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# THE IMPACT OF HUMAN CAPITAL, ORGANIZATIONAL CULTURE AND PRODUCT INNOVATION ON ENTREPRENEURIAL PERFORMANCE IN E-COMMERCE SMALL – MEDIUM ENTERPRISES

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## ABSTRACT

This article highlights the significance of small and medium-sized enterprises (SMEs) by showcasing their substantial influence. The COVID-19 epidemic has considerably diminished the longevity of small and medium enterprises (SMEs), hence compromising their viability. The success of SMEs is influenced by factors like institutions, technology, human capital, and corporate culture. A balance between government support and SMEs expansion is crucial for long-term economic stability, with China's e-commerce boom undergoing acceleration, standardization, and globalization. For a corporation to achieve success, it is crucial to have a strong organisational culture, valuable human capital, high employee performance, and a focus on product innovation. For lasting competitive advantages, it is crucial to have cultural cohesion, strong human capital, effective HRM practices, a focus on organisational learning, and a commitment to innovation. Small and medium-sized enterprises (SMEs) in China, encounter difficulties when it comes to carrying out innovation initiatives because of their restricted resources, informal organisational frameworks, and limited financial capacities. By using available resources and cultivating a culture that encourages creativity and originality, small and medium-sized enterprises (SMEs) can not only succeed in highly competitive markets but also position themselves as frontrunners in their respective industries. The study reveals that human capital, organizational culture, product innovation, and employee performance positively impact entrepreneurial performance in small and medium-sized e-commerce, with employee performance mediating.

**Keywords:** small and medium-sized enterprises (SMEs); organisational culture; human capital; product innovation

## INTRODUCTION

The COVID-19 pandemic has reduced the lifespan of small and medium enterprises (SMEs), highlighting the importance of factors like institutions, technology, and corporate culture in their success. China's government supports SMEs through financial assistance and tax incentives, but challenges like rising commodity prices and regulatory issues need to be balanced for long-term economic stability. Government policy tools promote innovation.

China's e-commerce growth is categorized into acceleration, standardisation, and globalisation stages. Government support, technological advancements, and changing consumer behavior shape the sector's evolution. China's Mass Entrepreneurship and Innovation policy supports SMEs by strengthening fiscal and taxation policies and encouraging innovation through R&D subsidies and tax incentives. The optimal implementation strategy is a combination of R&D subsidies and tax incentives. Organizational culture, encompassing adaptive, message, bureaucratic, and group types, influences attitudes, behaviors, and expectations, positively impacting social responsibility and intellectual capital.

Human capital, comprising skills and knowledge, enhances performance, productivity, and reduces costs. It is a key component of the knowledge capital model (Gallardo et al., 2019; Lari et al., 2020; Alkhateeb et al., 2016; (Rizalnur and Rizka, 2019). Relational capital consists of internal relationships with employees, market relations, power relations, and cooperation between organizations and individuals. These relationships must be strong, long-term, and based on loyalty to the organization.

Research on SMEs' corporate culture and its impact on sustainable performance is limited, despite its importance in job creation and economic growth. SMEs often lack resources and technology, making it crucial to understand how their culture influences sustainable practices. More comprehensive and quantitative research is needed to address environmental and social challenges. According to Das, M., Rangarajan, K., and Dutta, G.'s (2020) research, Research on corporate culture and sustainable performance in SMEs is limited, necessitating more extensive and quantitative studies. Understanding how culture influences sustainable practices can help improve long-term sustainability, contribute to a healthier environment, and attract environmentally conscious customers.

Firms adopt organizational culture for development, focusing on human capital and contributing to society and economy. Strengthening interdependence is crucial for maintaining

creativity and administrative thought (Abdelmoteleb & Saha, 2020; Riyadh et al., 2021). SMEs can improve their human capital development, leading to increased productivity and competitiveness in the global market. Investing in employee growth and well-being benefits both the organisation and the country's overall societal and economic development. To succeed in the current environment, SMEs in China must effectively utilise human capital, care for intangible resources, and incorporate social responsibility initiatives into their organisational culture. This approach can help Chinese SMEs attract and retain talented employees, foster innovation, and improve overall performance. This study aims to determine the contribution of SMEs to China's implementation of human capital, organisational culture, and employee contributions to the long-term sustainability of performance. The research emphasizes the significance of sustainable development for SMEs' performance, highlighting factors like institutions, technology, intellectual capital, human resource management, knowledge sharing, lean processes, and corporate culture. The COVID-19 pandemic has shortened SMEs' lifespan, and a holistic approach is needed to support effectiveness. Government policy tools like R&D subsidies and tax incentives can help resolve market failures and encourage innovation. Aligning organizational culture with strategic goals and investing in training and development programs can improve SMEs' performance.

