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Strategic Human Resource Management and Entrepreneurial Performance: A Systematic Literature Review of Capabilities, Innovation, and Business Growth

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ABSTRACT

Strategic human resource management plays an important role in developing employee competencies and supporting innovation and business growth. However, the mechanisms through which human resource practices contribute to entrepreneurial performance, particularly through organizational capabilities and innovation, remain insufficiently integrated in the literature. This study aimed to synthesize existing research on the relationship between strategic human resource management and entrepreneurial performance, focusing on organizational capabilities, innovation, and business growth. A systematic literature review was designed to examine relevant studies published between 2021 and 2026, guided by established review procedures. The review focused on research concerning human resource practices, dynamic capabilities, entrepreneurial orientation, innovation, and firm performance. The literature was examined thematically to identify recurring relationships, explanatory mechanisms, contextual factors, and research gaps. The synthesis highlighted three interconnected mechanisms: strategic human resource practices support the development and mobilization of employee competencies; organizational capabilities facilitate opportunity recognition, learning, and resource adaptation; and innovation provides a potential pathway through which these capabilities contribute to entrepreneurial outcomes. The review also indicated that the relationship between human resource management and performance should be understood in light of entrepreneurial orientation, organizational characteristics, and environmental conditions. These findings provide an integrated conceptual perspective connecting human resource management with capability development and innovation-led business growth. The proposed framework offers practical guidance for entrepreneurs and small and medium-sized enterprise managers in aligning workforce development with innovation objectives, while identifying priorities for future empirical research on the mechanisms and conditions that shape entrepreneurial performance.

1. Introduction

The increasing complexity of the global business environment has intensified the need for organizations to develop human resource strategies that support entrepreneurship, innovation, and sustainable business growth. Digital transformation, market uncertainty, changing customer expectations, and intensifying competition require firms to move beyond conventional personnel administration toward strategic human resource management (SHRM). Through the strategic integration of recruitment, employee development, performance management, knowledge sharing, and reward systems, organizations can develop the human capital and organizational capabilities necessary to identify opportunities and translate entrepreneurial initiatives into measurable business outcomes. Recent research demonstrates that SHRM is increasingly relevant to innovation and organizational performance, particularly when human resource practices are aligned with business strategy and supported by appropriate organizational capabilities (Zhai et al., 2026).

The relationship between SHRM and entrepreneurial performance is particularly important for small and medium-sized enterprises

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(SMEs), which frequently operate with limited financial resources, relatively informal management structures, and substantial dependence on employees' knowledge and skills. Unlike large corporations, entrepreneurial firms often require employees to perform multiple roles, respond rapidly to market changes, and participate directly in opportunity recognition and innovation. Consequently, effective human resource management represents not merely an administrative function but also a strategic mechanism for strengthening entrepreneurial capacity. Harney and Alkhalaf's (2022) systematic review of human resource management in entrepreneurial firms highlights the distinctive characteristics of HRM in entrepreneurial contexts and the need for a more integrated understanding of its antecedents, organizational mechanisms, and outcomes. Similarly, Nam and Luu (2022) demonstrate the relevance of HRM practices to innovation in SMEs, emphasizing the contribution of human resource development to organizational resources and innovative activities.

From a global perspective, the interaction between SHRM, entrepreneurial orientation, and dynamic capabilities has emerged as an important research direction. Ho et al. (2024) found that SHRM and entrepreneurial orientation are associated with innovation through dynamic capabilities, while entrepreneurial orientation strengthens the relationship between dynamic capabilities and innovation. These findings indicate that the performance implications of human resource management cannot be fully understood by examining HR practices independently of the capabilities through which organizations deploy their resources. Apascaritei and Elvira (2022) similarly conceptualize human resource management dynamic capabilities in terms of knowledge building, social integration, and resource reconfiguration. Furthermore, Shahzad et al. (2022) identify a sequential relationship among entrepreneurial orientation, HRM practices, collective organizational engagement, and SME innovation performance. Together, these studies suggest that entrepreneurial outcomes emerge through interconnected strategic, behavioral, and organizational processes rather than through isolated managerial interventions.

Innovation represents another critical mechanism connecting human resource management with entrepreneurial performance. Organizations need employees who can generate ideas, exchange knowledge, experiment with new approaches, and transform opportunities into commercially valuable products, services, or processes. Research on innovative HR practices indicates that innovation capabilities and competitive advantage can help explain how HR-related initiatives contribute to SME performance. For example, the study of Thai SMEs by Effect of innovations in human resource practices, innovation capabilities, and competitive advantage on small and medium enterprises' performance in Thailand (2023) examines the interrelationships among these factors. In addition, Isa et al. (2024), investigating Indonesian SMEs, examine innovation capabilities as a mechanism connecting entrepreneurial orientation, knowledge management, HRM, and knowledge sharing with organizational performance. These findings reinforce the importance of considering capability development and knowledge-related processes when explaining entrepreneurial performance.

The Indonesian context provides an important setting for examining these relationships. SMEs and microenterprises contribute substantially to employment, household income, and local economic activity, yet entrepreneurial businesses vary considerably in their managerial capabilities, innovation practices, and ability to sustain growth. Evidence from Indonesian SMEs indicates that strategic orientation can connect human capital with business performance. Iqbal et al. (2023), for instance, investigate how human capital relates to entrepreneurial and market orientations and how these orientations contribute to SME performance. Isa et al. (2024) further emphasize the relevance of innovation capabilities to Indonesian SME performance. Nevertheless, the translation of human capital into entrepreneurial outcomes may depend on whether businesses possess the managerial systems, knowledge-sharing mechanisms, and adaptive capabilities needed to convert employee potential into innovation and growth. This issue is particularly relevant to resource-constrained businesses that must balance immediate operational demands with longer-term capability development.

Despite these advances, the existing literature remains fragmented in at least three respects. First, studies frequently examine SHRM, entrepreneurial orientation, dynamic capabilities, innovation, or firm

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performance as separate relationships, limiting understanding of how these constructs interact within a comprehensive explanatory framework. Second, existing research often emphasizes innovation or general organizational performance as the principal outcome, while entrepreneurial performance and business growth encompass broader dimensions, including sales development, profitability, market expansion, competitive positioning, and business continuity. Third, the applicability of SHRM findings across entrepreneurial firms, industries, and national contexts remains insufficiently integrated. The review by Harney and Alkhalaf (2022) establishes a foundation for understanding HRM in entrepreneurial firms, while Apascaritei and Elvira (2022) clarify the role of dynamic capabilities in HRM. However, the relationship among strategic HR practices, entrepreneurial capabilities, innovation mechanisms, and multiple dimensions of business performance requires further synthesis.

These limitations establish the central research problem: how, through which organizational capabilities and innovation mechanisms, and under what contextual conditions does strategic human resource management contribute to entrepreneurial performance and business growth? Addressing this problem requires a systematic synthesis that moves beyond the assumption that adopting more HR practices automatically produces better business outcomes. Instead, it is necessary to examine the strategic alignment of HR practices, the development and deployment of entrepreneurial capabilities, the mediating role of innovation, and the contextual factors that may strengthen or constrain these relationships.

Accordingly, this study aims to systematically review the literature published between 2021 and 2026 on the relationship between SHRM and entrepreneurial performance. Specifically, it seeks to (1) identify the principal SHRM practices associated with entrepreneurial performance; (2) synthesize the organizational and dynamic capabilities through which SHRM influences entrepreneurial outcomes; (3) examine the role of innovation as a mechanism connecting HR strategies with performance and business growth; (4) identify contextual factors and inconsistencies in the existing evidence; and (5) develop an integrated conceptual framework and future research agenda. To achieve these objectives, the review should employ transparent identification, screening, eligibility, and inclusion procedures consistent with established systematic review reporting principles (Page et al., 2021).

The study offers theoretical and practical contributions. Theoretically, it integrates strategic HRM, the resource-based view, dynamic capabilities, and entrepreneurial orientation into a unified framework for explaining how human resources can be transformed into innovation and entrepreneurial outcomes. It also distinguishes the direct effects of SHRM from indirect effects operating through capability development and innovation, thereby helping clarify the mechanisms underlying the HRM–performance relationship. Practically, the findings can guide entrepreneurs, SME owners, and managers in prioritizing HR practices that align employee competencies with strategic objectives, strengthen organizational learning, and support innovation-led growth. For policymakers and business development institutions, the review can inform entrepreneurship programs that combine human capital development with capability building and innovation support.

The novelty of this study lies in its integrated focus on capabilities, innovation, and business growth as interconnected dimensions of the SHRM–entrepreneurial performance relationship. Rather than treating human resource management as an isolated determinant of firm performance, the study seeks to explain how strategic HR practices enable entrepreneurial firms to develop, mobilize, and renew the resources required for sustained competitiveness. By synthesizing recent evidence and identifying unresolved theoretical and contextual questions, this review aims to establish a clearer foundation for future empirical research and evidence-based human resource strategies in entrepreneurial businesses.

2. Literature Review

2.1. Conceptual and Theoretical Foundations

2.1.1. Strategic Human Resource Management

Strategic human resource management (SHRM) refers to the coordinated design and implementation of human resource practices that support organizational strategy and long-term performance. Unlike traditional personnel administration, SHRM emphasizes the strategic alignment of recruitment and selection, training and

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development, performance appraisal, compensation, employee participation, and knowledge management with organizational objectives. In entrepreneurial firms, these practices are particularly important because employees frequently perform multiple functions and contribute directly to opportunity recognition, experimentation, and business development. Van Lancker et al. (2022) emphasize that human resource management in entrepreneurial firms has distinctive antecedents, organizational contexts, and outcomes, suggesting that HRM models developed primarily for large corporations cannot always be transferred directly to entrepreneurial businesses.

The strategic value of HRM can be explained through the resource-based view (RBV), which conceptualizes organizational resources and capabilities as potential sources of sustained competitive advantage (Barney, 1991). From this perspective, human capital becomes strategically valuable when employees possess relevant knowledge, skills, experience, and competencies that competitors cannot easily replicate. However, employee competence alone does not guarantee superior performance. Organizations must establish systems that enable employees to apply their capabilities, share knowledge, and contribute to strategic decision-making. Recent empirical evidence supports this argument. Nam and Luu (2022) show that HRM practices can improve the quality of organizational capital and contribute to product innovation and productivity in SMEs. Similarly, Wongsansukcharoen and Thaweepaiboonwong (2023) demonstrate that innovative HR practices can improve SME performance indirectly through innovation capabilities and competitive advantage.

The ability–motivation–opportunity (AMO) framework further explains how HRM practices influence employee behavior and organizational outcomes. The framework proposes that employees are more likely to contribute to performance when they possess the necessary abilities, are motivated to apply them, and have opportunities to participate in organizational activities. Alkhalaf et al. (2024) investigate AMO-related HRM practices and SME innovation performance, emphasizing innovation as an important mechanism through which employee-oriented practices generate organizational outcomes. Consequently, this review conceptualizes SHRM as a strategic bundle of mutually reinforcing practices rather than an isolated intervention. Its contribution to entrepreneurial performance depends on whether these practices develop employee competence, stimulate entrepreneurial behavior, and create opportunities for innovation.

2.1.2. Entrepreneurial Performance and Entrepreneurial Orientation

Entrepreneurial performance refers to the outcomes achieved through entrepreneurial activities, including the identification and exploitation of opportunities, innovation, market development, and business growth. At the firm level, performance can be assessed using financial indicators, such as sales growth, profitability, and return on investment, alongside nonfinancial indicators, such as market expansion, customer acquisition, product development, and organizational resilience. This multidimensional interpretation is important because entrepreneurial firms may prioritize growth, market entry, or innovation before realizing measurable financial returns.

