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The human side of entrepreneurship: an empirical investigation of relationally embedded ties with stakeholders

Ties with stakeholders

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Abstract

Purpose – Humane Entrepreneurship (HumEnt) is strongly purpose-oriented and characterized by a focus on inclusiveness and social and environmental sustainability, with attention to both internal and external stakeholders and their needs. In the attempt to provide new research in this field, this study aims to conduct an empirical investigation within the theory of HumEnt and, in particular, of the Human Resource Orientation (HRO) model among Italian Small and Medium-size Enterprises.

Design/methodology/approach – Based on quantitative data, this study used a deductive approach to investigate the relationship between the HumEnt model and firms' relational embeddedness with different types of stakeholders (value chain stakeholders and societal stakeholders, respectively). More concretely, to investigate the relationships between the dimensions of the HumEnt model and firms' relational embeddedness, partial least squares structural equation modeling was applied.

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Credit authorship contribution statement: Cucino Valentina: Conceptualization, Theoretical Framework, Data Collection, Research Hypothesis, and Discussion.

Marullo Cristina: Conceptualization, Research Methodology, and Results.

Annunziata Eleonora: Conceptualization and Conclusion.

Piccaluga Andrea: Conceptualization and Introduction.

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Findings – Findings of this study suggest that Entrepreneurial Orientation (EO) directly contributes only to value chain embeddedness. However, the results also show that if EO is mediated by an HRO (i.e. companies with a high HRO), a high level of societal embeddedness is also present.

Originality/value – This study represents a first attempt to provide comprehensive empirical evidence about the different dimensions characterizing the HumEnt theoretical model, and to highlight their relevance in supporting companies' relational embeddedness capacity with different categories of stakeholders.

Keywords Humane entrepreneurship, Human entrepreneurial orientation, Stakeholders, Relational embeddedness, SMEs, PLS-SEM, Business ethics and sustainability

Paper type Research paper

1. Introduction

In recent years, an intense debate has regarded the damage caused by the dynamics of capitalism as we have been experiencing it in the last decades, its limits and the need to go beyond it (Mazzucato, 2018; Mazzucato *et al.*, 2020; Porter and Kramer, 2011). At the same time, significant changes have been observed in companies' strategic approaches toward more inclusive and socially responsible behaviors (Kim *et al.*, 2018).

As a matter of fact, a growing number of firms – small as well as very large ones – have adopted the concept of shared value creation (Porter and Kramer, 2011) and have been increasingly orienting their strategies towards specific purposes linked to societal needs. They have also been paying increasing attention to more sustainable uses of natural resources and to a more people-oriented approach in their activities (Melé, 2003; Spitzack, 2011; Rey *et al.*, 2019; Asselle and Piccaluga, 2019; Mercati, 2020).

All this has also had an impact on academic research in the field of management, with the strengthening and fulfillment of concepts such as social entrepreneurship and sustainable entrepreneurship (Schaltegger and Wagner, 2011; Perez Nuñez and Musteen, 2020; Portales, 2019), as well as to the development of new models of entrepreneurship, such as the humane entrepreneurship (HumEnt) model (Parente *et al.*, 2018, 2020).

The theory of *HumEnt*, adding the human-centered discussion to entrepreneurship, has been defined by Kim *et al.* (2018, p. 12) as:

A virtuous and sustainable integration of entrepreneurship, leadership and human resource management, in which successful implementation leads to a beneficial increase in the creation of quality and wealth jobs, perpetuated in a continuous cycle.

According to Kim *et al.* (2018), entrepreneurial theories emphasizing economic value creation do not take into sufficient consideration the “distribution” of value to employees, stakeholders and companies. To this point, many different actors – policymakers, scholars, etc. – have recently highlighted the intrinsic limitation of the concept of value creation intended in terms of purely economic goals (Francis, 2015; Rey *et al.*, 2019; Asselle and Piccaluga, 2019; Mazzucato, 2018).

Adding a “human-centered” orientation to entrepreneurship theory requires going beyond the pursuit of ambitious economic goals, to better understand the role of human capital in the current economic context (Kim *et al.*, 2018), where entrepreneurship is increasingly urged to be inclusive and sustainable. This implies the relevance of a deeper focus on goals regarding the needs of individuals, society and stakeholders in general, beyond more “traditional” ones such as profit generation (Parente *et al.*, 2018).

Human-centered companies have a vocation towards business which is strongly characterized by a tension between purpose (“a spiritual and moral call to action”) and profits (Birkinshaw *et al.*, 2014). In other words, human-centered companies can be considered as purpose-oriented companies (Cucino *et al.*, 2020; Rey *et al.*, 2019). They generate profits but, at the same time, they show intense pro-social behaviors, aiming to

tackle community problems (Craig and Snook, 2014; Perez Nuñez and Musteen, 2020) and to engage and take care of all possible stakeholders (Ruskin *et al.*, 2016; Lumpkin *et al.*, 2018).

In recent years, there has been a significant surge in academic attention towards human entrepreneurship, delving into the motivations, approaches and consequences of businesses that prioritize social responsibility (Debicka *et al.*, 2022; Parente *et al.*, 2018; Vesci *et al.*, 2023). However, most of these studies have primarily focused on internal dynamics within companies, overlooking the crucial interactions with stakeholders. In this context, the theoretical model of HumEnt (Kim *et al.*, 2018) represents a useful contribution which definitely requires further empirical research with regard to the role that the different theoretical dimensions of the model play within entrepreneurial firms and their network of stakeholders (Parente *et al.*, 2018).