### **Concepts of Organizational Culture**

HE Li, Jun (2021) emphasizes the significance of cultural integration in multinational enterprises for competitiveness and showcasing strengths. Long-term planning, analysis of local culture, and effective use of cultural resources are crucial. A company culture integration team, comprehensive training, and continuous communication are essential for fostering harmony.

Corporate culture boosts business performance by promoting consistency, but can be lost in unstable environments. Promotion negatively impacts market value, innovation output, and financial performance, especially in small enterprises (Rabia Imran, Tahir Saeed, M. Anis-ul-Haq, and Afsheen Fatima, 2019; Hailin Zhao, Haimeng Teng, and Qiang Wu (2018). Corporate culture significantly impacts a company's performance and innovation. Organisational culture, a subculture, is influenced by other cultures and is closely linked to creative thinking. Employees play a crucial role in connecting the culture to innovative thinking. Advocacy for an innovation culture is essential for widespread adoption. The success of a proposed change depends on managers' conception and employee engagement. Creative

thinking is crucial to implementing ideas (Zhao & Li, 2020). Innovative businesses require open-minded staff, team leaders, and a culture of continuous learning and development. Training and skill-building enhance employees' ability to generate and implement new ideas effectively.

### **Concepts of Human Capital**

Human capital (HC) is the foundational level of a firm's intellectual capital (IC), playing a vital role in developing and creating new ideas and knowledge. It facilitates social capital and knowledge sharing through internal relationships. Management and measurement of HC are crucial, with evidence demonstrating a positive linkage between HC development and performance at both individual and organizational levels. High-quality human capital resources create value for enterprises and are essential for organizational success (Crocker and Eckardt, 2014; Eldor and Harpaz, 2016; Aryee et al., 2016; Ployhart et al., 2014). Human capital theory emphasizes individual and organizational capabilities, originating from macroeconomic development. Contemporary management theory examines the impact of human capital resources on individual outcomes, focusing on HRM practices, organizational learning, and innovation for sustainable competitive advantages (Wright et al., 1994; Barney and Wright, 1998). HC reporting is gaining popularity as intangible assets often outweigh physical ones. Proper management can increase investment likelihood, attract talent, and improve corporate reputation through employee-led CSR initiatives. Additionally, effective HC reporting can also enhance transparency and accountability, which can lead to increased investor confidence and stakeholder trust. This can ultimately contribute to long-term sustainability and profitability for the organization.

### **Concepts of Employee Performance**

Performance is the quality of work done by employees, influenced by skills, job satisfaction, and company culture. It's boosted by effective leadership and discipline (Arenofsky, 2017). Good discipline will emerge and grow primarily as a result of human consciousness. A Performance, derived from job and real performance, refers to the quality and quantity of work an individual accomplishes in line with their assigned duties (Webb et al., 2013). According to Al Mehrzi and Singh (2016), Performance refers to a person's overall success in fulfilling their duties compared to various possibilities, such as work standards, goals, or agreed-upon criteria. Performance management aims to improve a firm's overall

performance, focusing on employee actions, job satisfaction, and individual talents, influenced by planning, monitoring, development, rating, and rewarding (Yang et al. , 2016).

Employee performance is influenced by various factors, including management, communication, and the work environment. Internet use, physical and non-physical features, and talent management are all important. Companies should review performance on an annual basis to identify areas for development. Learning management systems can improve efficiency and reduce costs. Employees' success depends on their ability to achieve goals. (Bataineh, 2017) Employee performance is crucial for a company's success. It involves evaluating work, setting goals, monitoring progress, receiving feedback, and rewarding employees based on performance. Factors such as efficiency, effectiveness, and internet use can influence performance. Talent management is a key managerial value in today's dynamic industry (Smith and Bititc, 2017). To improve employee performance at PT. Trakindo Utama Pontianak, this paper examines the relationship between firm/environment, job-related factors, and employee-related factors. Results show that motivation, leadership, and work discipline impact performance, while leadership and motivation don't. Discipline affects worker performance, and motivation, leadership, and work ethic are essential for PT. Work discipline, leadership, and motivation are key factors affecting employee performance. Transformational leadership can boost productivity and quality. Job-related factors, such as training culture and communication, also impact performance. Employee satisfaction, management standards, and training are crucial for increased engagement and productivity. Organisational performance is influenced by management, knowledge management, and creativity (Mensah, 2018). Mohand Tuffaha, 2020). High-performance organisations (HPOs) measure employee performance continuously to achieve organisational goals, focusing on productivity, service quality, responsiveness, responsibility, and accountability, fostering trust, honesty, and decisiveness.(Brown et al., 2021; Bartuseviiien et al., 2021; Chen et al., 2021; Diedrich et al., 2021; Prayag et al., 2018; Bartuseviiien et al., 2021; Deloitte, 2021).

