexible and able to adapt to continuous alterations in business environment. In addition, for the organization to have a culture that encourages entrepreneurship means that it supports entrepreneurial thinking by supporting innovation and creativity and stimulating new and innovative methods of decision-making and problem solving (Mukhtar et al., 2021). Alvarez-Torres et al. (2019) pointed out that the culture of entrepreneurship is a culture characterized by continuous learning and continuous development of skills; it also tends to attract passionate and hardworking individuals who are and able to exploit opportunities in order to achieve both individual and collective goals.

According to () and (), human resources has an active and decisive role in supporting and encouraging the culture of entrepreneurship by adopting supportive strategies and stimulating innovative thinking based on the support provided by the Human Resources Department. () adds that among the human resources practices in organizations in the Kingdom of Saudi Arabia is the selection of employees with innovative thinking, flexibility, and the desire to achieve change. () adds that human resources management in the Kingdom of Saudi Arabia is distinguished by its support of training and development strategies, encourages innovation and initiative, and also implements incentive and reward programs to encourage initiative and appreciate entrepreneurial achievements.

2.3. Innovation

Innovation is the process of coming up with new ideas or new approaches to do thing (Guerrero and Urbano, 2019). In business world, innovation is finding new ways and approaches to achieve success, this includes developing innovative products, presenting an innovative service, or even finding innovative way to get the work done (Pradhan et al., 2020; Freihat et al. ,2020). Innovation is seen as an urgent necessity in the business world, as it helps organizations to survive and compete in a changing and dynamic market. In addition, innovation works to improve organizations' products and services, and offers a lot in the field of customer service and developing competitive capabilities (Mitra, 2019).

Based on what was mentioned above, researcher developed a model from which study hypotheses were extracted:

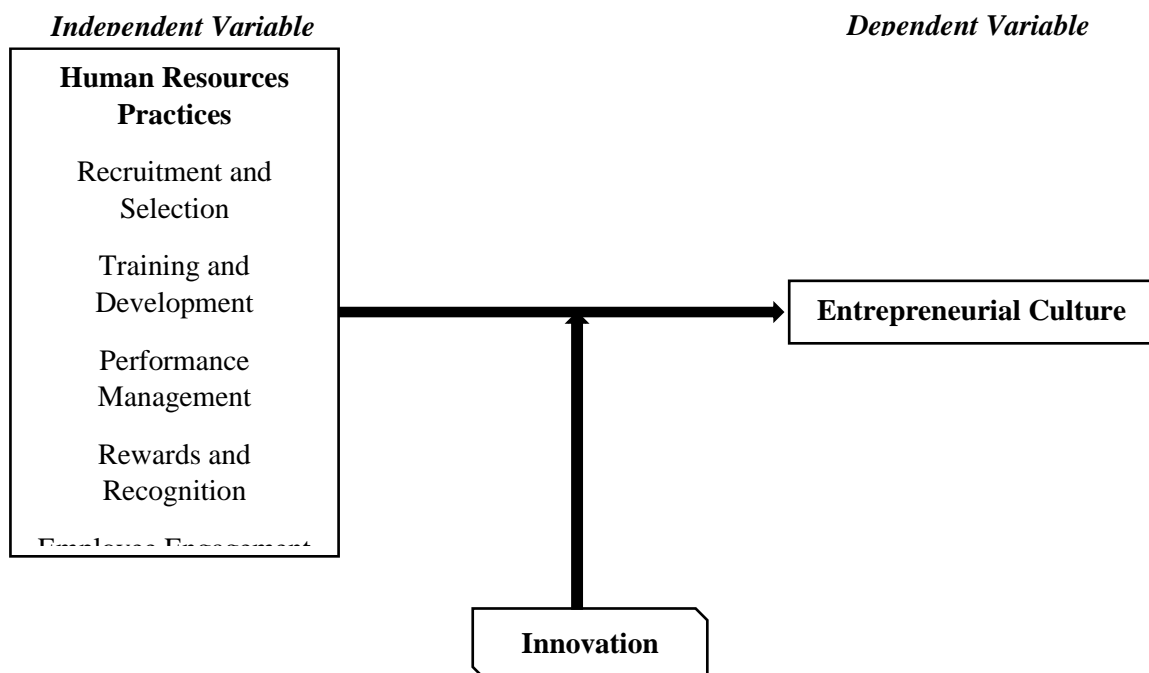


Fig.1: Study Model Danish et al. (2019); Capelleras et al. (2019); Amberg and McGaughey (2019)