This study addresses such an issue by proposing a quantitative application on a sample of 383 active firms within the population of 1,895 Italian small and medium-size enterprises (SMEs) listed in the Italian Business Register as innovative start-ups and SMEs (December 2021).

More precisely, our empirical inquiry delved into the role that the two dimensions characterizing the HumEnt theoretical model (namely, Entrepreneurial Orientation [EO] and Human Resources Orientation [HRO]) play in developing a company's capacity for relational embeddedness with different categories of stakeholders (Granovetter, 1985; Voss *et al.*, 2005; Darnall *et al.*, 2010; Parente *et al.*, 2018).

Thus, we develop and test three hypotheses on the relationship between two components of the HumEnt model and two different outcome variables related to companies' capacity to involve different categories of external stakeholders within their business activity (from value chain stakeholders to societal stakeholders). Furthermore, among the different dimensions of the HumEnt theoretical model, we adopt a specific focus on the HRO dimension because it is the newest and empirically least studied dimension.

Our findings indicate that while EO shows a positive and significant influence on SMEs' *value chain embeddedness*, the EO shows a positive and significant influence on SMEs' *societal embeddedness* only if this relationship is mediated by HRO.

Our study presents both theoretical and managerial implications. First, it contributes to the literature on the topic of HumEnt, as one of the first attempts to provide empirical evidence to the models proposed by Kim *et al.* (2018) and Parente *et al.* (2020). More concretely, our analysis of the strategic dimension of HumEnt suggests that companies' capacity to simultaneously manage the two cycles of the HumEnt model – i.e. EO (business cycle) and HRO (people's cycle) – within their business will be crucial to act in an effective way (Parente *et al.*, 2020). Moreover, the empirical results indicate that EO does not have a substantial impact on social inclusion, which refers to a deep level of stakeholder engagement with societal stakeholders. However, this effect becomes significant and positive when it is mediated by a strong emphasis on human resources. Moreover, our findings also have managerial implications, as they show the relevant entrepreneurial practices characterizing “human-oriented” companies in terms of engagement with different categories of external stakeholders. Such evidence contributes to the definition of relevant managerial practices to adopt, supporting the definition of proper impact measures within companies' annual reports.

The paper is structured as follows. In Section 2, we describe the HumEnt model and its components and in Section 3, we focus on developing hypotheses. In Section 4, we focus on research methodology and data analysis and in Section 5, we show the results of our analysis. Finally, in Section 6, we show our main empirical results and in Section 7, discuss the theoretical contributions, the limitations of our study and the possibilities for future research.

2. Theoretical framework

2.1 *Humane entrepreneurship theoretical model*

HumEnt is a theoretical model which integrates care for the organization, for the customers and for society. More precisely, HumEnt includes three components: EO, HRO and *Sustainable Orientation* (SO), which, from a strategic perspective, represent three distinct management cycles: business cycle (EO), people's cycle (HRO) and society's cycle (SO). Therefore, HumEnt in action represents firms' capability to simultaneously manage the three cycles within their context (Parente, 2020).

EO refers to the strategy practices that companies use to identify corporate ventures (Miller, 1983; Covin and Slevin, 1991; Dess and Lumpkin, 2005). Therefore, EO can be associated with a set of entrepreneurial behaviors (Dess and Lumpkin, 2005; Kim *et al.*, 2018) related to company-wide research of new products, processes or business models (i.e. innovation), to the commercialization of these innovations in new market domains (i.e. proactivity) and to a clear managerial attitude toward risk (i.e. risk-taking) (Anderson *et al.*, 2015), defined "as an intrinsic managerial inclination toward strategic actions with uncertain outcomes" (Table 1) (Miller, 1983).

The second component of HumEnt is HRO (Parente *et al.*, 2020). HRO is based on the premise that investing in human resources leads to the creation of business value (Barney and Wright, 1998).

The human resources literature pays great attention to motivations and their effects on performance, and probably less to the links between the organizational dimension and EO (Parente *et al.*, 2018). However, HumEnt focuses on human resources practices with the aim of building an HRO measurement (Parente *et al.*, 2020). In particular, Kim *et al.* (2018) qualified the HRO construct through four components (Table 2) emphasizing the "human" aspects of managing individuals within an organization: empathy, equity, empowerment and enablement. These four dimensions are related to managers' personal characteristics (Busenitz and Barney, 1997; McClelland, 1961) and are reflected in the implementation of strategic human resources management (Kim *et al.*, 2018) and HRO (Parente *et al.*, 2020).

The SO component can be defined as orientation toward purpose. Purpose has been defined as "a spiritual and moral call to action; it is what a person or company stands for" (Tata *et al.*, 2013). In a purpose company, the company's statements prioritize pro-social goals ahead of financial goals (Birkinshaw *et al.*, 2014; Efron, 2017).

A purpose company has pro-social goals (i.e. focus on employee safety or the natural environment) that motivate employees' behavior on a daily basis (Birkinshaw *et al.*, 2014).