### **Concepts of Product Innovation and Organizational Innovation**

Product innovation involves creating new products or improving existing ones to meet customer needs. There are three types: sustaining innovation, low-end disruption, and new-market disruption. Advantages include growth, expansion, and gaining a competitive advantage. Theories include Outcome-Driven Innovation and "Jobs to be Done." To introduce a new product, businesses must undergo market research, product development and testing,

feasibility study, and classification of innovation. Measurement of innovation using qualitative and quantitative data helps companies make informed decisions and maximize profitability (Gao & Gao, 2021). Product, technology, and business model innovation are key areas of innovation, each with unique challenges and opportunities for business growth and success. Innovation is the process of generating, implementing, and commercializing new knowledge. There are five types: technological, organizational, and explorative. Technological innovation involves developing advanced products or services, while organizational innovation involves developing new products, services, and processes. Environmental environments, such as dynamism, complexity, and munificence, significantly impact firms' strategies and performance (Chao Li, 2017).

SMEs face constraints in implementing innovation projects due to limited resources, informal structures, and financial capabilities. To overcome these, they need external resources, including knowledge and financial. Research shows that vertical and horizontal networks with external partners are critical for firm innovation performance. Investigating the innovation strategies and networks adopted by SMEs in China during the transitional period is crucial (Gao & Gao, 2021). This article discusses the importance of creative organizational culture in businesses, arguing that innovative companies have creative cultures that enhance problem-solving capacity. It suggests that successful cultures must accept responsibility, take chances, encourage innovation, and involve employees. They are long-term, diverse, and innovative, fostering high innovation goals (Chen, 2021). Technological innovation is a complex system engineering process that uses new knowledge and technology to improve product quality, develop goods, and grow market share. It involves research and development, and is crucial for businesses to recognize market value. Performance measurement is essential for evaluating technological innovation efforts. There is no consistent definition of performance, but it includes the efficiency of the process, output results, and contribution to business (Gao & Gao, 2021). Product innovation involves creating new, technologically advanced products through design, research, production, management, and commercial activities. It can be divided into new items and performance upgrades, with new items requiring extensive research, while performance upgrades enhance existing products to meet market demands.

### **Concept of Management Innovation SMEs in Chin**

The Entrepreneur Support Model is a social enterprise model that provides business support services directly to entrepreneurs, such as consulting, training, microfinance, or

technical support. This model is suitable for organisations like economic development organisations, business development service organisations, and microfinancers. Process innovation is better suited for these organisations than product innovation, as it is less risky and costly. Social enterprises balance social impact with economic revenue to sustain themselves. Business models can be applied to any organisation that provides value to customers, constituents, and stakeholders and can guide resource deployment to create and deliver value in a cost-effective and financially sustainable manner (Topaloglu, McDonald, & Hunt, 2018; Powell, 2016). Additionally, business models help organizations adapt to changing market conditions and ensure long-term viability. By focusing on creating value for all stakeholders, organizations can achieve both social impact and financial sustainability. Nonprofit sustainability involves financial sustainability, leadership succession planning, adaptation, and strategic planning. The rise of social companies is attributed to the demand for people to do something for society and the need for financial turnover to survive (Gandhi, T.; Raina, R., 2018). Social enterprises differ from non-profits since they have a social impact but also need economic money to survive (Sacchetti, S.; Tortia, E., 2019). This balance shows in their organisation. Continuous production, economic risk, and social components like producing benefits for society, inclusive governance, and limited profit distribution are all present. Any organization (for-profit or non-profit) that provides value to customers, constituents, and stakeholders can use business model development and innovation to deploy entity resources in order to create and deliver value cost-effectively and financially sustainably. Traditionally, researchers have explored business models to gain and sustain a competitive edge or to employ innovative methods (2018).