From study model following hypotheses were extracted:

Main Hypothesis:

H1: Human resource practices have an impact on entrepreneurial culture within organizations

H2: Innovation moderates the relationship between Human resource practices and entrepreneurial culture within organizations

Underpinning Theory

The underpinning theory within the current research stems from “social exchange theory”. This theory refers to – as according to Ahmad et al. (2023) - a theory with a social and psychological origin that aims to explain the interactions between individuals and the practices they adopt in terms of benefit, cost, and return. Regarding its relationship to the current study, the theory as a basis on which the current study relied is based on the idea that individuals usually make decisions and make evaluations of their decisions based on the benefit accruing to them. That is, the individual usually evaluates the benefit and cost of adopting one of the technology tools or programs.

3. Research Methodology

Quantitative methodology was adopted in order to collect data from the largest sample possible. This approach was more flexible than the qualitative approach as it helps in reaching larger sample in a shorter time.

A questionnaire was utilized as the main tool of the study; researcher employed Likert 5point scale in the questionnaire and presented it in two sections. The first section presented the demographics of study sample, while the other section presented statements related to study variables “Recruitment and Selection, Training and Development, Performance Management, Rewards and Recognition, Employee Engagement and Communication, Organizational Structure and Support, Learning and Knowledge Sharing”. Questionnaire was built by research through the aid of previous studies including Danish et al. (2019), Hasanzade et al. (2019), Ramos-González et al. (2022), Capelleras et al. (2019), Amberg and McGaughey (2019) and Moustaghfir et al. (2020). Questionnaire was meant to collect primary data, for that, it was uploaded online through Google Forms and the link was sent to the participants in order to administer it according to their convenience, the questionnaire validity was examined through arbitration by our fellow specialists and academics in the field.

Population of study contained HR managers and leaders within SMEs operating within the Saudi environment during the fiscal year 2022-2023. The questionnaire was uploaded online in order to distribute the link on study population and gain responses. Study sample was chosen to be a convenient sample of (500) individuals to represent the study population (Sekaran & Bougie, 2016). After applying the study tool, researcher was able to collect (374) analyzable questionnaires which indicated a response rate of 74.8% as statistically acceptable.

Statistical package for social sciences SPSS was employed to be the main software for data analysis. Cronbach’s Alpha test was done in order to check the reliability and consistency of study tool as in the following table, it was seen that Alpha was higher than the statistical threshold of 0.70 which indicate that the tool was reliable and consistent (Sekaran & Bougie, 2016). Other statistical tests employed in current research included multiple regression and Pearson correlation.

Table 1. Cronbach’s Alpha

	Alpha value
Recruitment and Selection	0.92
Training and Development	0.904
Performance Management	0.856
Rewards and Recognition	0.908
Employee Engagement and Communication	0.84

Organizational Structure and Support	0.913
Learning and Knowledge Sharing	0.881
Entrepreneurial Culture	0.859
Innovation	0.885

4. Results and Discussion

Table below presented results of demographic analysis. The table indicated that the biggest portion of the sample were males and formed 71.7% of the total sample size. In addition to that, it was revealed through demographic analysis that age range of respondents majorly was more than 37 years old, holding BA degree 52.4% and had an experience of more than 14 years forming 42.5%.

Table 2. Demographic Results

	f	%
Gender		
Male	268	71.7
Female	106	28.3
Age		
22-26	36	9.6
27-31	89	23.8
32-36	117	31.3
+37	132	35.3
Educational Level		
diploma and below	124	33.2
BA	196	52.4
High Studies	54	14.4
Experience		
Less than 5 years	25	6.7
6-9	56	15.0
10-13	134	35.8
+14	159	42.5
Total	374	100.0

Questionnaire analysis

Mean and standard deviation were the main tools used to test responses to questionnaire paragraphs. As it appeared in table 3, respondents had positive attitudes towards paragraphs of questionnaire with the highest mean scored by (Entrepreneurial Culture) 4.21/5.00, while the lowest mean was scored by (Recruitment and Selection) 3.76/5.00.