Entrepreneurial performance should be distinguished from entrepreneurial orientation (EO). EO describes a firm's strategic posture toward innovativeness, proactiveness, and risk-taking, whereas entrepreneurial performance represents the outcomes associated with entrepreneurial activities. EO can therefore function as a strategic orientation that shapes how organizational resources are deployed. Ho et al. (2024) demonstrate that entrepreneurial orientation is relevant to the relationship between SHRM, dynamic capabilities, and innovation in SMEs. Yang and Aumeboonsuke (2022) likewise find that entrepreneurial orientation is positively related to firm performance and that competitive strategy and knowledge creation processes can mediate this relationship.

The distinction between entrepreneurial orientation and performance is essential for the present review. A firm may demonstrate substantial entrepreneurial initiative without immediately achieving higher profitability or sustained growth. The conversion of entrepreneurial intentions into results requires suitable human resources, organizational capabilities, market knowledge, and effective implementation. Thus, entrepreneurial orientation is treated as a potential antecedent or enabling condition, while entrepreneurial

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performance and business growth are treated as outcomes to be explained.

2.1.3. Dynamic Capabilities and Entrepreneurial Capabilities

Dynamic capabilities theory explains how organizations adapt their resource base in response to changing environments. Teece (2007) conceptualizes dynamic capabilities through the organization's ability to sense opportunities and threats, seize opportunities, and reconfigure or transform resources. Applied to SHRM, this perspective suggests that human resource systems can contribute to performance not only by improving existing employee productivity but also by enabling firms to acquire new competencies, redeploy talent, and adjust organizational routines as business conditions change.

Dejardin et al. (2022) examine dynamic capabilities and SME performance during the COVID-19 period, highlighting the relevance of organizational adaptation under conditions of uncertainty. Research on Thai SMEs also identifies innovative, absorptive, and adaptive capabilities as relevant dimensions of dynamic capabilities associated with firm performance (The Impact of Dynamic Capabilities on the Performance of Thai Small and Medium Enterprises, 2022). In addition, evidence from Ghana indicates that sensing, seizing, and transforming capabilities can positively influence SME performance, with digitalization strengthening selected capability–performance relationships (Dynamic capabilities and SME performance in the COVID-19 era, 2022).

These findings indicate that dynamic capabilities provide a useful explanatory bridge between SHRM and entrepreneurial outcomes. Recruitment and training can strengthen the capacity to identify opportunities; employee participation and knowledge sharing can improve opportunity evaluation; and flexible job design and performance management can support the redeployment of resources. However, these relationships should not be assumed to be universal. Their effectiveness may depend on organizational size, resource availability, leadership, environmental uncertainty, and the firm's capacity to implement strategic change.

2.1.4. Innovation as a Mechanism of Entrepreneurial Value Creation

Innovation refers to the development and implementation of new or significantly improved products, services, processes, marketing approaches, or organizational practices. For entrepreneurial firms, innovation provides a mechanism for converting employee knowledge and entrepreneurial opportunities into value for customers and other stakeholders. SHRM may support innovation by developing employee competencies, rewarding creative contributions, facilitating collaboration, and encouraging experimentation.

Aslam et al. (2023) examine innovation-oriented HR practices, including employee participation, performance appraisal, compensation, recruitment, and training, in relation to SME performance. Their analysis considers outcomes such as labor productivity and product, process, and marketing innovation. A related study of 1,037 SMEs identifies positive relationships between innovative HR practices, organizational commitment, and innovation performance, while also examining the role of transformational leadership (Exploring predictors of innovation performance of SMEs, 2023). In a different organizational setting, research published in Heliyon finds that innovation mediates the relationship between high-performance HRM practices and firm performance (The mediating role of innovation in the relationship between high-performance human resource management practices and firm performance, 2023).

Innovation can therefore be conceptualized as both an organizational capability and an intermediate outcome. At the capability level, it represents the firm's capacity to generate, develop, and implement ideas. At the outcome level, it captures realized improvements in products, processes, services, or market offerings. This distinction helps explain why some firms invest in HR development but do not immediately achieve growth: employee knowledge must be converted into implemented innovations, and these innovations must subsequently create market or operational value.

2.1.5. Integrating the Theoretical Perspectives

The RBV, AMO framework, dynamic capabilities theory, and entrepreneurial orientation perspective offer complementary explanations of the

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relationship between SHRM and entrepreneurial performance. The RBV explains why strategically valuable human capital can become a source of competitive advantage. The AMO framework explains how HR practices shape employee abilities, motivation, and opportunities to contribute.

Dynamic capabilities theory explains how organizations mobilize and reconfigure those resources under changing conditions. Entrepreneurial orientation explains the strategic posture through which firms pursue opportunities, innovation, and calculated risk-taking.

The integration of these perspectives suggests a sequential but potentially recursive process. SHRM develops employee resources and behaviors; these resources contribute to organizational capabilities; capabilities facilitate innovation and opportunity exploitation; and the resulting innovations may improve entrepreneurial performance and business growth. In practice, the process may be iterative because successful growth can provide additional resources for employee development, while unsuccessful innovation can trigger changes in HR strategy and organizational routines. This integrated perspective provides the theoretical foundation for examining not only whether SHRM is associated with performance, but also how and under what conditions the relationship develops.

2.2. Review of Empirical Studies

Recent empirical studies generally support a positive relationship between strategically oriented HRM and innovation, but they differ in their samples, research designs, explanatory mechanisms, and outcome measures. A comparative synthesis reveals three major patterns.

First, HRM practices can contribute to organizational outcomes by improving the quality and deployment of human capital. Nam and Luu (2022), using longitudinal evidence from SMEs in a transition economy, find that HRM practices contribute to improved capital quality, product innovation, labor productivity, and value added. Their approach offers stronger temporal evidence than a single cross-sectional survey, although the national and institutional context may limit generalization. Aslam et al. (2023) similarly find that several innovation-oriented HR practices are associated with SME performance, measured through productivity and innovation outcomes. Together, these studies suggest that recruitment, employee development, participation, and performance management can support entrepreneurial firms, although the effects may vary across practices and performance dimensions.

Second, innovation and organizational capabilities appear to explain part of the relationship between HRM and firm performance. Wongsansukcharoen and Thaweepaiboonwong (2023) find that innovative HR practices influence Thai SME performance indirectly through innovation capabilities and competitive advantage. A study of high-performance HRM practices published in Heliyon in 2023 also identifies innovation as a mediating mechanism between HRM and firm performance. More recently, Islami and Mulolli's study of HRM, innovation, and SME performance emphasizes the need to understand how innovation augments the contribution of HR practices to business outcomes (When and How Does Innovation Augment the Effect of HRM on SME Performance?, 2025). These findings reinforce the argument that HRM may generate value through intermediate organizational processes rather than exclusively through direct effects.

Third, entrepreneurial orientation and dynamic capabilities are important complementary explanations of firm performance. Ho et al. (2024) demonstrate that SHRM and entrepreneurial orientation are relevant to the development of dynamic capabilities and innovation in SMEs. Yang and Aumeboonsuke (2022) identify competitive strategy and knowledge creation as mediating mechanisms linking entrepreneurial orientation with firm performance. In the Indonesian woodworking industry, Permatasari and Praswati (2024) examine the relationship between entrepreneurial orientation and performance through innovation and network capability. Although these studies differ in context and analytical design, they collectively suggest that entrepreneurial outcomes depend on how strategic orientation is translated into organizational action.

Evidence concerning dynamic capabilities further strengthens this interpretation. Dejardin et al. (2022) examine the performance implications of dynamic capabilities during the COVID-19 crisis, when organizational adaptation became particularly important. The study of Thai SMEs published in the International Journal of Asian Business and

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Information Management (2022) investigates innovative, absorptive, and adaptive capabilities as determinants of SME performance. Research on dynamic capabilities and SME performance during COVID-19 in Ghana additionally identifies digitalization as a factor that can strengthen selected capability–performance relationships. These studies suggest that the performance value of organizational capabilities depends partly on firms' ability to adapt to technological and environmental change.

The relationship between innovation and performance is not limited to manufacturing. Research on innovation performance among SMEs has examined innovative HR practices alongside organizational commitment and transformational leadership, indicating that the organizational context can shape how HR systems translate into innovation. The AMO-based study by Alkhalaf et al. (2024) further emphasizes that HR practices designed to strengthen employee ability, motivation, and opportunity can contribute to SME innovation performance. These findings imply that the effects of HRM may depend not only on the presence of particular practices but also on whether employees are motivated and enabled to apply their competencies.

Systematic reviews provide an additional perspective. Van Lancker et al. (2022) synthesize research on HRM in entrepreneurial firms and identify the distinctive nature of HRM in entrepreneurial settings. Irawan et al. (2023) review the relationship between entrepreneurial orientation and firm performance, reporting a generally positive association while highlighting the relevance of innovation and learning orientation. Liew et al. (2025) review research on entrepreneurial orientation and SME performance in Malaysia and identify opportunities for further investigation. Collectively, these reviews indicate that both HRM and entrepreneurial orientation have received substantial research attention, but their integration with dynamic capabilities, innovation, and business growth remains an important synthesis task.

The evidence from Indonesia adds contextual relevance. Permatasari and Praswati (2024) investigate innovation and network capability as mediating mechanisms between entrepreneurial orientation and performance in the woodworking industry. Other research on Indonesian SMEs examines the relationship between entrepreneurial orientation and firm performance through market orientation, suggesting that market-facing capabilities may also influence entrepreneurial outcomes. These studies are relevant to emerging-economy contexts in which firms may experience constraints in finance, technology, formal management systems, and skilled labor. Nevertheless, results from particular sectors should not automatically be generalized to all Indonesian SMEs or to entrepreneurial firms in other institutional environments.

Taken together, the empirical literature suggests a broad pattern: SHRM supports the development and deployment of human capital; organizational and dynamic capabilities facilitate adaptation and opportunity exploitation; innovation converts knowledge and resources into new or improved offerings; and these mechanisms can contribute to business performance. However, the strength and form of these relationships vary according to context, research design, and outcome measurement. Some studies emphasize direct HRM effects, others identify mediating mechanisms, and still others highlight the importance of entrepreneurial orientation, digitalization, leadership, or competitive strategy. This diversity makes systematic synthesis necessary to clarify the common mechanisms, boundary conditions, and unresolved relationships.

2.3. Identification of the Research Gap

Although research on SHRM, entrepreneurial orientation, innovation, and firm performance has expanded, four gaps remain relevant to the present study.

First, a theoretical integration gap persists. Existing studies frequently focus on one part of the relationship, such as HRM and innovation, entrepreneurial orientation and performance, or dynamic capabilities and organizational adaptation. Van Lancker et al. (2022) provide a dedicated synthesis of HRM in entrepreneurial firms, while Ho et al. (2024) investigate SHRM, entrepreneurial orientation, dynamic capabilities, and innovation in SMEs. However, a comprehensive synthesis that explicitly connects SHRM practices, entrepreneurial capabilities, innovation, and multiple dimensions of business growth remains necessary to clarify how these constructs interact.

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Second, a mechanism gap exists. Prior studies identify innovation capabilities, competitive advantage, organizational commitment, knowledge creation, and network capability as potential mediating mechanisms. Nevertheless, these mechanisms are not always examined together, and the relative roles of employee-level processes and firm-level capabilities remain insufficiently differentiated. The result is an incomplete understanding of how HR practices become organizational capabilities and how those capabilities generate measurable entrepreneurial outcomes.