Dimension	Definition	Literature
Risk-taking	"Making decisions and taking action without certain knowledge of probable outcomes."	Miller (1983), Dess and Lumpkin (2005, p. 148)
Innovation	"A willingness to introduce newness and novelty through experimentation and creative processes aimed at developing new products and services, as well as new processes."	Covin and Slevin (1989), Dess and Lumpkin (2005)
Proactivity	"A forward-looking perspective characteristic of a marketplace leader that has the foresight to seize opportunities in anticipation of future demand."	Dess and Lumpkin (2005), Covin and Slevin (1989)

Table 1.
Entrepreneurial
orientation

Source: Kim *et al.* (2018)

Dimension	Definition	Literature
Empathy	“The extent to which a company shares emotions and information with its employees.”	Choi (2006), Kochan and Osterman (1994), Kim <i>et al.</i> (2018), Parente <i>et al.</i> (2020)
Equity	“The extent to which a company treats individuals (internal and external) in a fair and equal manner”	Agócs and Burr (1996), Kim <i>et al.</i> (2018)
Empowerment	“The delegation of power and responsibility from higher levels of the organizational hierarchy to lower levels, especially in regard to an employee’s ability to make decisions.”	Choi (2006), Cucino <i>et al.</i> (2021; 2022), Kim <i>et al.</i> (2018), Parente <i>et al.</i> (2020)
Enablement	“The extent to which a company provides the environment where each individual employee is able to develop skills and knowledge, consisting of both skill and infrastructure.”	Kim <i>et al.</i> (2018), Parente <i>et al.</i> (2020)

Table 2.
Human resources orientation

Sources: Kim *et al.* (2018) and Parente *et al.* (2020)

Consequently, the concept of sustainable entrepreneurship is aimed at meeting social needs (De Clercq and Voronov, 2011; Zahra *et al.*, 2009).

Bos-Brouwers (2010) identifies the orientation toward sustainability in terms of motivation and role of the entrepreneur or manager to follow a social opportunity. In some cases, the opportunities are linked to social needs and do not necessarily result in “social enterprises” or “non-profit enterprises.” In this particular instance, we focus on companies that have a “purpose” or are suited for addressing societal issues while also generating profit. Therefore, the companies scrutinized within this research exhibit a commitment to pro-social goals, which entail endeavors to aid individuals and safeguard the environment, transcending the sole focus on profit-making and financial viability (Birkinshaw *et al.*, 2014, p. 1).

2.2 Human-oriented companies and relationships with stakeholders

Human-oriented companies are strongly purpose-oriented (Kim *et al.*, 2018; Rey *et al.*, 2019), they typically endorse noneconomic goals – such as working for a common cause – beyond their orientation to profits (Birkinshaw *et al.*, 2014), and are characterized by a strong orientation towards contributing to societal needs, connecting with other stakeholder and trying to be part of the solution in difficult situations (Capezzuoli and Jolly, 2019).

Prior empirical research on this topic suggests that long-term success depends on firms’ capability to create value for a broad range of stakeholders (Berman *et al.*, 1999; Ogden and Watson, 1999; Ruf *et al.*, 2001). This implies the relevance of a deeper focus on noneconomic goals as the needs of individuals, society and overall stakeholders (Parente *et al.*, 2018).

More concretely, networks and relations among actors become the primary object of competitive advantage for companies that intend to satisfy prominent stakeholders (Pallotti and Lomi, 2011). Therefore, stakeholders assume a crucial role in influencing business performance (Freeman, 2010; Carroll, 1979; Clarkson, 1995; Pratono, 2018). Based on these premises, and beyond profits, human-oriented companies’ performance is strictly linked to their capacity to build and maintain networks and relations with their stakeholders (Freeman, 2010; Carroll, 1979; Clarkson, 1995; Parente *et al.*, 2018).

2.3 Relational embeddedness

Some scholars argued that the existence of social relations plays a crucial role in the achievement of competitive performance by different types of companies (Granovetter, 1985; Uzzi, 1997; Prato, 2018). Indeed, social relations networks allow companies to access strategic resources to enhance their competitive advantage (Pallotti and Lomi, 2011; Soda, 2011) and yield relational norms, such as trust and commitment (Granovetter, 1985).

The strategic role of social relations has increasingly emphasized the need for understanding the dynamics of these relationships and particularly relational embeddedness in organizations. Relational embeddedness conceptualizes interactions of interpersonal relationships during a certain period (Granovetter, 1992). Moreover, the concept of relational embeddedness represents quality ties and exchange of strategic resources between different actors and organizations (Granovetter, 1985). However, the implementation of relationally embedded ties can be affected by specific characteristics of entrepreneurial firms (Eng *et al.*, 2012).

Thus, human-oriented companies that address societal needs balancing economic constraints might be more prone to developing and arranging relationships, i.e. relationally embedded ties for achieving social and business goals (Uzzi, 1997). Therefore, these companies can develop different interpersonal relationships resulting from their network of stakeholders (Ramus and Vaccaro, 2017).

Business activities are embedded in a complex network of relationships with various stakeholders (Darnall *et al.*, 2010) and existing literature has identified different types of relational embeddedness due to the relationships between organizations and stakeholders (Albis *et al.*, 2021; Dahlquist, 2021; Pinho, 2016). These stakeholders can be categorized into two types: internal and external stakeholders.

Internal stakeholders have a direct economic interest in the organization (Donaldson and Preston, 1995), and typically include *value chain* participants such as commercial buyers, household consumers and suppliers (Freeman, 1984). The establishment of embedded relationships is fundamental because value chain stakeholders wield the power to influence corporate strategies (Darnall *et al.*, 2010). Specifically, these stakeholders respond favorably to a company's actions in the same way that commercial buyers and household customers choose to purchase a company's products or services, whereas supply chain stakeholders decide to renew their sales agreements. In addition, they may communicate their satisfaction or dissatisfaction through direct engagement with executives or through written correspondence, and may resort to canceling their purchase or sales agreements or ceasing the delivery of an input if their demands are not met.