Table 3. Descriptive Analysis

Statement	μ	σ
HR department always seek individuals who has an entrepreneurial orientation	3.738	1.123
HR department focuses on entrepreneurial traits and mindset in individuals	3.842	1.150
Recruitment and selection process involves individuals who are proactive, innovative and seeking achievement	3.636	1.142
Recruitment takes place based on what the organization needs and what the employee has	3.896	1.145
Selection goes through a process of skills, creativity and innovation in an individual	3.698	1.173
Recruitment and Selection	3.762	.998
HR department focuses on training courses that fosters entrepreneurial skills	4.211	.829
Most training and workshops are oriented towards entrepreneurial skills like problem solving and decision making	3.906	1.027

Training and development plans are designed to provide employees with the needed skills	4.131	.786
Training and development are oriented to empower individuals with entrepreneurial thinking	4.086	.970
Training and development is intensified according to employees' abilities and skills	3.995	.799
Training and Development	4.066	.755
Performance management is aligned with entrepreneurial values	4.316	.704
Performance appraisal is based on entrepreneurial behavior	4.326	.725
Goals are set in order to encourage innovation and entrepreneurship	4.174	.671
Being initiative and taking risks is a part of entrepreneurial thinking	4.316	.787
Individuals are encouraged to have resourcefulness and adaptability in their thinking	3.877	.994
Performance Management	4.202	.625
HR department has system that recognizes entrepreneurial efforts	4.214	.895
Promotions, bonuses and rewards are designed for those with entrepreneurial mindset	3.947	1.013
Public recognition and career advancement are presented for initiation	3.890	1.049
Entrepreneurial thinking and actions are values and encouraged from HR department	3.850	.872
Employees who are recognized and rewarded are more oriented towards being more innovative	4.278	.719
Rewards and Recognition	4.036	.784
Communication efforts are set for employee engagement	3.896	.756
Through multiple channels, employees can share ideas and suggestions in addition to sending feedbacks	4.104	.859
The organization enjoys a culture of transparency and collaboration in order to foster entrepreneurship	4.171	.913
Intrapreneurship in the organization is a part of opportunistic approach	4.203	.762
Innovative culture and cross functional teams are values through the organization	3.821	1.104
Employee Engagement and Communication	4.039	.693
HR fosters an organizational structure that enhances entrepreneurship	3.890	1.133
The organization is based on flattening hierarchies, promoting autonomy and decision-making authority	3.695	1.141
HR department provides resources in order to support entrepreneurship	3.955	1.130
Funding, technology and networks and always available for entrepreneurial initiatives.	3.807	1.130
A supporting structure gives employees the well to be more creative, innovative and entrepreneurial	4.257	.840
Organizational Structure and Support	3.921	.932
HR department makes sure that the culture is encouraging and supporting	3.968	1.030
Knowledge sharing is a big part of HR practices to foster entrepreneurship	4.193	.772
Knowledge sharing platforms and channels are designed to guarantee knowledge sharing and deliver learning	4.147	.948
Practicing, mentoring and supervising is always available for those who seek entrepreneurship	4.096	.765
Trial and error is taken as a part of entrepreneurship thinking	4.342	.710
Learning and Knowledge Sharing	4.149	.703
Entrepreneurship is highly connected to the well-built HR practices	4.353	.731
Having an entrepreneurial culture means that the environment can maintain the highest level of support for new ideas	4.201	.683
Management awareness is highly influential when it comes to entrepreneurship in a culture	4.356	.778
HR managers and leaders should be aware of their attitudes and viewpoints regarding entrepreneurial thinking	3.904	1.010
Entrepreneurial culture can be encouraged by HR practices that are oriented towards individuals' innovation	4.246	.887

Entrepreneurial Culture	4.212	.661
Innovation amplify the influence of HR initiatives on fostering an entrepreneurial culture	4.380	.725
Entrepreneurial culture combined with HR practices can encourage innovation through a synergistic effect	4.235	.682
HR practices that fosters entrepreneurship can encourage innovation in individuals	4.385	.772
A culture that presents rewards and recognition for employees can support in them the tendency to be innovative	3.941	1.013
Innovation can be a motive towards entrepreneurial culture	4.265	.886
Innovation can develop a fertile environment for entrepreneurship within an organization	4.257	.887
Innovation	4.244	.666

Multiple regression was employed to test the main hypothesis, it was noted that (HR Practices) exhibited a very significant and positive correlation with (entrepreneurial culture) ($r = 0.958$). This was explained through a **91.8%** of the total variance in the dependent variable. Also, it revealed that the F value was statistically significant at the 0.05 level. Such results accepted the hypothesis which argued **“Human resource practices have a statistically significant influence on entrepreneurial culture within organizations”**. See table below

H1: Human resource practices have a statistically significant influence on entrepreneurial culture within organizations