Third, an outcome-measurement gap remains. Studies use different dependent variables, including innovation performance, productivity, profitability, general firm performance, and competitive advantage. These measures are related but not interchangeable. Improvements in innovation do not necessarily translate immediately into profitability, and short-term performance may not capture sustained business growth. A systematic review should therefore distinguish capability development, innovation outputs, financial performance, and longer-term growth rather than treating them as a single outcome.

Fourth, a contextual and methodological gap persists. Much of the empirical evidence is based on specific countries, sectors, and SME samples. Findings from manufacturing firms, retail businesses, or technology-intensive organizations may not be equally applicable to microenterprises, service businesses, or firms operating under different institutional conditions. Moreover, cross-sectional surveys are common in management research and may limit conclusions about temporal sequence and causality. Longitudinal studies, multi-source data, and comparative research across industries and countries could help address these limitations.

To address these gaps, the present study conducts a systematic literature review of research published between 2021 and 2026. It seeks to classify SHRM practices, identify the capabilities and innovation mechanisms associated with entrepreneurial performance, compare reported outcomes across contexts, and develop an integrated framework that distinguishes direct relationships from indirect and context-dependent pathways. The study does not assume that every proposed relationship has already been empirically established; instead, it uses the synthesis to identify relationships supported by existing evidence and propositions that require further testing.

2.4. Development of the Conceptual Framework

Based on the theoretical foundations and empirical synthesis, the proposed conceptual framework positions SHRM as the principal strategic antecedent of entrepreneurial performance and business growth. Organizational and dynamic capabilities represent the mechanisms through which firms identify, develop, integrate, and reconfigure resources. Innovation represents the process through which these resources and capabilities are translated into new or improved products, services, processes, and market offerings. Entrepreneurial orientation is treated as a strategic condition that may strengthen the conversion of human resource investments into capabilities and innovation.

The framework contains five principal constructs:

1. **Strategic human resource management (SHRM):** the alignment of recruitment, training and development, performance management, compensation, employee participation, and knowledge-sharing practices with entrepreneurial objectives.
2. **Entrepreneurial and dynamic capabilities:** the firm's ability to recognize opportunities, mobilize resources, learn, adapt, reconfigure organizational routines, and exploit changing market conditions.
3. **Innovation:** the development and implementation of product, service, process, marketing, or organizational improvements that can create value for customers and the firm.
4. **Entrepreneurial orientation:** the firm's strategic posture toward innovativeness, proactiveness, and risk-taking, potentially influencing how HR resources and capabilities are deployed.
5. **Entrepreneurial performance and business growth:** the resulting financial and nonfinancial outcomes, including productivity, profitability, sales development, market expansion, customer growth, and business continuity.

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The proposed relationships follow a capability-based logic. SHRM is expected to support capability development by improving employee competencies, motivation, and opportunities to contribute. Capabilities are expected to facilitate innovation by enabling opportunity recognition, knowledge integration, and resource reconfiguration. Innovation, in turn, may contribute to entrepreneurial performance and growth when new ideas are successfully implemented and generate market or operational value. SHRM may also have a direct relationship with performance through improved productivity, employee retention, and operational effectiveness.

Entrepreneurial orientation is incorporated as a potential contextual or moderating factor rather than automatically assumed to be a mediator. Entrepreneurial firms that are proactive, innovative, and willing to undertake calculated risks may be better positioned to convert HR investments and dynamic capabilities into innovation. However, this relationship may depend on resource availability, leadership, environmental dynamism, and implementation capacity. The systematic review will assess whether the available evidence supports this proposed role or suggests alternative relationships.

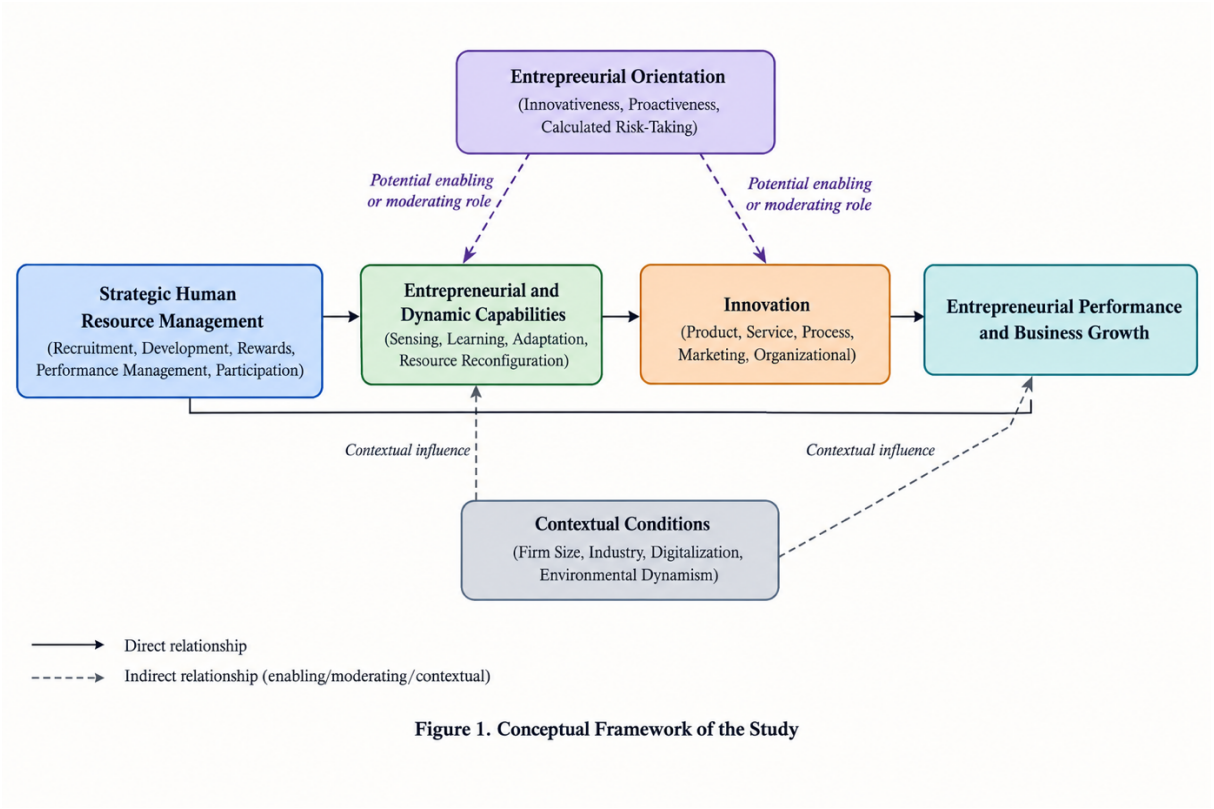

Figure 1. Conceptual Framework of the Study

Source: Developed by the authors based on the theoretical and empirical literature synthesized in this review.

The framework is intended as a synthesis framework for organizing and interpreting the literature, rather than as a claim that all pathways have already been conclusively demonstrated. During the review, the proposed relationships should be evaluated against the included studies, and the final framework should be revised if the evidence indicates alternative mechanisms or contextual boundaries.

2.5. Research Propositions

Because this study adopts a systematic literature review design, research propositions are more appropriate than statistical hypotheses unless the review is subsequently supplemented with a quantitative meta-analysis. The following propositions guide the synthesis and can be assessed through thematic coding and comparative analysis of the included studies.

Proposition 1 (P1): Strategic human resource management is positively associated with the

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development of entrepreneurial and dynamic capabilities.

This proposition is grounded in the RBV and AMO framework. Strategic recruitment, training, performance management, and employee participation can strengthen human capital and create opportunities for employees to contribute to organizational adaptation. Evidence from Nam and Luu (2022) and Ho et al. (2024) supports examining this relationship, while the review should distinguish between different HR practices and capability dimensions.

Proposition 2 (P2): Entrepreneurial and dynamic capabilities are positively associated with innovation performance in entrepreneurial firms. Dynamic capabilities can enable firms to identify emerging opportunities, acquire and integrate knowledge, and reconfigure resources to implement new products, services, and processes. Studies on SHRM and entrepreneurial orientation (Ho et al., 2024) and on SME innovation capabilities (Wongsansukcharoen & Thaweepaiboonwong, 2023) provide an empirical basis for examining this proposition.

Proposition 3 (P3): Innovation mediates the relationship between strategic human resource management and entrepreneurial performance. This proposition suggests that HRM may contribute to performance by enabling employees and organizations to develop and implement innovations. Evidence from studies of high-performance HRM practices and firm performance, as well as innovation-oriented HR practices in SMEs, supports investigating this mechanism. However, the review should differentiate innovation capability from realized innovation outcomes and examine whether mediation is direct, partial, or conditional.

Proposition 4 (P4): Entrepreneurial and dynamic capabilities contribute to entrepreneurial performance through innovation and related competitive mechanisms. The proposition integrates capability development with value creation. Capabilities may improve performance when they lead to implemented innovations, better competitive positioning, or more effective opportunity exploitation. Research on dynamic capabilities and SME performance and on entrepreneurial orientation, innovation, and network capability provides a basis for evaluating this relationship (Dejardin et al., 2022; Permatasari & Praswati, 2024).

Proposition 5 (P5): Entrepreneurial orientation strengthens the relationship between strategic human resource management, capability development, and innovation. Firms that encourage innovativeness, proactiveness, and calculated risk-taking may be more likely to deploy employee competencies toward opportunity exploration and innovation. Ho et al. (2024) provides direct relevance to this proposition. Nevertheless, the review should examine whether entrepreneurial orientation consistently acts as a moderator or whether some studies instead conceptualize it as an antecedent or mediator.

Proposition 6 (P6): The relationships among SHRM, capabilities, innovation, and business growth vary according to organizational and environmental conditions. Firm size, sector, digitalization, leadership, resource constraints, and environmental dynamism may influence the development and performance implications of SHRM. Evidence from SME research in different countries suggests that these contextual conditions should be treated as potential boundary conditions rather than assumed to be uniform across entrepreneurial firms. Taken together, these propositions establish a structured basis for the systematic review. They direct attention to the relationships among strategic HR practices, capability development, innovation, and entrepreneurial outcomes while preserving the distinction between relationships supported by empirical evidence and those that remain to be investigated. The final synthesis should report the degree of support for each proposition based on the eligible studies, explain contradictory findings, and identify priorities for future empirical research.

3. Research Methods

3.1. Research Design

This study adopts a systematic literature review (SLR) to examine how strategic human resource management (SHRM) contributes to entrepreneurial performance through capability development, innovation, and business growth. An SLR was selected because it provides a structured and transparent approach to identifying, evaluating, and synthesizing existing research, enabling the identification of established relationships, theoretical

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inconsistencies, and opportunities for future investigation. The review follows the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) 2020 reporting framework to document the identification, screening, eligibility assessment, and inclusion of relevant studies (Page et al., 2021).

The review is guided by five research questions: (1) Which SHRM practices are associated with entrepreneurial performance? (2) What organizational and dynamic capabilities explain the relationship between SHRM and entrepreneurial outcomes? (3) How does innovation contribute to the translation of SHRM practices into business performance and growth? (4) Which organizational and environmental conditions influence these relationships? and (5) What theoretical and methodological directions should guide future research? These questions provide the analytical foundation for the literature search, study selection, data extraction, and thematic synthesis.

The study employs a qualitative evidence-synthesis approach supported by descriptive bibliographic analysis. Qualitative synthesis is appropriate because the included studies are expected to differ in theoretical perspectives, research settings, measurement approaches, and reported outcomes. Rather than statistically aggregating heterogeneous findings, the review compares their conceptual arguments and empirical results to develop an integrated explanatory framework.