External stakeholders are defined as those who are not directly involved in the economic transactions of a firm (Mitchell *et al.*, 1997). Societal stakeholders (Henriques and Sadosky, 1999; Klassen and Mc Laughlin, 1996; Waddock and Graves, 1997) and regulators (Henriques and Sadosky, 1999; Waddock and Graves, 1997) are examples of secondary stakeholders. The increasing influence of societal stakeholders has been one of the most significant developments in international affairs over the past two decades (Doh and Guay, 2006). Public interest groups such as environmental and community organizations (Etzion, 2007; Hoffman, 2000) and professional groups like labor unions and industry associations (Etzion, 2007) make up society's stakeholders. These groups have the ability to influence public opinion for or against the firm (Freeman, 1984). Developing embedded relationships is crucial because societal stakeholders often use indirect approaches to influence firm behavior as they lack a direct economic interest in the organization (Sharma and Henriques, 2005). Such approaches include public protests, strikes and calls for industry involvement. In addition, societal stakeholders frequently align themselves with each other to increase their relevance (Mitchell *et al.*, 1997) and further influence a firm's strategy.

The aforementioned discussion indicates that stakeholder–company relationships are likely to impact company strategies, highlighting the importance of studying the types of relational embedment that result from these relationships. Therefore, to investigate such types of relational embedment, and building upon the work of [Darnall et al. \(2010\)](#), we included 12 stakeholder categories in our study. These categories encompassed both value chain stakeholders, such as suppliers, customers and competitors, as well as societal stakeholders, such as environmental groups, civic organizations and trade unions, among others.

3. Research hypotheses

3.1 *Entrepreneurial orientation and relationally embedded ties with stakeholders*

Managers' decisions are complicated when stakeholders' needs are dynamic, latent or difficult to identify ([Voss et al., 2005](#); [Amankwah-Amoah et al., 2019](#)). In particular, organizational changes related to entrepreneurial actions affect and are evaluated differently by the various categories of stakeholders ([Voss et al., 2005](#)).

Several authors have investigated the relationship between EO and stakeholders' involvement ([Lynn et al., 1996](#); [Martin, 1995](#); [Moore, 2005](#)), shedding light on the tension between the satisfaction of various stakeholders and the pursuit of economic objectives ([Voss et al., 2005](#); [Amankwah-Amoah et al., 2019](#)). This literature clearly shows the crucial enabling role of stakeholder integration in the relationship with EO ([Amankwah-Amoah et al., 2019](#)). However, specific characteristics of HumEnt ask for an investigation between EO and the development of relationally embedded ties. It is worth analyzing this relation by considering two relevant categories of stakeholders, value chain stakeholders and societal stakeholders and associated relational embeddedness: Value Chain Embeddedness (VCE) and Societal Embeddedness (SE). Based on the above analysis, we propose that:

H1a. Entrepreneurial orientation positively influences SMEs' value chain embeddedness.

H1b. Entrepreneurial orientation positively influences SMEs' societal embeddedness.

3.2 *Human resources orientation and relationally embedded ties with stakeholders*

The literature widely recognizes that the management of individuals within an organization is a crucial element for building relational bonds with stakeholders ([Kim et al., 2018](#); [Parente et al., 2020](#)). In the HumEnt domain, HRO refers to human resource management as a strategic approach to manage “policies and practices that shape the employment relationship and are explicitly aimed at achieving individual employee, organizational and societal goals” ([Boselie, 2014](#), p. 5). In particular, there are four components that emphasize the “human” aspects of managing individuals within an organization that could influence SE: Empathy, equity, empowerment and enablement ([Kim et al., 2018](#)). These four dimensions are related to the personal characteristics of managers ([Busenitz and Barney, 1997](#); [McClelland, 1961](#)) and are reflected in the implementation of strategic human resource management but also in the relationship with the organization and society ([Parente et al., 2020](#); [Vesci et al., 2023](#)).

In management, empathy is considered the starting point for understanding the needs of customers and stakeholders as it can help interpret the interactions between an organization and different stakeholders ([Costa et al., 2019](#)). Perceived fairness, understood as “the extent to which a company treats people (internal and external) in a fair and equitable way,” is also known to influence the relationship with stakeholders ([Agócs and Burr, 1996](#); [Parente et al., 2020](#)). In fact, leaders or managers who have an “equity” attitude in leading and managing a company have stronger relationships with employees, suppliers and in general with internal and external stakeholders. Consequently, having the “right” attitude influences

relationships with employees and stakeholders. Furthermore, accountability tools also have effects not only on the management of human resources (Rasheed *et al.*, 2017) but also on the management of external stakeholders in terms of development capacity of the corporate network, because they allow to transfer the power of delegation of responsibility from the higher to the lower levels of the corporate hierarchy (Choi, 2006; Kim *et al.*, 2018). Finally, a company that supports the development of knowledge and skills makes everything possible or easier through training and experimentation, and this allows it to build successful relationships with employees and stakeholders (Parente *et al.*, 2020).