Table 4. H1 Testing Coefficients

Model		B	Std. Error	Beta	t	Sig.	R	R Square
1	(Constant)	-.186	.073		-2.541	.011	.958	.918
	Recruitment and Selection	.002	.021	.003	.084	.933		
	Training and Development	-.159	.027	-.182	-5.876	.000		
	Performance Management	.844	.028	.798	30.113	.000		
	Rewards and Recognition	.075	.027	.089	2.737	.007		
	Employee Engagement and Communication	-.070	.028	-.073	-2.457	.014		
	Organizational Structure and Support	.160	.024	.226	6.591	.000		
	Learning and Knowledge Sharing	.203	.032	.216	6.311	.000		

Pearson correlation was employed to test the relationship between each HR practices and the entrepreneurial culture. Table 5 indicated that r values ranged between (0.425-0.921) and the highest value was between **Performance Management and Entrepreneurial Culture**.

Table 5. Pearson' r

Variable	Entrepreneurial Culture	
Recruitment and Selection	Pearson Correlation	.425**
	Sig. (2-tailed)	.000
	N	374

Training and Development	Pearson Correlation	.625**
	Sig. (2-tailed)	.000
	N	374
Performance Management	Pearson Correlation	.921**
	Sig. (2-tailed)	.000
	N	374
Rewards and Recognition	Pearson Correlation	.750**
	Sig. (2-tailed)	.000
	N	374
Employee Engagement and Communication	Pearson Correlation	.716**
	Sig. (2-tailed)	.000
	N	374
Organizational Structure and Support	Pearson Correlation	.514**
	Sig. (2-tailed)	.000
	N	374
Learning and Knowledge Sharing	Pearson Correlation	.761**
	Sig. (2-tailed)	.000
	N	374

H2: Innovation moderates the relationship between Human resource practices and entrepreneurial culture within organizations

Below table demonstrated a statistically significant correlation between Human resource practices and entrepreneurial culture within organizations, as shown by a coefficient of determination (R²) of 0.62 and a p-value less than 0.5. During the subsequent phase, we included the Innovation variable, which was shown to have a substantial impact on the overall interpretation factor, as seen by an increase of R² = 28.6%. It was observed that the inclusion of the interaction variable pertaining to Human resource practices and innovation resulted in a notable increase of 0.3% in the overall interpretation factor, as shown by the R² value. This increase is considered statistically significant. That means Innovation moderates the relationship between Human resource practices and entrepreneurial culture within organizations

Table 6. H2 Testing
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	Change Statistics			Sig. F Change
						F Change	df1	df2	
1	.787 ^a	.620	.619	.40805	.620	605.913	1	372	.000
2	.952 ^b	.906	.905	.20338	.286	1126.475	1	371	.000
3	.953 ^c	.909	.908	.20002	.003	13.579	1	370	.000

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	100.888	1	100.888	605.913	.000 ^b
	Residual	61.940	372	.167		
	Total	162.828	373			
2	Regression	147.483	2	73.741	1782.781	.000 ^c
	Residual	15.346	371	.041		
	Total	162.828	373			
3	Regression	148.026	3	49.342	1233.345	.000 ^d
	Residual	14.802	370	.040		
	Total	162.828	373			

Current study aimed to shed the light on how innovation can moderate the influence of HR practices on entrepreneurial culture. Reaching the aim was done through adopting quantitative approach, a questionnaire was self-administered by HR managers within SMEs in Kingdom of Saudi Arabia and SPSS was employed to mitigate, screen and analyze the collected data. Results accepted the main hypotheses arguing “Human resource practices have a statistically significant influence on entrepreneurial culture within organizations” and “Innovation moderates the relationship between Human resource practices and entrepreneurial culture within organizations”.

Through previous literature and the results of statistical analysis of primary data, the study demonstrated the existence of an impact of innovation on the relationship between human resource management practices and entrepreneurial tendencies in small and medium organizations in the Kingdom of Saudi Arabia. The study found that applying innovative and new ideas and solutions requires an environment that is supportive and full of innovation, and that innovation is one of the most important characteristics of entrepreneurs in today’s labor market, which means that the presence of innovation in an environment that desires to have entrepreneurial tendencies is extremely important.