3.2. Information Sources and Search Strategy

The literature search will focus on peer-reviewed journal articles indexed in Scopus and Web of Science. These databases are selected to identify scholarly research in strategic human resource management, entrepreneurship, innovation management, organizational capabilities, and business performance. Where necessary, reference lists of eligible articles and relevant systematic reviews will be examined to identify additional studies that may not have been captured by the initial database searches. The review period covers publications from January 2021 to October 2026, with the final search date recorded when the search is conducted. This period is intended to capture recent developments in SHRM and entrepreneurship while maintaining sufficient coverage of contemporary theoretical and empirical research. Earlier foundational publications may be discussed in the theoretical background, but they will not automatically be included in the primary evidence synthesis unless the eligibility criteria are explicitly extended.

3.3. Eligibility Criteria and Study Selection

The eligibility criteria are designed to ensure that the selected publications directly address the relationship between SHRM, organizational capabilities, innovation, entrepreneurial performance, or business growth. Studies will be selected according to their relevance to the research questions, publication characteristics, methodological transparency, and contribution to the proposed conceptual framework.

Studies will be eligible for inclusion if they meet the following criteria: (1) they are peer-reviewed journal articles published between 2021 and 2026; (2) they are written in English; (3) they investigate SHRM, HRM practices, or closely related strategic human resource systems in an entrepreneurial or organizational context; (4) they examine at least one relevant mechanism or outcome, including dynamic capabilities, entrepreneurial orientation, innovation, competitive advantage, firm performance, or business growth; and (5) they provide sufficient conceptual or empirical information to support systematic data extraction and synthesis.

Studies will be excluded if they are duplicates, conference abstracts without sufficient research information, editorials, book reviews, dissertations, non-peer-reviewed publications, or articles outside the specified publication period. Publications that discuss human resource management without a meaningful connection to entrepreneurship, organizational capabilities, innovation, or business outcomes will also be excluded. Articles for which the full text cannot be obtained after reasonable retrieval attempts will be recorded separately and excluded from the final synthesis if their eligibility cannot be established.

The selection process will consist of four stages: identification, deduplication, title-and-abstract screening, and full-text eligibility assessment. Titles and abstracts will initially be examined against the predefined criteria. Potentially relevant articles will then undergo full-text assessment. Reasons for exclusion at the full-text stage will be recorded.

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Ideally, two reviewers will independently assess eligibility and resolve disagreements through discussion; unresolved disagreements may be referred to a third reviewer. If independent screening is not feasible, the actual screening arrangement and verification procedures will be reported transparently rather than presenting a two-reviewer process that was not performed. The numbers of records identified, duplicates removed, records screened, full-text articles assessed, and studies included in the final synthesis will be reported using a PRISMA 2020 flow diagram (Page et al., 2021).

3.4. Data Extraction and Classification

A structured data-extraction form will be developed to ensure consistency across the selected studies. The extraction process will capture the information necessary to compare the theoretical foundations, methodological characteristics, explanatory mechanisms, and reported outcomes of the included publications.

The following information will be extracted from each eligible study: author(s) and publication year; article title; journal name; country or geographical setting; industry and organizational context; research objectives; theoretical framework; research design; sample characteristics; data collection and analytical techniques; SHRM practices examined; organizational and dynamic capabilities; innovation-related constructs; entrepreneurial orientation; performance and growth indicators; principal findings; limitations; and recommendations for future research.

The extracted information will be organized into a comparative evidence matrix. Studies will be classified according to their principal contribution to the SHRM–entrepreneurial performance relationship. The primary analytical categories will include SHRM practices, human capital development, employee motivation and participation, organizational learning, dynamic capabilities, entrepreneurial orientation, innovation mechanisms, competitive advantage, financial performance, nonfinancial performance, and business growth.

The classification process will distinguish between theoretical propositions and empirically tested relationships. It will also differentiate innovation capability from realized innovation outcomes and distinguish entrepreneurial orientation from entrepreneurial performance. This distinction is necessary because the capacity to innovate, the implementation of innovations, and the financial or market outcomes generated by those innovations represent related but conceptually different phenomena.

3.5. Methodological Quality Appraisal

The methodological quality of the included studies will be assessed to support a critical interpretation of the available evidence. Quality appraisal will consider the clarity of research objectives, appropriateness of the research design, transparency of sampling and data collection, validity of measurement instruments where applicable, suitability of analytical procedures, alignment between findings and conclusions, and acknowledgment of methodological limitations.

For empirical quantitative studies, particular attention will be given to construct measurement, sampling adequacy, potential common-method bias, analytical assumptions, and the extent to which the research design supports the conclusions drawn. For qualitative studies, the assessment will consider the transparency of data collection and analysis, the credibility of interpretations, and the connection between evidence and conclusions. For systematic reviews, the assessment will consider the transparency of the search strategy, eligibility criteria, study selection, and synthesis procedures.

Methodological quality will be recorded in a structured appraisal matrix. Any appraisal instrument used will be selected according to the designs represented in the final sample, and its name and assessment criteria will be reported explicitly. Quality judgments will inform the interpretation and weighting of evidence rather than automatically excluding studies solely because of a numerical score. The review will distinguish findings supported by comparatively robust designs from findings based on more limited evidence.

3.6. Data Analysis and Thematic Synthesis

The extracted data will be analyzed through thematic synthesis and structured comparative analysis. Thematic synthesis is appropriate for identifying recurring mechanisms, relationships, contextual conditions, and theoretical patterns across studies that differ in design and measurement. The

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analysis will proceed through three interconnected stages.

First, **descriptive analysis** will summarize the distribution of publications by year, geographical setting, industry, research design, theoretical perspective, and principal research focus. This stage will provide an overview of the development and coverage of the research field. Second, **thematic coding** will identify recurring concepts and relationships within the extracted findings. Initial coding categories will be informed by the review questions and theoretical foundations, including the resource-based view, the ability–motivation–opportunity framework, dynamic capabilities theory, and entrepreneurial orientation. Additional categories will be developed inductively when the included studies reveal relevant mechanisms or contextual conditions not adequately captured by the initial framework.

Third, **comparative synthesis** will examine similarities, differences, and contradictions across the included studies. Particular attention will be given to the proposed pathways linking SHRM with entrepreneurial performance: the direct contribution of HR practices; the development of organizational and dynamic capabilities; the role of innovation in translating capabilities into business outcomes; and the influence of entrepreneurial orientation and contextual conditions. Findings will also be compared across industries, organizational sizes, countries, and research designs where the available evidence permits meaningful comparisons.

The resulting synthesis will be used to evaluate the six research propositions developed in the literature review. Each proposition will be classified according to whether the evidence predominantly supports it, provides mixed or context-dependent support, contradicts it, or remains insufficient for a clear conclusion. This classification will be based on the consistency, relevance, and methodological quality of the evidence rather than on a simple count of statistically significant findings.

The synthesis will subsequently inform the refinement of the conceptual framework. Relationships will be represented as established empirical patterns only when supported by the included studies. Other relationships will be presented as tentative explanations or priorities for future testing. No meta-analysis will be conducted unless a sufficiently comparable set of quantitative studies reports compatible constructs, outcome measures, and statistical estimates.

3.7. Reliability, Transparency, and Trustworthiness

Several procedures will be used to strengthen the reliability and transparency of the review. First, the search strategy and eligibility criteria will be specified before the final screening process. Second, duplicate records will be removed and the reasons for full-text exclusions documented. Third, the data-extraction form and coding categories will be applied consistently across eligible studies. Fourth, interpretations of the evidence will be checked against the original articles to reduce the risk of misclassification or overstatement.

Where two reviewers participate, independent screening and extraction checks will be used to identify disagreements. Differences in coding or interpretation will be resolved through discussion, and any changes to the coding framework will be documented. Where only one reviewer conducts the review, this limitation will be disclosed and additional verification procedures will be described accurately. The review will maintain an audit trail of database searches, screening decisions, extracted information, quality assessments, and thematic interpretations. A study-level evidence matrix will be retained to connect each principal conclusion with its supporting publications. These procedures are intended to make the synthesis traceable, reproducible, and open to critical evaluation.

3.8. Ethical Considerations

This study synthesizes previously published research and does not involve direct recruitment of human participants, experimental interventions, or the collection of identifiable primary participant data. Accordingly, formal informed consent is not applicable to the review itself, subject to the institutional and journal requirements governing the authors' research activities.

Academic integrity will be maintained through accurate attribution of original studies, appropriate citation, and faithful representation of the findings and limitations reported by the original authors. The review will avoid selective reporting, unsupported causal claims, and the misrepresentation of theoretical propositions as established empirical results. Bibliographic records

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and extracted research information will be retained for verification and transparent reporting.

3.9. Research Procedure and Reporting

The review will follow a sequential procedure consisting of research-question formulation, protocol development, database selection, search-string construction, literature identification, duplicate removal, title-and-abstract screening, full-text eligibility assessment, methodological quality appraisal, data extraction, thematic synthesis, and conceptual framework development.

The review will be reported in accordance with the applicable PRISMA 2020 items. A completed flow diagram will present the number of records at each stage, while a study-characteristics table will summarize the principal features of the included publications. The results section will organize the findings around the research questions, major themes, and research propositions, with supporting citations provided for the principal interpretations.

The review protocol, final search strategies, and data-extraction framework will be retained as methodological documentation. If the protocol is registered or made publicly available, the registration details or repository link will be reported. If no registration or publicly accessible protocol exists, this will be stated explicitly.

3.10. Methodological Limitations

Several methodological limitations may affect the scope and interpretation of this review. First, restricting the primary search to Scopus and Web of Science may omit relevant studies indexed in other databases. Reference-list searching can partially mitigate this limitation, but it cannot guarantee complete coverage of the literature.

Second, the review's restriction to English-language journal articles published between 2021 and 2026 may introduce language and publication biases and exclude relevant earlier theoretical developments. Foundational studies will therefore be used to establish the theoretical background where appropriate, while the primary synthesis will remain consistent with the predefined publication criteria.

Third, the expected heterogeneity of research designs, organizational settings, and measurement approaches may limit direct comparisons between studies. Thematic synthesis can identify recurring explanatory mechanisms, but it cannot establish a common causal effect across heterogeneous studies. In particular, cross-sectional evidence and self-reported performance measures may limit conclusions about temporal ordering and causality.

Finally, the conclusions will depend on the quality, coverage, and reporting practices of the available literature. The review will therefore distinguish consistent empirical patterns from context-dependent findings and unresolved propositions. Future research should consider longitudinal designs, multi-source data, comparative cross-country studies, and appropriately designed quantitative meta-analyses to strengthen the evidence concerning the mechanisms linking SHRM with entrepreneurial performance and business growth.

4. Results and Discussion

4.1. Research Results

This section presents the results of the systematic literature review on the relationship between strategic human resource management (SHRM) and entrepreneurial performance, with particular emphasis on organizational capabilities, innovation, and business growth. The synthesis is organized around the research questions and the conceptual foundations established in the preceding sections. It examines the principal SHRM practices identified in the literature, the organizational mechanisms through which human resources may contribute to entrepreneurial outcomes, the role of innovation in converting organizational capabilities into business value, and the contextual conditions that influence these relationships.

The findings are organized into five analytical dimensions: (1) the characteristics and coverage of the reviewed literature; (2) the principal SHRM practices associated with entrepreneurial outcomes; (3) the capabilities and innovation mechanisms connecting SHRM with performance; (4) the financial and nonfinancial dimensions of entrepreneurial performance; and (5) the synthesis of the research propositions. The analysis distinguishes between direct relationships, indirect mechanisms, and contextual conditions to avoid treating all relationships as equivalent or assuming that every proposed pathway has already been empirically established.