Although HRO produces exhausting pressures on entrepreneurs related to the difficulty of balancing a human-centered management approach and the company's economic growth (Ferguson and Reio, 2010), HRO plays a role in creating relationships with society that are not relatively productive. Indeed, "human" entrepreneurs should act as facilitators of targeted organizational change processes that aim to promote the fusion of EO with an orientation to human resources and an orientation to sustainability, in an entrepreneurial approach (Palumbo, 2022). Thus, specific characteristics of HumEnt require an investigation between the organizational decision-making proclivity favoring entrepreneurial activities (i.e. EO), the HRO and the development of relationally embedded ties. This relation can be analyzed by considering two relevant categories of stakeholders, value chain stakeholders and societal stakeholders, and associated relational embeddedness: VCE and SE. Based on the above analysis, we propose that:

- H2.* HRO positively mediates the relationship between entrepreneurial orientation and SMEs' societal embeddedness.

4. Research methodology

4.1 Data collection and sample

Based on quantitative data, the study used a deductive approach to examine the relationship between the dimensions of the HumEnt model and firms' relational embeddedness with different types of stakeholders (value chain stakeholders and societal stakeholders, respectively).

The proposed methodology seems appropriate for addressing the research question as it offers objective criteria to evaluate such relationships. Furthermore, this approach is among the first attempts to empirically test the HumEnt theoretical model. The empirical study was conducted by collecting survey data on a sample of companies selected from the Italian Business Register on the sections of innovative start-ups and SMEs [1]. The decision to focus on the Italian Business Register as the data source was guided by two reasons. First, the Italian Business Register includes the overall population of start-ups and SMEs with a social vocation in Italy (identified in Italy with the acronym SIaVS). This choice, strictly connected with our empirical strategy, allowed us to avoid sample selection biases, thus enhancing the external validity of the empirical results (which could be extended to socially oriented firms in the Italian context).

Second, having considered a sample of SIaVS and having further tested this dimension within the adopted definition of firms' orientation to sustainability allowed us to extend the concept to all those small and medium-sized firms that respond to a problem in society. For this reason, the authors believe that the identification of the sample can empirically represent the concept of HumEnt (Kim *et al.*, 2018).

On October 21, 2019, the overall population of reference consisted of 1,895 firms. Between November 2019 and July 2021, a sample of 383 active firms with available contact information was emailed and asked to answer an online questionnaire, using the SurveyMonkey® platform. The questionnaire was addressed to the company founder or chief executive officer and

focused on nine items reflecting the key theoretical constructs (and the main dimensions) of the HumEnt model. Specifically, respondents were asked to evaluate their position on a set of statements concerning EO (three items) and HRO (four items) on a five-point Likert scale. Drawing on the concept of relational embeddedness in organizations (Granovetter, 1992), epitomized by quality of ties, support and exchange of strategic resources with external stakeholders (Granovetter, 1985; Voss *et al.*, 2005), a fourth set of items regarding the intensity of firms' involvement with different types of stakeholders (including value chain stakeholders and societal stakeholders) was also proposed (Crittenden *et al.*, 2011; Darnall *et al.*, 2010; Freeman, 1984). Respondents were asked to evaluate the degree of involvement of each type of stakeholder in their daily business and operations, using a five-point Likert scale. We obtained a response rate of 24%, and the final sample consisted of 91 companies (Table 3).

4.2 Measures

Our hypotheses are based on the link between the dimensions of the HumEnt model and two outcome variables related to companies' degree (intensity) of relational embeddedness with value chain and societal stakeholders, respectively. The constructs were derived from a review of the empirical literature and measured through multiple items, reflecting the intensity of the firm's external relationships with different types of external stakeholders. Drawing on Darnall *et al.* (2010) we considered 12 stakeholders' categories, including value chain stakeholders (i.e. suppliers, customers and competitors) and societal stakeholders (i.e. environmental groups, civic organizations and community organizations for the protection of minorities' rights, patients' rights, human rights, labor unions, industry and trade associations). Respondents were asked to assess the degree of involvement of each category of stakeholders using a five-point Likert scale, ranging from "1" = no involvement to "5" = high involvement.

The measure of relational embeddedness reflected the depth (intensity) of involvement of two groups of external stakeholders (value chain stakeholders and societal stakeholders) in the firm's business activities.

The two dependent variables, VCE and SE, were operationalized as the combination (sum) of different stakeholders' categories within the two groups (value chain stakeholders and societal stakeholders), assuming that the higher the number of external stakeholders *intensively* involved in the company's daily business, the higher the degree of relational embeddedness of the company (Laursen and Salter, 2006). Accordingly, each stakeholder was coded with 1 if the firm reported that the stakeholder was involved to a high degree in the daily business, and 0 otherwise. As for VCE, each firm got a score of 0 when no stakeholders were involved to a high degree, and 4 if all the categories of value chain stakeholders were involved to a high degree. Similarly, for SE, each firm got a score of 0 when no stakeholders were involved to a high degree, and 8 if all the categories of societal

Industry	<i>N</i>	%	Age, years (avg.)	Size, <i>N</i> employees (avg.)
Manufacturing	18	19.8	8.2	23.1
Services	49	53.8	5.5	12.5
Public administration, education, health, social services	24	26.4	2.6	8.8
Total	91	100	5.1	18.7

Source: Authors' own elaborations

Table 3.
Sample characteristics

stakeholders were involved to a high degree. The Cronbach's alpha coefficient testing for scale reliability showed an acceptable degree of internal consistency for both the constructs ($\alpha_{VCE} = 0.60$; $\alpha_{SE} = 0.79$).