Results approved what the current study hypothesized that HR practices have the ability to influence entrepreneurial culture in an organization. This can take place through the practices which are directed to employees among them how HR management support innovation and nourishes innovative mindset among them. Study indicated that all practices of HR were influential with the highest focus on performance management as results shown that performance management has an effective role in enhancing innovation among employees by providing a supportive environment that relies on innovation and stays away from routine and stereotypes. The analysis also found that performance management greatly helps to enhance innovation by clarifying organizational goals at the management level and at the team level, which leads to directing employees’ efforts towards achieving these goals and indicating the challenges that they may be exposed to. On another level, the study found that performance management supports and focuses on training and development practices and adopts all techniques that would develop the innovative thinking capabilities of individuals, and this is consistent with the study of Hasanzade et al. (2019) and Amberg and McGaughey (2019).

On the other hand, results were consistent with Amberg and McGaughey (2019) and Moustaghfir et al. (2020) when it was emphasized that performance management supports innovation by encouraging cooperation, constant communication, and knowledge sharing among employees so that employees benefit from their common experiences and are able to generate new ideas. Among the things that performance management offers as one of the methods for enhancing innovation is providing a positive view of experience and failure, as innovation is supported by accepting failure as a natural component of the innovation process. This makes employees feel confident in undertaking experiences and challenges because they are not judged in a negative way in the event of failure.

Study also accepted that hypothesis arguing, “Innovation moderates the relationship between Human resource practices and entrepreneurial culture within organizations”. The study proved that innovation has a modifying role on the relationship between human resources practices and the entrepreneurial business environment. The results found that innovation enhances the effectiveness and openness of human resources strategies and improves recruitment strategies and attracting talent. Innovation also has a clear role in developing training programs by providing innovative ideas for training and qualification that will enhance the culture of creativity and innovation and encourage individuals to accept new ideas that will improve work. These results agreed with Ramos-González et al. (2022) and Capelleras et al. (2019).

5. Conclusion

The current study was carried out to highlight the moderating influence of innovation on the relationship between HR practices and entrepreneurial culture within SMEs operating in Saudi Arabia during the

fiscal year 2022-2023. It was proved through the study that innovation is a crucial factor when it comes to entrepreneurial culture as it facilitates the process for more creative and innovative ideas to be applied within a welcoming environment. In addition to that, building an organizational culture that fosters and supports entrepreneurial mindset means having all the needed elements within the culture that supports innovation in all its forms. The study contributed in focusing on the concept of knowledge sharing and exchange appeared that appeared to be crucial as it works wonders when it comes to increasing experiences and opening wider horizons to employees to be more innovative leading to presenting entrepreneurial performance.

Current study aimed to understand how innovation could foster better human resources practices for an entrepreneurial culture. There are theoretical and practical implications for current study as following:

- On the theoretical level, the current study may nourish the literature related to entrepreneurial culture in addition to increase understanding regarding how HR practices may interfere with entrepreneurial efforts of an organization. In addition to that, gathering between HR practices, entrepreneurial culture and innovation may increase the complexity of literature through giving more insights on how to build and preserve an entrepreneurial culture within an organization.

- The practical implication of current study stems from the fact that it gives more insights to HR specialist on how to create HR strategies that are supportive to innovation and able to nourish entrepreneurial thinking among individuals. It also leads to better development of HR practices through employing technology with these practices in order to widen the circle of reaching more talented and innovative employees.

According to results presented by analysis of study, researcher recommended the following:

- Launch partnerships with international SMEs in order to adopt their trials on how to increase entrepreneurial thinking in organizations
- Employ foreign training and development as a form of knowledge sharing and exchange
- Focus on work-life balance in order to increase individuals' interest and attention to being more innovative and develop their entrepreneurial mindset.
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Current study was limited in application to SMEs sector within the Kingdom of Saudi Arabia, the application process included individuals who were willing to respond to the questionnaire through the electronic means, as there was no direct administration of the study tool. In addition to that, current study was applied through the fiscal year 2022-2023 with no integration or usage of any financial information of the organizations under examination.

As future studies, researcher suggested the following:

- Examine the influence of leadership style on nourishing and fostering entrepreneurial culture
- Explore the human resource department efforts in increasing entrepreneurial thinking and mindset among multinational organizations within KSA
- Carry out a research that studies the influence of inclusion with organization in supporting entrepreneurial efforts within SMEs.
- As cross-sectional surveys have limitations in explaining causal dynamics, future research could employ longitudinal or qualitative approaches. Examining other individual and organizational factors along with different contexts would also expand the scholarship. Overall, this timely study generates valuable insights for research and practice on leveraging HR practices and innovation to nurture entrepreneurial culture and performance in SMEs.

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