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Because the final bibliographic dataset and study-level extraction matrix must be generated from the completed database searches, numerical distributions and frequencies are not reported here as verified findings. The following synthesis constitutes a structured analytical draft based on the studies discussed in the literature review. The final version should be reconciled with the eligible articles, their reported findings, and the completed PRISMA 2020 selection process.

4.1.1. Characteristics and Coverage of the Reviewed Literature

The literature reviewed in the preceding sections covers several interrelated research streams, including strategic human resource management, entrepreneurial orientation, dynamic capabilities, innovation performance, and SME growth. These streams differ in their theoretical emphasis and analytical focus, but collectively provide a foundation for understanding how human resource practices may contribute to entrepreneurial outcomes.

The studies discussed in the literature review can be provisionally classified into four principal research streams. The first examines HRM practices as determinants of human capital development, employee participation, and organizational performance. The second focuses on dynamic and organizational capabilities as mechanisms through which firms respond to environmental changes. The third investigates innovation as an intermediate mechanism connecting human resource practices and entrepreneurial resources with organizational outcomes. The fourth examines entrepreneurial orientation, competitive strategy, and contextual factors as potential antecedents or boundary conditions of performance.

Table 1 presents a classification framework for organizing the eligible studies. This framework is intended to support the descriptive analysis once the final review dataset has been established.

Table 1. Analytical Classification of Studies on SHRM and Entrepreneurial Performance

Research stream	Principal focus	Relevant constructs	Analytical contribution
Strategic HRM and human capital	Strategic alignment of employee-related practices	Recruitment, training, performance management, compensation, employee participation	Explains how HR practices develop and mobilize human capital
Organizational and dynamic capabilities	Adaptation and resource deployment	Opportunity sensing, learning, knowledge integration, resource reconfiguration	Explains how human resources support organizational adaptation
Innovation and knowledge management	Conversion of knowledge into implemented improvements	Innovation capability, knowledge sharing, product innovation, process innovation	Explains how employee knowledge may generate new business value
Entrepreneurial orientation and strategy	Strategic pursuit of opportunities	Innovativeness, proactiveness, risk-taking, competitive strategy	Explains how entrepreneurial posture influences resource deployment
Entrepreneurial performance and growth	Financial and nonfinancial outcomes	Sales growth, profitability, productivity, market expansion, business continuity	Establishes the outcomes against which SHRM-related mechanisms are evaluated
Contextual and environmental conditions	Variation across firms and environments	Firm size, industry, leadership, digitalization, resource constraints, environmental dynamism	Identifies conditions that may strengthen or weaken the relationships

Source: Authors' analytical classification based on the literature reviewed; final classifications should be verified against the included studies.

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The classification indicates that the research problem extends beyond a simple relationship between HRM practices and firm performance. The literature encompasses employee-level resources, organizational-level capabilities, innovation processes, strategic orientations, and business-level outcomes. Consequently, a comprehensive synthesis needs to distinguish these analytical levels while explaining how they interact.

A further distinction concerns the nature of the evidence. Some studies examine relationships among SHRM, entrepreneurial orientation, dynamic capabilities, and innovation, whereas others focus on the relationship between HR practices and productivity, innovation performance, or general firm performance. Systematic reviews address broader conceptual patterns, while empirical studies provide evidence from specific countries, industries, and organizational settings. These forms of evidence are complementary but should not be treated as interchangeable.

4.1.2. Principal SHRM Practices Associated with Entrepreneurial Outcomes

The literature discussed in this review identifies several HRM practices that are potentially relevant to entrepreneurial performance. These practices include strategic recruitment and selection, employee training and development, performance management, compensation and rewards, employee participation, and knowledge sharing. Their strategic significance lies in their ability to develop employee competencies and create organizational conditions in which those competencies can be applied to entrepreneurial activities.

Table 2. SHRM Practices and Their Potential Contribution to Entrepreneurial Performance

SHRM practice	Primary organizational mechanism	Potential entrepreneurial outcome	Important condition
Strategic recruitment and selection	Acquisition of relevant knowledge, skills, experience, and entrepreneurial competencies	Improved opportunity recognition and execution	Alignment between recruitment criteria and business strategy
Training and development	Development of technical, managerial, digital, and problem-solving competencies	Improved productivity, innovation, and adaptability	Relevance of training to actual business needs
Performance management	Alignment of employee contributions with strategic and operational objectives	Improved execution, accountability, and performance	Appropriate performance indicators and feedback
Compensation and rewards	Motivation to contribute, experiment, and achieve strategic targets	Increased innovation-related effort and productivity	Fairness and alignment with desired behavior
Employee participation	Access to employee knowledge and involvement in decision-making	Improved problem-solving and organizational learning	Genuine participation and managerial responsiveness
Knowledge sharing	Dissemination and integration of knowledge across employees and functions	Innovation development and organizational adaptation	Trust, communication, and supporting organizational routines
Flexible job design	Redeployment of employee competencies across changing tasks	Greater adaptability and responsiveness	Sufficient employee competence and operational flexibility

Source: Authors' synthesis of the theoretical and empirical literature discussed in the review. The outcomes represent analytical relationships to be checked against the final evidence matrix.

The studies discussed by Nam and Luu (2022) and Aslam et al. (2023) provide a basis for examining how HRM practices relate to human capital quality, productivity, and innovation-related

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outcomes. Wongsansukcharoen and Thaweepaiboonwong (2023) further emphasize the importance of innovative HR practices in relation to innovation capabilities, competitive advantage, and SME performance. Collectively, these studies support treating SHRM as a system of related practices rather than as a single managerial intervention.

The classification also indicates that individual practices may perform different functions. Recruitment and training primarily influence the acquisition and development of employee competencies. Performance management and rewards influence the direction and motivation of employee contributions. Participation and knowledge sharing create opportunities for employees to apply and exchange their knowledge. The potential entrepreneurial value of SHRM therefore depends on the coordination of these functions.

The analytical implication is that the presence of a particular HR practice does not, by itself, establish that entrepreneurial performance will improve. The practice must be aligned with strategic objectives and implemented in a way that enables employees to contribute to organizational learning, innovation, and business development. This distinction is important for interpreting the evidence and for avoiding the assumption that every HR practice produces identical outcomes across firms.

4.1.3. Organizational and Dynamic Capabilities as Explanatory Mechanisms

A central theme in the literature is the role of organizational and dynamic capabilities in translating employee resources into strategic outcomes. Human capital represents a potentially valuable resource, but its contribution depends on the firm's ability to recognize opportunities, integrate knowledge, coordinate activities, and reconfigure resources in response to changing conditions.

The literature discussed by Apascaritei and Elvira (2022) highlights the relevance of knowledge building, social integration, and resource reconfiguration to HRM dynamic capabilities. Ho et al. (2024) examine the relationships among SHRM, entrepreneurial orientation, dynamic capabilities, and innovation in SMEs. Research on dynamic capabilities and SME performance, including Dejardin et al. (2022), further emphasizes the importance of organizational adaptation under conditions of uncertainty.

Table 3. Capability Mechanisms Connecting SHRM with Entrepreneurial Outcomes

Capability dimension	Description	Relevant SHRM contribution	Potential innovation or performance outcome
Opportunity sensing	Identifying market changes, customer needs, and emerging opportunities	Recruitment, training, employee participation, external knowledge acquisition	Earlier identification of business opportunities
Opportunity seizing	Evaluating and mobilizing resources to pursue viable opportunities	Performance management, cross-functional collaboration, strategic incentives	Improved implementation of entrepreneurial initiatives
Organizational learning	Acquiring, sharing, interpreting, and applying knowledge	Training, knowledge sharing, feedback, employee involvement	Improved problem-solving and innovation development
Resource reconfiguration	Redeploying people, skills, routines, and resources as conditions change	Flexible job design, reskilling, strategic workforce planning	Improved adaptability and resource utilization
Knowledge integration	Combining knowledge across employees, teams, and organizational functions	Team-based work, employee participation, collaborative learning	More effective development and implementation of innovations
Adaptive capability	Adjusting operational and managerial practices to changing environments	Continuous development, performance feedback, flexible work arrangements	Greater organizational resilience and responsiveness

Source: Authors' synthesis informed by dynamic capabilities theory and the studies discussed in the literature review.

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The capability perspective provides a bridge between SHRM and entrepreneurial outcomes. Recruitment and development may strengthen the knowledge available to the firm, while employee participation and knowledge-sharing arrangements may help integrate that knowledge into organizational decisions. Flexible job design and reskilling may then facilitate the redeployment of resources when market conditions or strategic priorities change.

Nevertheless, the capability mechanisms are not identical. Opportunity sensing concerns the identification of changes and possibilities, whereas opportunity seizing concerns the mobilization of resources to pursue them. Resource reconfiguration concerns the adjustment of the firm's resource base and organizational routines. Organizational learning and knowledge integration support these processes but should not automatically be equated with dynamic capabilities in their entirety.

The reviewed research therefore supports analyzing capabilities as a set of related but distinguishable mechanisms. The extent to which each mechanism contributes to entrepreneurial performance must be established through study-level evidence rather than inferred solely from theoretical similarity.

4.1.4. Innovation as a Mechanism Connecting SHRM and Performance

Innovation emerges as a major theme in the literature because it represents a process through which employee knowledge and organizational capabilities may be converted into new or improved products, services, processes, and business practices. However, the literature requires a distinction between innovation capability, innovation implementation, and innovation performance.

Innovation capability refers to the capacity to generate and develop ideas or improvements. Innovation implementation concerns the actual introduction of new or improved offerings or processes. Innovation performance concerns the results achieved through these activities, which may include product improvements, process efficiency, market acceptance, or commercial success.

Table 4. Innovation Mechanisms and Their Relationship with Entrepreneurial Outcomes

Innovation dimension	Mechanism	Illustrative indicators	Relationship to business outcomes
Product innovation	Development or improvement of goods and services	New products, improved features, new service offerings	Potential revenue growth and market differentiation
Process innovation	Improvement of operational and production activities	Reduced production time, lower operating costs, improved quality	Potential productivity and profitability gains
Marketing innovation	Changes in market access and customer engagement	New distribution approaches, market positioning, customer acquisition methods	Potential market expansion and customer growth
Organizational innovation	Introduction of new managerial or organizational practices	Revised workflows, collaborative structures, new coordination mechanisms	Potential improvements in adaptability and execution
Innovation capability	Ability to generate, develop, and implement new ideas	Idea development, experimentation, knowledge application	Creates conditions for future innovation outcomes
Innovation performance	Results attributable to implemented innovations	Innovation output, implementation success, customer acceptance	Provides an intermediate indicator of value creation

Source: Authors' synthesis of the literature on innovation and organizational performance.

The literature discussed by Wongsansukcharoen and Thaweepaiboonwong (2023) provides a basis for examining innovation capabilities and competitive advantage as mechanisms associated with SME performance. The study of high-performance HRM practices published in Heliyon in 2023, as described in the literature review, also identifies innovation as a mediating

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mechanism between HRM practices and firm performance. These studies support examining innovation as more than a final outcome of HR-related initiatives.

The analytical pattern is consistent with a capability-based explanation. SHRM may contribute to the development of employee competencies and collaborative conditions; organizational capabilities may facilitate the integration and application of knowledge; and innovation may translate these resources into improvements that are potentially valuable to customers and the firm. The resulting performance implications depend on whether innovations are implemented effectively and produce economic or operational benefits.