Based on the HumEnt theoretical model (Parente *et al.*, 2018) and on prior studies proposing an operationalization of the different dimensions of the HumEnt model as firm-level latent characteristics (Kim *et al.*, 2018; Parente *et al.*, 2020), EO and HRO were operationalized as second order constructs based on a reflective measurement approach. Specifically, the observed responses to the sets of statements regarding the dimensions of EO (i.e. innovation, risk-taking and proactivity) and HRO (i.e. empathy, equity, empowerment and engagement) were considered manifestations of the underlying (second/order) constructs. All items for the constructs EO and HRO were measured using a five-point Likert scale, ranging from 1 = strongly disagree to 5 = strongly agree. Table 4 presents the set of items used to measure the theoretical concepts and their bibliographic sources.

4.3 Data analysis

To investigate the relationships between the dimensions of the HumEnt model and a firm's relational embeddedness, partial least squares structural equation modeling (PLS-SEM) was applied. Due to the characteristics of the HumEnt theoretical model, to the nature of the hypotheses and to the characteristics of the selected sample, the PLS-SEM approach was considered as the most appropriate for the analysis. As the aim of the study was to predict the target constructs of EO and HRO, and to investigate their relationships within the HumEnt model, including direct and indirect effects, a variance-based PLS-SEM approach appeared as the most beneficial. Compared to covariance-based approaches to SEM, focusing on the overall model fit and suited for testing strong theories, PLS-SEM focuses on the prediction of dependent variables by minimizing the residual variance, and is more suited for causal-predictive analyses in situations of high complexity and low theoretical information (theory building) (Cassel *et al.*, 1999; Roldán and Sánchez-Franco, 2012). Furthermore, PLS-SEM models demonstrate a high level of statistical power with relatively small sample sizes (Hair *et al.*, 2017). As the hypothesized model a minimum sample size of 20 was required, and the total sample consisted of 91 firms, the use of PLS-SEM was advisable for the analysis. EO and HRO were specified as second-order (latent) constructs following a reflective specification, as the multi-item measures and first-order dimensions represent manifestations of the characteristics of individuals in terms of risk-taking, innovativeness and proactiveness in the case of EO (Covin and Slevin, 1989) and empathy, equity, empowerment and enablement in the case of HRO (Kim *et al.*, 2018). VCE and SE were operationalized as formative constructs, following Laursen and Salter's (2006) measure.

The software package Smart PLS3 was used for the analysis and a bootstrapping procedure with 5,000 samples was run to assess the significance of the path coefficients (i.e. the significance level of the predicted relationships) (Hair *et al.*, 2017).

4.4 Validation of the measurement model

The reflective measurement model is reported in Table 5. The two latent variables – EO and HRO – have good internal consistency and convergent validity. As all the outer loadings values are over 0.7, all the indicators reach a satisfactory level of reliability and are therefore accepted. For all the latent variables, Cronbach's alpha, rho_A and composite reliabilities values are satisfactory, exceeding the cut-off value of 0.7. Average variances extracted (AVE) values of 0.7 for both EO and HRO indicated that the two constructs explain 70% of the variance of their indicators. As for discriminant validity, the Fornell-Larcker criterion confirms that the square roots of AVE for the latent constructs are greater than the correlations between constructs,

Item description and references	Definition	Abbreviation
<i>Entrepreneurial orientation</i>		
Risk-taking (Miller, 1983; Dess and Lumpkin, 2005)	Making decisions and taking action without certain knowledge of probable outcomes	EO_1
Innovativeness (Covin and Slevin, 1989; Dess and Lumpkin, 2005)	A willingness to introduce newness and novelty through experimentation and creative processes aimed at developing new products and services, as well as new processes	EO_2
Proactivity (Covin and Slevin, 1989; Dess and Lumpkin, 2005)	A forward-looking perspective characteristic of a marketplace leader that has the foresight to seize opportunities in anticipation of future demand	EO_3
<i>Human resources orientation</i>		
Empathy (Choi, 2006; Kochan and Osterman, 1994; Kim <i>et al.</i> , 2018; Parente <i>et al.</i> , 2020)	The extent to which a company shares emotions and information with its employees	HRO_1
Equity (Agócs and Burr, 1996; Kim <i>et al.</i> , 2018)	The extent to which a company treats individuals in a fair and equal manner	HRO_2
Empowerment (Choi, 2006; Cucino <i>et al.</i> (2021, 2022); Kim <i>et al.</i> , 2018; Parente <i>et al.</i> , 2020)	The delegation of power and responsibility from higher levels of the organizational hierarchy to lower levels, especially in regard to an employee's ability to make decisions	HRO_3
Enablement (Kim <i>et al.</i> , 2018; Parente <i>et al.</i> , 2020)	The extent to which a company provides the environment where each individual employee is able to develop skills and knowledge, consisting of both skill and infrastructure	HRO_4

Source: Adapted from Kim *et al.* (2018), Parente *et al.* (2020)

Ties with stakeholders

Table 4.
Constructs measurement

Construct	Indicator	Factor loading	Internal consistency		Convergent validity		Discriminant validity
			Cronbach's alpha	rho_A	Composite reliability	Average variance extracted	
Entrepreneurial orientation (EO)	Risk-taking (EO1)	0.865***	0.783	0.817	0.871	0.694	Accepted
	Innovativeness (EO2)	0.766***					
	Proactivity (EO3)	0.864***					
Human resources orientation (HRO)	Empathy (HRO1)	0.804***	0.859	0.870	0.904	0.703	Accepted
	Equity (HRO2)	0.865***					
	Empowerment (HRO3)	0.789***					
	Enablement (HRO4)	0.890***					

Table 5.
Measurement model

Notes: Statistical significance: * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$
Source: Authors' own elaborations

indicating that each latent construct within the measurement model better explains the variance of its own indicators than the variance of other latent variables (Fornell and Larcker, 1981).