### **Concept of entrepreneurial start up with E-Commerce in China**

The Ministry of Industry and Information Technology has ranked Shanghai, Shenzhen, Nanjing, Beijing, Wuhan, and Dalian as the top 10 Chinese cities for SMEs due to their entrepreneurial culture, diverse startups, and thriving ecosystem (Bouazza, 2015). The government supports SMEs through tax cuts, financial support, and credit support. The COVID-19 pandemic has significantly impacted SMEs, with a return to work rate of 76.8%. This paper analyzes the pandemic's impact on SMEs and proposes policy suggestions (Wunhong Su, Xiaohan Guo, Yunxia Ling, and Yi-Hao Fan, 2022).

Chengdu, Chongqing, and Hangzhou are the top three emerging first-tier cities in China, followed by Xi'an, Wuhan, Suzhou, Zhengzhou, Nanjing, and Tianjin. Hefei made a comeback,

while Shenyang was left off. The city as a Hub Index measures traffic and logistics connectivity. Modern city civilisation is influenced by interpersonal communication and urban resource consumption. Cities like Hangzhou, Chengdu, and Suzhou are major hubs for live streaming and TikTok. Nightlife in cities is influenced by pubs and diverse cultures. However, recreational supply and demand are shifting, with urban cinemas hosting 1.2 billion moviegoers in 2021. Emerging cities are becoming hubs for novel industries, with Shenzhen leading in innovation (Ranking of Chinese Cities' Business Attractiveness, 2022). The China Banking and Insurance Regulatory Commission and the People's Bank of China have issued a Notice on Strengthening Financial Support for the Prevention and Control of the Novel Coronavirus Pneumonia Epidemic, urging financial institutions to strengthen service capacity, increase support for small and micro enterprises, maintain loan growth, and improve loans to the manufacturing sector (OECD, 2020; Pal et al., 2020; Gao et al., 2017; Xing, 2021).

The China Banking and Insurance Regulatory Commission and the People's Bank of China have issued a Notice on Strengthening Financial Support for the Prevention and Control of the Novel Coronavirus Pneumonia Epidemic, urging financial institutions to strengthen service capacity, increase support for small and micro enterprises, maintain loan growth, and improve loans to the manufacturing sector (Doshi et al., 2018). The city as a Hub Index measures traffic, logistics, and commercial resources in China's first-tier cities. Air passenger throughput rebounded, and emerging cities are hotbeds for novel industries, influencing residents' activities and nighttime economy (Wang, S. S., Goh, J. R., Sornette, D., Wang, H., and Yang, E. Y., 2020).

Chengdu is a major hub for the IT, software, and automotive industries in western China. It is home to the busiest airport in the country, Chengdu Shuangliu International Airport, and is a hub for Air China and Sichuan Airlines. EU SMEs in China have opportunities in smart transport, smart water, smart energy, and smart healthcare. China's economic growth is largely driven by small and medium enterprises (SMEs), which account for 97% of all enterprises. The e-commerce market is growing steadily, with mobile phone transactions valued at least 10 times higher than in the US. However, challenges like the COVID-19 pandemic, rising commodity prices, and regulatory issues pose challenges. Despite these challenges, China remains an attractive market for EU SMEs due to its large consumer base and rapidly growing middle class. Additionally, the Chinese government has been implementing policies to support

foreign investment and innovation in key sectors, providing opportunities for EU businesses to thrive in the market (OECD, 2020).

China's e-commerce sector is rapidly growing, accounting for over 6% of spending in 2014 and nearly all of the region's expenditure by 2017. The Chinese government has supported e-commerce development through projects like the "Three Golden Projects" in 1993. B2B platforms and mobile commerce are key players in the industry, with localised payment methods and currency support fostering international online commerce. Alibaba dominates the market, accounting for almost a quarter of retail sales in 2018 and 50% of the world's e-commerce sales. To succeed, businesses must focus on mobile, multi-channel, payment, content, customer service, logistics, and data analytics (Guide to B2B SEO in China, 2022)

The Rising Lab's Cities' Business Attractiveness Ranking reveals that Chengdu, Chongqing, and Hangzhou are emerging first-tier cities for SME business development in China. These cities face health challenges but require cooperation with commercial actors to overcome them. The ranking uses retail outlet data, user behavior data, and big data to assess 337 Chinese cities' development (Russell Flannery, 2018)