Innovation should not, however, be assumed to guarantee business growth. New products may fail to attract sufficient demand, process innovations may require substantial initial investment, and innovative activities may not generate immediate financial returns. Therefore, the review distinguishes innovation-related outcomes from downstream business performance and treats the relationship between them as an empirical question.

4.1.5. Dimensions of Entrepreneurial Performance and Business Growth

The literature employs different indicators to represent organizational and entrepreneurial outcomes. These include innovation performance, labor productivity, value added, profitability, sales development, competitive advantage, and general firm performance. Although related, these indicators capture different aspects of organizational success.

For this review, entrepreneurial performance is conceptualized as a multidimensional outcome that encompasses the effectiveness of opportunity exploitation and the resulting financial and nonfinancial benefits. Business growth is treated as a related but distinguishable dimension, referring to changes in the scale or reach of business activities over time.

Table 5. Analytical Dimensions of Entrepreneurial Performance

Performance dimension	Illustrative indicators	Analytical meaning	Interpretive consideration
Financial performance	Profitability, revenue, return on investment, financial efficiency	Economic results of business activities	May be influenced by market conditions and investment timing
Growth performance	Sales growth, customer growth, market expansion, business scale	Expansion of business activities	Requires comparison over an appropriate time period
Innovation performance	New product introductions, process improvements, successful innovation implementation	Results of innovation-related activities	Innovation output does not necessarily imply immediate profitability
Operational performance	Labor productivity, quality, cost efficiency, process effectiveness	Efficiency and effectiveness of operations	May improve before revenue or market share changes
Market performance	Market share, customer acquisition, competitive positioning	Firm's position relative to competitors and customers	Depends on industry conditions and market structure
Resilience and continuity	Business survival, adaptability, continuity of operations	Capacity to maintain or restore business activities	Requires longitudinal or otherwise appropriate evidence

Source: Authors' analytical framework developed from the reviewed performance literature.

The classification clarifies why studies reporting different outcomes may reach different conclusions without necessarily contradicting one another. A study may identify improvements in productivity but no immediate change in profitability, while another may observe growth in innovation performance without examining longer-term business expansion. Such findings should be interpreted according to the outcome measured, the observation period, and the characteristics of the sample.

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This distinction is particularly relevant to SMEs and entrepreneurial firms, where resource constraints and changing market conditions may influence the timing of returns from HR and innovation investments. The review therefore treats financial performance, growth, innovation, and resilience as connected but noninterchangeable outcomes.

4.1.6. Entrepreneurial Orientation and Contextual Conditions

Entrepreneurial orientation (EO) represents another important theme in the reviewed literature. It commonly concerns innovativeness, proactiveness, and risk-taking and describes how firms approach opportunities and strategic decisions. EO differs conceptually from entrepreneurial performance because a firm's entrepreneurial posture is not itself evidence of successful business outcomes.

The literature discussed by Ho et al. (2024) connects SHRM and entrepreneurial orientation with dynamic capabilities and innovation. Yang and Aumeboonsuke (2022) examine entrepreneurial orientation in relation to firm performance and the roles of competitive strategy and knowledge creation. Permatasari and Praswati (2024) investigate innovation and network capability in the relationship between entrepreneurial orientation and performance in the Indonesian woodworking industry.

These studies provide a basis for examining whether entrepreneurial orientation functions as an antecedent, moderator, mediator, or complementary strategic construct. Its role should not be presumed to be identical across studies because different theoretical models may position it differently.

Table 6. Contextual Conditions Potentially Influencing the SHRM–Performance Relationship

Contextual condition	Potential influence	Implication for evidence synthesis
Firm size and organizational maturity	Influences the availability of formal HR systems and managerial resources	Distinguish microenterprises, SMEs, and larger firms where possible
Industry characteristics	Influences the type of innovation, skills, and competitive pressures required	Compare industries only when sufficient evidence is available
Environmental dynamism	Influences the importance of sensing, adaptation, and resource reconfiguration	Examine whether capabilities are more relevant under uncertainty
Digitalization	Changes the availability of information, work processes, and innovation opportunities	Distinguish digital tools from broader organizational capabilities
Leadership	Influences employee participation, experimentation, and implementation	Examine leadership as a potential enabling or constraining condition
Financial and resource constraints	Limit training, innovation investment, and the ability to exploit opportunities	Consider whether resource availability conditions performance outcomes
National and institutional context	Shapes labor practices, market conditions, financing, and business support	Avoid generalizing findings from one country to all entrepreneurial firms

Source: Authors' synthesis of the contextual issues discussed in the reviewed literature.

The contextual classification indicates that the relationship between SHRM and entrepreneurial performance should be evaluated in relation to organizational and environmental conditions. Formal HR practices may operate differently in firms with established management systems compared with microenterprises relying on informal coordination. Similarly, innovation investments may have different implications in stable and highly dynamic markets.

These conditions are treated as potential boundary conditions rather than universal determinants. Their actual moderating or explanatory roles must be established from the findings of the eligible studies.

4.1.7. Synthesis of Research Propositions

The six propositions developed in the literature review provide a structured basis for integrating the evidence. Their assessment requires distinguishing conceptual plausibility from direct empirical support and considering whether studies examine the same constructs and relationships.

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Table 7. Preliminary Synthesis of Research Propositions

Proposition	Proposed relationship	Evidence to be examined	Status of the present synthesis
P1	SHRM is positively associated with entrepreneurial and dynamic capabilities	Studies examining HR practices and capability development	Supported as a theoretical expectation; direct empirical support must be verified across included studies
P2	Entrepreneurial and dynamic capabilities are positively associated with innovation performance	Studies linking sensing, learning, adaptation, resource reconfiguration, and innovation	Supported as a theoretical expectation; consistency and strength of empirical evidence remain to be established
P3	Innovation mediates the relationship between SHRM and entrepreneurial performance	Studies directly testing indirect effects through innovation	Requires explicit examination of mediation results and alternative mechanisms
P4	Entrepreneurial and dynamic capabilities contribute to performance through innovation and related competitive mechanisms	Studies examining indirect capability–innovation–performance pathways	Requires comparison of tested pathways and measured outcomes
P5	Entrepreneurial orientation strengthens the relationships among SHRM, capability development, and innovation	Studies testing EO as a moderator or examining equivalent conditional effects	Role must be determined from the specific model and empirical results of each study
P6	The relationships among SHRM, capabilities, innovation, and growth vary across organizational and environmental conditions	Comparative, interaction, and subgroup evidence	Context dependence is theoretically plausible; the specific boundary conditions require verification

Source: Authors' preliminary proposition matrix. Final status classifications must be based on the completed study-level evidence synthesis.

The proposition matrix highlights that the proposed framework contains relationships that require different types of evidence. P1 and P2 concern associations between strategic HRM, capabilities, and innovation. P3 and P4 require evidence about indirect pathways or mediation. P5 requires evidence that entrepreneurial orientation changes the strength or direction of a relationship, rather than merely being associated with performance. P6 requires evidence of differences across contexts or statistically and conceptually substantiated boundary conditions.

Consequently, proposition assessment should not be based solely on whether individual studies report statistically significant relationships. The direction, operationalization, research design, and methodological quality of each study must also be considered. The final review should report whether each proposition is supported, partially supported, mixed, contradicted, or unresolved based on the accumulated evidence.

4.1.8. Integrated Conceptual Synthesis

The preceding results establish the analytical basis for an integrated framework linking SHRM with entrepreneurial performance and business growth. The framework differentiates the strategic inputs provided by HR practices, the capabilities through which resources are mobilized, the innovation processes through which knowledge is applied, and the business outcomes that may result.

The proposed synthesis contains four interconnected layers. The first comprises SHRM practices that develop employee competencies, motivation, and opportunities to contribute. The second comprises entrepreneurial and dynamic

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capabilities that enable firms to recognize opportunities, integrate knowledge, learn, and reconfigure resources. The third comprises innovation activities and their implementation. The fourth comprises entrepreneurial performance and business growth, including financial, operational, market, and continuity-related outcomes.

Entrepreneurial orientation is positioned as a potential strategic condition influencing the deployment of resources and capabilities. Environmental dynamism, leadership, digitalization, firm size, and resource availability are considered potential contextual conditions. The framework also allows for a direct relationship between SHRM and performance because improved competencies, retention, coordination, and productivity may generate benefits without necessarily passing through a measured innovation outcome.

4.2. Research Discussion

4.2.1. Interpretation of the Principal Findings

The central insight emerging from the preliminary synthesis is that the relationship between SHRM and entrepreneurial performance is best examined as a multilevel process rather than as a simple direct relationship between HR practices and business results. Human resource practices influence the competencies, motivation, and opportunities available to employees, while organizational capabilities influence how those resources are integrated, adapted, and deployed. Innovation then represents one possible mechanism through which these capabilities generate value for the firm.

This interpretation provides a more differentiated explanation of the SHRM–performance relationship. The adoption of strategic HR practices is not equivalent to the achievement of entrepreneurial success. HR practices may establish the conditions necessary for employee contributions, but those contributions must be coordinated with organizational priorities and translated into operational improvements, implemented innovations, or effective opportunity exploitation.

The distinction between resources, capabilities, innovation, and outcomes is particularly important. Employee knowledge represents a resource; the ability to combine and redeploy that knowledge represents a capability; an implemented product or process improvement represents an innovation outcome; and the resulting increase in profitability, productivity, or market expansion represents a business outcome. Treating these stages as separate analytical constructs makes it possible to identify where the conversion of HR investments into entrepreneurial value may be constrained.

The findings also suggest that entrepreneurial performance should not be reduced to a single financial indicator. Innovation, productivity, competitive positioning, business growth, and continuity capture different dimensions of organizational success. A firm may develop a new product without achieving immediate profitability, or it may improve operational efficiency before experiencing substantial revenue growth. A multidimensional approach is therefore necessary to explain both immediate and longer-term entrepreneurial outcomes.

These conclusions should be understood as the organizing interpretation of the literature discussed in the manuscript. Their status as findings of the completed systematic review depends on verification against the final set of eligible studies and the evidence extracted from them.

4.2.2. SHRM as a Strategic Resource System: Implications for the Resource-Based View

The resource-based view (RBV) provides a foundational explanation for why human resources may contribute to competitive advantage. Barney (1991) argues that the strategic implications of resources depend on their characteristics and their ability to support valuable and defensible positions. In the context of entrepreneurial firms, employees' knowledge, experience, problem-solving abilities, and relationships can represent important resources, particularly when the organization depends on specialized competencies and close employee involvement in business activities.

However, the RBV alone does not fully explain how employee resources are converted into entrepreneurial outcomes. Possessing skilled employees does not guarantee that a firm will identify viable opportunities, coordinate its activities, or implement successful innovations. The strategic contribution of SHRM therefore depends on the organizational arrangements through which human resources are developed and deployed.

The studies discussed by Nam and Luu (2022) and Aslam et al. (2023) are relevant to this argument because they examine HRM practices in

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relation to organizational capital, productivity, innovation, and SME performance. Their relevance lies in the connection between employee-related practices and organizational outcomes, although the specific mechanisms and degree of support must be evaluated from the original empirical results.

From an RBV perspective, recruitment and training may strengthen the stock of human capital available to the firm. Performance management and rewards may align employee contributions with strategic objectives, while participation and knowledge sharing may enable the organization to apply employee knowledge more effectively. The potential advantage arises not necessarily from adopting a single practice but from developing a coherent system of mutually reinforcing practices.