5. Results

Figure 1 presents the results of the PLS-SEM analysis. *H1a* proposed that EO contributes to SMEs' relational embeddedness within the value chain (i.e. high depth of involvement of value chain stakeholders). The empirical results indicate a significant and positive relationship between EO and VCE ($\beta_1 = 0.254, t = 1.792, p = 0.07$). Thus, *H1a* is supported. However, what is more novel and interesting in our results is that EO does not directly influence SE (i.e. high depth of involvement of societal stakeholders) (*H1b*). The results of the PLS-SEM model do not show a significant relationship between EO and SE unless this

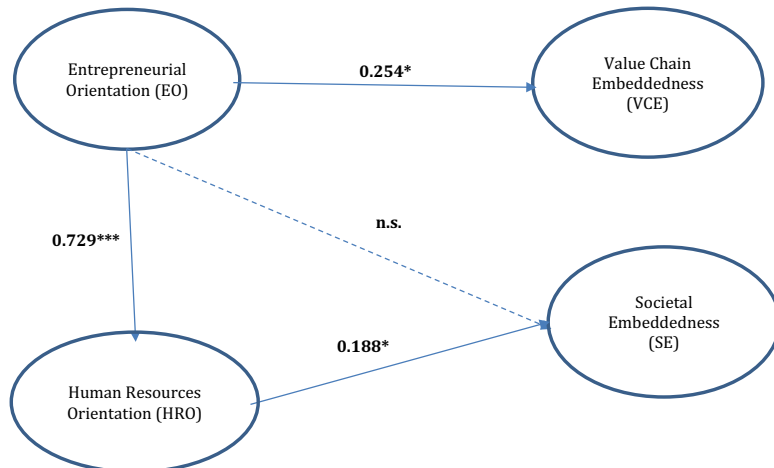


Figure 1.
Results of the SEM analysis

Source: Authors' own elaborations

relationship is mediated by HRO, thus supporting *H2*. Specifically, a significant and positive relationship is found between EO and HRO ($\beta_{2a} = 0.729, t = 5.135, p = 0.000$) and between HRO and SE ($\beta_{2b} = 0.188, t = 1.661, p = 0.097$), confirming the mediation effect.

As a robustness check, a PLS MultiGroup Analysis (MGA) was conducted to determine whether there were any significant differences in the estimates in terms of industry type, firm size and years of experience of the entrepreneur. PLS MGA allowed comparing group differences using 5,000 bootstrapped subsamples (Table 6). The results indicate that there are no differences between the groups in terms of statistical significance.

6. Discussion

The field of human entrepreneurship has witnessed a substantial growth in scholarly interest, exploring the motives, strategies and impacts of businesses that prioritize social responsibility (Dębicka *et al.*, 2022; Parente *et al.*, 2018; Vesci *et al.*, 2023). However, a majority of these studies have predominantly examined the dynamics within companies, neglecting the interactions with stakeholders. Therefore, this study represents a first attempt to provide comprehensive empirical evidence about the different dimensions characterizing the HumEnt theoretical model, and to highlight their relevance in supporting companies' network development capacity. Based on quantitative data, the study used a deductive approach to investigate the relationship between the HumEnt model and firms' relational embeddedness with different types of stakeholders (value chain stakeholders and societal stakeholders, respectively). More specifically, this study makes three distinctive contributions to literature.

First, our study contributes to the literature on HumEnt (Cucino *et al.*, 2020; Dębicka *et al.*, 2022; Vesci *et al.*, 2023) by demonstrating the capacity of human-centered firms to establish meaningful and interconnected relationships with various stakeholders. Indeed, our empirical findings suggest that two main dimensions of the HumEnt model (EO and HRO) support companies' ability to develop relational embeddedness with different value chain and societal stakeholders. These findings elicit the contention proposed by Parente *et al.* (2018) that the dimensions of the HumEnt model have a positive impact on companies' ability to develop external networks and ecosystems with different categories of stakeholders. Our analysis of the strategic dimension of HumEnt suggests that companies' capacity to simultaneously manage the two cycles of the HumEnt model –i.e. EO (business cycle) and HRO (people's cycle) – within their business will be crucial to act in an effective way (Parente *et al.*, 2020).

Second, this study provides a valuable contribution to the literature on relational embeddedness by elucidating how firms that prioritize social objectives are capable of fostering deep integration with value chain stakeholders (i.e. commercial buyers and household consumers

Paths	Coefficients difference between experience groups (exp ≥ 10; exp = 10)	Coefficients difference between size groups (emp ≥ 10; emp < 10)	Coefficients difference between industry groups (ind = manufacturing; ind = services)
EO → VCE	0.629	0.371	0.168
EO → SE	0.004	-0.368	0.208
EO → HRO	-0.393	0.047	0.226
HRO → VCE	-0.263	-0.404	-0.917
HRO → SE	0.265	0.133	-0.388

Notes: Statistical significance: * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$

Source: Authors' own elaborations

Table 6.
PLS-MGA results

to suppliers). The empirical results indeed unveil a significant and positive relationship between EO and VCE. Human-centered companies, indeed, exhibit a distinctive inclination toward business approach that is characterized by a profound interplay between purpose – defined as a spiritual and moral imperative to take action – and profit gains (Birkinshaw *et al.*, 2014). Put differently, they not only generate profits but also exhibit pronounced pro-social behaviors, with the aim of addressing community issues (Craig and Snook, 2014; Perez Nuñez and Musteen, 2020) and actively engage and nurture all relevant stakeholders (Ruskin *et al.*, 2016; Lumpkin *et al.*, 2018). Moreover, the involvement of stakeholders stimulates trust among the various actors, which represents one of the three aspects of relational embedment (Granovetter, 2017; Nahapiet and Ghoshal, 1998); trust, in turn, fosters cooperation between stakeholders (Bird and Zellweger, 2018; Nahapiet and Ghoshal, 1998).

Therefore, this study aligns with the perspective proposed by Voss *et al.* (2005) asserting that distinct dimensions of EO can have different levels of attractiveness and satisfy the needs of different types of stakeholders, allowing the construction of relational embeddedness.

Third, this study contributes to the literature on EO. More specifically – what is perhaps more novel and interesting – our findings suggest that EO does not significantly (*H1b*) contribute to social inclusion (i.e. a high depth of stakeholder engagement with societal stakeholder), while this effect is significant and positive if mediated by a strong HRO (*H2*). More concretely, a company that manages to have an empathetic, enabling, fair and empowered attitude toward its employees is able to build a social embeddedness within the ecosystem while having a profit-oriented orientation. Moreover, the expansion of a company's business is heavily contingent upon its capacity to secure substantial demand from both current and prospective buyers (Maister, 1993). Cultivating trust-based relationships with existing buyers can yield additional business opportunities and foster an increased propensity among buyers to pay higher prices (Elfenbein and Zenger, 2014, 2017).

This result is in line with several studies that recognize the human dimension of economic relations – understood as a person and his social relations at the center of research and development – as a fundamental component for business development (Van Emmerik and Sanders, 2004). Indeed, the social ties embedded in networks may provide various benefits to entrepreneurs or employees and the importance of access to social resources embedded in networks has been demonstrated in various field such as job search (Granovetter, 1973), attainment of status (Lin, 1999) and income differences (Carroll and Teo, 1996). Furthermore, relational embedment with suppliers and customers can also have an impact on the ability to access new business opportunities. Consequently, it opens up new avenues for research on business growth, demand strategy and buyer–supplier relationships (Mawdsley and Somaya, 2021). Therefore, being a member of a firm's established network of relationships can enhance an individual's endeavors to achieve favorable outcomes (Dansky, 1996). Furthermore, the success of individual efforts is partially contingent on the attributes of the network (McGuire, 2000).

7. Conclusion

HumEnt is a relatively new theory and empirical investigations are crucial to shed light on how theoretical concepts are put into practice. Considering the scarcity of empirical studies applying the theoretical model of HumEnt, this study represents one of the very first examples. As such, this study contributes to the entrepreneurship literature in two different ways.

First, EO positively influences SMEs' VCE. In other words, EO plays a role in influencing the relationship with the predominantly productive categories of stakeholders. However, EO does not positively influence SMEs' SE. This result is in line with the *HumEnt* theoretical model (Parente *et al.*, 2020; Vesci *et al.*, 2023) as an exclusive profit-oriented orientation does not allow companies to create an SE.

Second, what is perhaps the newest element that emerges from our study is the role of HROs (empathy, equity, empowerment and accountability) in influencing the relationship with an enlarged set of stakeholders. In fact, EO positively influences the SMEs' SE only if mediated by the HRO. In other words, an exclusive profit-orientation does not allow for the creation of solid links with social stakeholders. However, if there is a strong focus on human resources within the company, the company will also be able to create solid links with social stakeholders. This supports the phenomenon that an increasing number of companies, both small and very large, have started to adopt new strategic actions toward the concept of shared value (Porter and Kramer, 2011) and have increasingly oriented their actions toward specific purposes, as related to the needs of their business, people and society. Thus, as suggested by Palumbo (2022), entrepreneurs should act as initiators and facilitators of targeted organizational change processes that aim to promote the fusion of EO with an orientation to human resources and an orientation to sustainability, in a perspective of human entrepreneurship.

As such, our study has interesting managerial implications, as it shows the relevant entrepreneurial practices characterizing "human-oriented" companies (Bagheri and Harrison, 2020; Kim *et al.*, 2018) and, in particular, the influence of different components of the HumEnt strategy dimension on companies' capacity to engage with different categories of external stakeholders (i.e. HumEnt practices). Such evidence contributes to the definition of relevant managerial practices to adopt, supporting the definition of proper impact measures within companies' annual reports.

7.1 Limitations and future research

This study also has some limitations. First, it is worth noting that the sample in this study is limited to Italian cases. To enhance the validity of the findings, future analyses could encompass a broader range of European countries.

Second, it is important to acknowledge that the response rate in the later stages of the survey, which concluded on March 15, 2020, might have been influenced by the emerging COVID-19 pandemic. However, because the survey questions did not address aspects related to the subsequent economic crisis or the lockdown measures imposed during that period, the authors did not believe that any response bias occurred. Based on our findings, it is recommended that further research be conducted, using qualitative methodologies as well.

Note

1. The inclusion in the register depends on the compliance with the requirements of innovation, R&D investments and the presence of high-skilled employees (with PhD). These sections include a share of firms with a social vocation.

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