This interpretation also suggests an important qualification. HR practices that are effective in one organization may not automatically produce equivalent benefits elsewhere. Their value depends on strategic fit, implementation quality, employee responses, and the firm's capacity to deploy the resulting resources. Thus, the RBV is strengthened when combined with an explanation of the organizational processes that convert human resources into business value.

4.2.3. The AMO Framework and the Organizational Deployment of Human Capital

The ability–motivation–opportunity (AMO) framework offers a complementary explanation of the behavioral mechanisms connecting SHRM with organizational outcomes. It proposes that employee contributions depend on employees' abilities, their motivation to apply those abilities, and the opportunities they have to participate in relevant activities.

The ability dimension is associated with recruitment, selection, training, and professional development. These practices can help ensure that employees possess the competencies needed to perform their roles and respond to business challenges. The motivation dimension concerns the incentives, feedback, recognition, and performance-management arrangements that encourage employees to apply their competencies. The opportunity dimension concerns employee participation, autonomy, communication, and access to collaborative processes through which knowledge can be used.

In entrepreneurial firms, these dimensions may be particularly interdependent. Employees may possess substantial technical knowledge but contribute little to innovation if they lack incentives or opportunities to share ideas. Conversely, employees may be encouraged to innovate but lack the skills, information, or resources needed to implement their ideas. An integrated HR system therefore needs to address ability, motivation, and opportunity together.

The AMO perspective helps explain why individual HR practices should not be evaluated exclusively in isolation. Training may be more effective when employees can apply new knowledge to business problems. Performance incentives may have greater value when they encourage appropriate collaboration and experimentation rather than only short-term output. Participation mechanisms may be more productive when employees have relevant competencies and management responds constructively to their contributions.

The implications for entrepreneurial performance are consequently conditional. HR practices can establish the conditions for innovation and organizational improvement, but their effectiveness depends on how they interact with employee behavior and the organizational environment. This extends the analysis beyond the question of which HR practices are present to the question of how those practices enable meaningful employee contributions.

4.2.4. Dynamic Capabilities as a Bridge Between SHRM and Entrepreneurial Performance

Dynamic capabilities theory provides an explanation of how firms adapt their resource bases and organizational routines as environments change. Teece (2007) distinguishes the processes of sensing opportunities and threats, seizing opportunities, and transforming or reconfiguring resources. These processes are particularly relevant to entrepreneurial firms because opportunity exploitation often requires the rapid adjustment of competencies, activities, and resource allocations.

The literature discussed by Apascaritei and Elvira (2022) is relevant to the development of this argument because it examines HRM dynamic capabilities through knowledge building, social integration, and resource reconfiguration. Ho et al. (2024) similarly provides a basis for investigating the

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interaction of SHRM, entrepreneurial orientation, dynamic capabilities, and innovation.

The theoretical relationship can be explained through the distinct contributions of HR practices. Recruitment and development may expand the knowledge base that supports opportunity sensing. Employee participation and knowledge-sharing arrangements may facilitate the interpretation of market information and the coordination of opportunity-seizing decisions. Reskilling, flexible job design, and workforce planning may support the reconfiguration of resources when the firm changes its products, processes, or strategic priorities.

These mechanisms should nevertheless be distinguished from routine operational effectiveness. A firm may improve productivity through better task allocation without necessarily developing the ability to reconfigure its resource base in response to substantial environmental change. Dynamic capabilities concern the firm's capacity to adapt and renew its resource configuration, not simply its ability to execute existing activities efficiently.

This distinction has implications for interpreting performance evidence. Studies reporting improved productivity or general firm performance do not automatically establish the presence of dynamic capabilities. Direct support requires evidence that the relevant capabilities are measured or analyzed, or that the proposed adaptation mechanism is clearly demonstrated.

The contribution of this review is therefore to position dynamic capabilities as a potential explanatory bridge between SHRM and entrepreneurial performance while preserving the distinction between theoretical mechanisms and empirically verified relationships.

4.2.5. Innovation as a Mediating Mechanism and the Limits of a Linear Explanation

Innovation is central to the proposed framework because it offers a mechanism through which employee competencies and organizational capabilities may be converted into new sources of value. The relationship can be understood as a sequence in which SHRM supports human capital development, capabilities facilitate knowledge integration and opportunity exploitation, and innovation activities translate those resources into new or improved offerings and processes.

The studies discussed by Wongsansukcharoen and Thaweepaiboonwong (2023) and the 2023 Heliyon study of high-performance HRM practices provide a basis for examining innovation capabilities and innovation as intermediate mechanisms in the relationship between HRM and organizational performance. The literature reviewed by Isa et al. (2024) also highlights the relevance of innovation capabilities in the relationship between entrepreneurial orientation, knowledge management, HRM, knowledge sharing, and organizational performance in Indonesian SMEs.

These relationships support a distinction between direct and indirect effects. A direct relationship may arise when HR practices improve employee productivity, reduce avoidable turnover, or strengthen operational coordination. An indirect relationship may arise when HR practices contribute to innovation, which subsequently influences performance. Both pathways may operate simultaneously.

However, the existence of an indirect pathway cannot be established solely because SHRM, innovation, and performance are positively associated in separate studies. A formal mediation claim requires evidence that the relevant indirect relationship was tested, or a carefully qualified synthesis of studies that collectively examine the proposed sequence. The review should therefore differentiate studies that directly test mediation from those that provide evidence for only part of the mechanism.

The linear sequence also requires qualification. Innovation outcomes may depend on market demand, implementation resources, leadership support, and the firm's ability to commercialize new ideas. Innovations can fail, generate unexpected costs, or require time before financial benefits emerge. Moreover, successful innovations may generate additional resources that support further employee development, creating a recursive relationship rather than a one-directional process.

Consequently, innovation is best treated as an important but not exclusive mechanism linking SHRM with entrepreneurial performance. The final evidence synthesis should establish the extent to which the included studies support mediation, identify alternative mechanisms, and explain the

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conditions under which innovation produces measurable business benefits.

4.2.6. Entrepreneurial Orientation: Strategic Posture or Moderating Condition?

Entrepreneurial orientation represents a strategic posture characterized by innovativeness, proactiveness, and risk-taking. Its conceptual contribution differs from that of SHRM and dynamic capabilities. SHRM concerns the strategic management of human resources; dynamic capabilities concern the firm's ability to adapt and reconfigure resources; and entrepreneurial orientation concerns how the firm approaches opportunities and strategic initiatives.

The studies discussed by Ho et al. (2024) and Yang and Aumeboonsuke (2022) provide a basis for examining how entrepreneurial orientation relates to dynamic capabilities, innovation, competitive strategy, and performance. Permatasari and Praswati (2024) further provide an Indonesian industry context for examining relationships involving entrepreneurial orientation, innovation, network capability, and performance.

Entrepreneurial orientation may be relevant in at least three ways. First, it may function as an antecedent that influences the strategic priorities through which a firm deploys human resources. Second, it may complement dynamic capabilities by encouraging firms to search for opportunities and implement changes. Third, it may act as a moderating condition if firms with stronger entrepreneurial orientations are more effective at converting SHRM-related resources into innovation.

These possibilities are not equivalent and should not be combined without evidence. If a study tests entrepreneurial orientation as an independent predictor of innovation, it does not automatically establish a moderating effect. If it examines entrepreneurial orientation as a mediator, its theoretical interpretation differs again.

The proposed framework therefore treats the role of entrepreneurial orientation as an empirical question rather than a predetermined conclusion. This approach allows the systematic review to compare alternative models and identify whether the literature supports a consistent role for entrepreneurial orientation or reveals substantial variation in how the construct is conceptualized.

4.2.7. Business Growth and the Multidimensional Nature of Entrepreneurial Performance

An important implication of the synthesis is the need to distinguish innovation performance from broader entrepreneurial performance and business growth. Innovation can create opportunities for growth, but its implementation does not guarantee that those opportunities will be commercially successful.

Financial performance concerns the economic results of business activity, including profitability and returns. Growth performance concerns expansion in sales, customers, markets, or organizational scale. Operational performance concerns productivity, quality, and efficiency. Innovation performance concerns the outcomes of innovation-related activities. Resilience concerns the ability to maintain or restore business activities under changing conditions.

These dimensions may be connected but can develop at different rates. An innovation may initially increase costs and reduce short-term profitability while creating the potential for longer-term market expansion. Process improvements may increase productivity without immediately expanding sales. Similarly, an entrepreneurial firm may maintain business continuity under adverse conditions without achieving rapid growth.

The multidimensional perspective is particularly relevant to SMEs, which often face resource constraints and uncertainty about the timing of returns from investments in employee development and innovation. Evaluating their performance only through short-term financial indicators may understate improvements in capabilities or market position. Conversely, improvements in innovation capability should not be interpreted as evidence of realized financial growth unless the relationship is demonstrated.

This review therefore conceptualizes business growth as a downstream outcome that may result from innovation and effective opportunity exploitation, while recognizing that the relationship is contingent on market conditions, implementation quality, and available resources.

4.2.8. Contextual Differences Across SMEs and Entrepreneurial Firms

The relationship between SHRM and entrepreneurial performance is unlikely to be

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identical across all organizational settings. Firm size, organizational maturity, industry characteristics, leadership, digitalization, and environmental uncertainty may influence both the implementation of HR practices and the mechanisms through which those practices contribute to performance.

For example, larger SMEs may have greater capacity to formalize recruitment, training, and performance-management systems, whereas microenterprises may depend more heavily on informal learning and direct owner–employee interaction. These differences do not necessarily imply that one arrangement is universally superior. The relevant question is whether the HR system fits the firm's strategic needs, employee characteristics, and available resources.

Industry differences may also affect the value of particular practices. Knowledge-intensive services may depend heavily on specialized expertise and collaboration, while manufacturing firms may place greater emphasis on process knowledge, quality management, and production efficiency. Comparisons across industries therefore require careful consideration of how constructs are operationalized and how performance is measured.

Digitalization may alter the way firms access information, coordinate employees, and implement innovations. However, technology adoption should not automatically be equated with dynamic capability development. The organizational value of digital tools depends on whether the firm can integrate them into decision-making, employee development, knowledge management, and resource allocation.

Leadership and organizational culture may further influence the implementation of SHRM. Employee participation and knowledge sharing may be less effective when managers discourage experimentation or fail to respond to employee contributions. Conversely, supportive leadership may help employees apply their knowledge and contribute to innovation, although the magnitude of these relationships must be established through the evidence.

The Indonesian context provides an important opportunity for further investigation because entrepreneurial firms operate across diverse industries and resource environments. Findings from Indonesian SMEs, including those discussed by Isa et al. (2024) and Permatasari and Praswati (2024), offer relevant contextual evidence. Nevertheless, individual sectoral studies should not be treated as representative of all Indonesian firms without adequate comparative evidence.

4.2.9. Theoretical Contributions

This review has the potential to make four related theoretical contributions, subject to verification through the completed systematic synthesis.

First, it integrates the RBV and SHRM by explaining human resources as strategic resources whose value depends on organizational deployment. Rather than assuming that employee competence automatically improves business outcomes, the framework distinguishes the development of human capital from the processes that enable firms to use it strategically.

Second, it connects the AMO framework with dynamic capabilities theory. The AMO framework explains how HR practices influence employees' abilities, motivation, and opportunities to contribute, whereas dynamic capabilities theory explains how firms integrate and reconfigure resources in changing environments. Their integration offers a multilevel explanation of how employee-related practices may contribute to organizational adaptation and entrepreneurial activity.

Third, the review positions innovation as a potential mechanism linking HR practices and organizational capabilities with entrepreneurial performance. This approach distinguishes innovation capability, innovation implementation, and downstream business outcomes. It thereby provides a more precise basis for evaluating whether innovation mediates, complements, or operates alongside the direct effects of SHRM.

Fourth, the framework differentiates entrepreneurial orientation from entrepreneurial performance and allows entrepreneurial orientation to occupy alternative theoretical roles. This distinction reduces the risk of treating strategic posture, organizational capability, and achieved business outcomes as interchangeable constructs.

The principal theoretical contribution is therefore the development of an integrated explanatory structure that connects employee-level mechanisms with firm-level capabilities, innovation processes, and entrepreneurial outcomes. The novelty claim should ultimately depend on how the

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completed review compares this structure with existing systematic reviews and empirical frameworks, rather than on the integration of established theories alone.

4.2.10. Practical Implications for Entrepreneurs and SME Managers

The proposed synthesis has several practical implications for business owners, entrepreneurs, and managers. The first is the importance of aligning HR practices with strategic objectives. Recruitment, training, performance management, and rewards should support the competencies and behaviors required by the firm's business model and development priorities.

Second, employee development should be linked to opportunities to apply newly acquired knowledge. Training programs are more likely to contribute to business value when employees can use their skills to address operational problems, improve customer service, identify market opportunities, or develop new offerings. Managers should therefore connect training with work assignments, feedback, and implementation opportunities.

Third, organizations should establish practical mechanisms for knowledge sharing and employee participation. Regular problem-solving meetings, structured employee suggestions, cross-functional collaboration, and the review of customer feedback can help firms identify improvements. Such arrangements should be proportionate to the firm's size and resources rather than requiring complex formal systems in every organization.

Fourth, performance management should recognize both operational execution and strategically relevant contributions. In appropriate contexts, firms may monitor indicators such as productivity, quality, customer retention, implementation of improvements, and progress toward business-development targets. Innovation-related incentives should be designed carefully so that they encourage useful experimentation and learning rather than excessive risk-taking or the pursuit of ideas without commercial value.

Fifth, managers should develop the ability to adjust employee competencies and resource allocation as conditions change. Reskilling, flexible task allocation, and periodic reviews of business priorities can help entrepreneurial firms respond to new technologies, customer needs, and competitive pressures. These practices should be accompanied by realistic assessments of financial resources and implementation capacity.

Finally, managers should evaluate business outcomes using multiple indicators. Financial results remain essential, but innovation outputs, operational improvements, market development, and business continuity can provide additional information about the development of entrepreneurial capacity. A balanced approach can help managers distinguish early capability improvements from realized business growth.

These implications represent evidence-informed managerial directions derived from the proposed synthesis. Their effectiveness should not be assumed to be universal; implementation should be adapted to the firm's size, sector, strategic priorities, and operating environment.

4.2.11. Policy Implications for Entrepreneurship and SME Development

The review also offers implications for policymakers, entrepreneurship-support institutions, business associations, and SME development programs. Entrepreneurship policies frequently emphasize access to finance, digital technology, marketing, and business formalization. The proposed framework suggests that these interventions may be more effective when complemented by support for human capital development and organizational capabilities.

First, SME development programs can incorporate practical training in recruitment, employee development, performance management, and knowledge sharing. These activities may be particularly relevant for firms that lack formal HR departments but depend heavily on employee knowledge and flexibility.

Second, entrepreneurship-support programs can combine technical and managerial training with structured opportunities to implement improvements. Rather than focusing exclusively on classroom learning, programs may include business diagnostics, mentoring, innovation projects, and follow-up assessments of implementation.

Third, policymakers can encourage collaboration among SMEs, universities, vocational institutions, and business associations. Such collaboration may support knowledge exchange, workforce development, technology adaptation, and

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the identification of new market opportunities. The design of these programs should reflect the needs of particular industries and local business environments.

Fourth, evaluation frameworks for entrepreneurship programs should distinguish participation and training outputs from business outcomes. The number of entrepreneurs trained or innovations proposed does not necessarily establish improvements in productivity, profitability, employment, or business survival. Where feasible, program evaluations should track outcomes over an appropriate period and account for differences among participating firms.

Finally, policy interventions should recognize that resource constraints and institutional conditions may influence the capacity of SMEs to adopt formal HR practices and exploit innovation opportunities. Support should therefore be proportionate to firm characteristics and should avoid assuming that the same management model will be equally suitable for all entrepreneurial businesses.

4.2.12. Integration with the Identified Research Gap

The literature review identified four principal gaps: fragmented theoretical integration, incomplete explanation of the mechanisms connecting HRM with performance, inconsistent measurement of entrepreneurial outcomes, and limited integration of contextual differences.

The proposed synthesis addresses the first gap by bringing together SHRM, the RBV, the AMO framework, dynamic capabilities theory, and entrepreneurial orientation within a common analytical structure. Each perspective explains a different part of the relationship, while their integration provides a basis for examining how human resources may contribute to entrepreneurial outcomes through organizational processes.

The second gap is addressed by distinguishing the direct contribution of HR practices from indirect mechanisms involving capability development, knowledge integration, and innovation. The synthesis also recognizes that the proposed mechanisms require different forms of empirical evidence. A study examining HRM and innovation does not automatically establish the full pathway from SHRM through capabilities and innovation to business growth.

The third gap is addressed through the differentiation of innovation capability, innovation performance, operational performance, financial performance, and business growth. This distinction provides a clearer basis for comparing studies and reduces the risk of drawing conclusions that exceed the outcomes actually measured.

The fourth gap is addressed by identifying organizational and environmental conditions that may influence the relationship between SHRM and entrepreneurial performance. Firm size, industry, leadership, digitalization, resource availability, and environmental dynamism are treated as potential boundary conditions whose roles should be examined rather than assumed.

The resulting contribution is an integrated framework for organizing the literature and developing testable future research questions. Its empirical novelty and explanatory value must be confirmed through the completed study-level synthesis, including a transparent account of which relationships receive consistent support, which are context-dependent, and which remain unresolved.

4.2.13. Limitations of the Findings and Directions for Future Research

The interpretation of the synthesis is subject to several limitations. First, the conclusions depend on the scope and completeness of the final literature search. Studies outside the selected databases, publication period, or language criteria may provide relevant evidence that is not represented in the review.

Second, differences in research design and construct measurement may limit direct comparison across studies. Some studies may measure general firm performance, while others focus on innovation, productivity, or specific financial indicators. These outcomes cannot be treated as equivalent without appropriate conceptual justification.

Third, the evidence may be affected by the prevalence of cross-sectional research, self-reported measures, and context-specific samples. Such designs can provide valuable evidence of associations but may be insufficient to establish temporal ordering or causal mechanisms. Claims that SHRM causes innovation or growth should therefore reflect the strength of the underlying research designs.

Fourth, the conceptual framework integrates relationships that may be examined separately in the

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existing literature. The complete sequence linking SHRM, dynamic capabilities, innovation, and business growth may not have been tested within a single empirical model. Consequently, the framework should be understood as a synthesis model whose individual pathways require different levels of empirical validation.

Future research can address these limitations through longitudinal studies that examine the timing of HR investments, capability development, innovation implementation, and business outcomes. Multi-source research designs can combine employee assessments, managerial information, and objective business indicators to reduce dependence on a single source of data. Cross-country and cross-industry comparisons can examine whether institutional and organizational differences influence the proposed mechanisms.

Further studies should also distinguish among different types of innovation and performance. Product innovation may have different implications from process innovation, while short-term profitability may respond differently from longer-term business growth. Research that explicitly examines these distinctions can improve the precision of theoretical models and managerial recommendations.

Finally, quantitative meta-analysis may be appropriate when a sufficiently comparable group of studies reports compatible constructs and statistical estimates. Where such comparability is absent, qualitative evidence synthesis and carefully designed comparative studies remain appropriate approaches for identifying mechanisms and boundary conditions.

5. Conclusion

This study examines the relationship between strategic human resource management (SHRM) and entrepreneurial performance through a systematic synthesis of the literature on organizational capabilities, innovation, and business growth. The review provides an integrated perspective on how human resource practices may contribute to entrepreneurial outcomes and why their effectiveness depends on the organizational mechanisms through which employee competencies are developed, mobilized, and translated into business value. Rather than treating SHRM as an isolated determinant of firm performance, the study positions it within a broader process involving human capital development, organizational learning, dynamic capabilities, innovation, and opportunity exploitation.

The central conclusion is that the relationship between SHRM and entrepreneurial performance should be understood as a multidimensional and context-dependent process. Strategic recruitment, training and development, performance management, compensation, employee participation, and knowledge sharing can establish the conditions for employees to contribute to organizational objectives. However, these practices do not automatically generate superior performance.

Their potential contribution depends on the firm's capacity to integrate knowledge, recognize opportunities, adapt organizational resources, implement innovations, and convert those innovations into financial and nonfinancial outcomes. This integrated perspective provides a foundation for understanding how entrepreneurial firms can develop human resource systems that support competitiveness and sustainable business growth.

5.1. Summary of Key Findings

The synthesis identifies five principal insights concerning the relationship between SHRM and entrepreneurial performance.

First, SHRM is best conceptualized as a coordinated system of human resource practices rather than a collection of isolated interventions. Recruitment and training can develop employee competencies, while performance management and rewards can align employee contributions with strategic priorities. Employee participation and knowledge sharing can create opportunities for employees to apply their knowledge to organizational problems and entrepreneurial initiatives. The potential value of these practices depends on their strategic alignment and implementation.

Second, organizational and dynamic capabilities provide an important explanatory link between human resource practices and entrepreneurial outcomes. The ability to recognize opportunities, integrate knowledge, learn from experience, and reconfigure resources helps explain how employee competencies can be translated into organizational adaptation. This perspective highlights the importance of examining not only the

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resources a firm possesses but also how effectively it deploys and renews those resources.

Third, innovation represents a potential mechanism connecting SHRM and organizational capabilities with entrepreneurial performance. Product, process, marketing, and organizational innovation can create opportunities for productivity improvements, differentiation, and market development. Nevertheless, innovation capability, implemented innovation, and realized business performance must be distinguished because successful innovation does not necessarily produce immediate profitability or sustained growth.

Fourth, entrepreneurial orientation and contextual conditions may influence the relationship between SHRM and performance. Innovativeness, proactiveness, and risk-taking can shape how firms approach opportunities, while leadership, organizational size, digitalization, resource constraints, and environmental dynamism may influence the implementation and effectiveness of HR practices. The specific roles of these factors require examination of the empirical evidence rather than assumption.

Fifth, entrepreneurial performance should be evaluated through multiple dimensions, including financial performance, productivity, innovation performance, market expansion, business growth, and organizational continuity. These dimensions are related but not interchangeable. A comprehensive assessment should therefore consider both the immediate operational consequences of HR-related initiatives and their potential longer-term contribution to business development.

Taken together, these insights establish a conceptual basis for understanding SHRM as a strategic foundation for capability development and innovation-led entrepreneurial performance. The strength and generalizability of the relationships, however, must be established through the final synthesis of eligible studies and the quality of the available empirical evidence.

5.2. Theoretical Contributions

This study contributes to the literature by integrating strategic human resource management, the resource-based view (RBV), the ability–motivation–opportunity (AMO) framework, dynamic capabilities theory, and entrepreneurial orientation within a common explanatory structure.

The first contribution concerns the strategic role of human resources. The RBV explains why employee knowledge, skills, and experience can represent valuable organizational resources. This study extends that perspective conceptually by emphasizing that the value of human capital depends on the systems through which it is developed, coordinated, and applied. SHRM is therefore positioned as a mechanism for aligning employee resources with entrepreneurial objectives rather than simply as an

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