## **The Research Related**

Teng Haili and Li Yuanyuan (2021) explored the impact of corporate culture on brand value and its course, as well as the regulatory function of entrepreneurship and corporate social responsibility. They found that excellent company culture significantly impacts an enterprise's gene, and entrepreneurship modifies the positive relationship between corporate culture and brand value. John R. Graham, Campbell R. Harvey, Jillian Popadak, and Shivaram Rajgopal (2017) found that corporate culture is a top-three driver of firm value, and 92% think changing it will boost value. Utin Nina Hermina and Sri Yanthy Yosepha (2019) studied employee performance at PT. Trakindo Utama Pontianak, focusing on leadership, motivation, and work discipline approaches. Results showed that workplace discipline, leadership style, and motivation were important factors affecting employee performance. Ching, Shian, Nien, and Huen (2016) explored the relationship between job autonomy, job communication, intrinsic motivation, skill flexibility, and job satisfaction. Organisational climate was found to have a significant positive impact on innovative work behaviour (IWB), with both open systems and

rational goal models contributing to IWB. Understanding these factors can help organisations create a positive work environment that fosters growth, creativity, and productivity. This study examines the interrelationships between firm- and environment-related factors, job-related factors, and employee-related factors. It focuses on the impact of intrinsic motivation, skill flexibility, and job satisfaction on employee performance. The study also investigates factors influencing the productivity of industrial employees in Jordan, focusing on management practices, employee satisfaction, and participation. The research also explores the impact of innovative leadership, organisational culture, and work team resilience on employee performance in private Chinese institutions. The study also explores the implementation strategy of MEI policy and SME innovation in China, revealing that R&D subsidy and tax incentive tools have complementary effects on SMEs' innovation but mutually exclusive effects for strategic innovation. The study also explores the role of platform synergy and the regional environment in SMEs' innovation speed. The study concludes that the adoption of an exploration orientation has beneficial effects on product innovation, while an exploitation orientation has favourable effects on process innovation. Marjolaine Rostain (2021) conducted a meta-analysis to understand the impact of organisational culture on entrepreneurial orientation. Internal characteristics of firms support the introduction of management innovations, but external change agents may hinder implementation. Open innovation, incorporating digital technology, and leveraging the customer community are crucial for economic recovery and enhancing GDP.

This study explores the relationship between employee performance, human capital, and organisational culture in China's small and medium-sized enterprises (SMEs). It aims to understand how employee performance influences the development of human capital and organisational culture. The research focuses on SMEs, which play a significant role in China's economy. Product innovation is crucial for SMEs' performance, but factors like firm sizes, industries, market conditions, public policies, and economic structures impact it. The Entrepreneur Support Model and corporate crowdfunding research are essential for understanding and adapting to environmental environments and achieving success.

This research examines the impact of SMEs in China on export growth, focusing on low-tech, labour-intensive sectors. It examines the relationship between employee performance, capital, and organisational culture, revealing factors contributing to their success.

The study also highlights the importance of understanding the causal model of SMEs affecting organisational culture, human capital, and employee performance. The findings can inform policymakers and stakeholders on strategies to enhance the competitiveness of SMEs in China's economy. The research also highlights the importance of SMEs in poverty reduction, job creation, and economic development (Terry & Cherchem (2017) and Grünhagen (2017)). This research aims to determine if government support and innovation initiatives are compatible with entrepreneurial orientation (EO) and organizational culture (OC) to promote innovation among SMEs in West Sumatera. SMEs play a crucial role in poverty alleviation, employment, and economic development. Organizational culture (OC) influences innovation and performance, with EO mediating the relationship between EO and performance (Song, Shan, & Ju, 2016).

The study explores the factors influencing innovation in small and medium-sized businesses, particularly in China, a global leader in economic growth and technological advancements. It aims to identify universal principles of successful innovation that can be applied across different cultural contexts. The dependent variable is the performance of new entrepreneurial e-commerce companies, focusing on factors such as human capital, organizational culture, product innovation, employee performance, and dependent variables such as teamwork, effective work completion, employee performance, and professional setting. The study emphasizes the importance of fostering a positive work environment and innovation to sustain growth and success. The research hypothesis is based on previous theoretical analysis and innovation research. This study examines the impact of employee performance, human capital, and organizational culture on small and medium-sized enterprises (SMEs) in China, focusing on low-tech, labor-intensive sectors. It aims to inform policymakers and stakeholders on strategies to enhance the competitiveness of SMEs in China's economy. Understanding these factors can provide valuable insights for local and international companies entering or expanding in the Chinese market. By examining the influence of organizational culture on SMEs in China, the research seeks to shed light on the unique challenges and opportunities faced by these businesses. By identifying effective strategies for enhancing competitiveness, policymakers and stakeholders can better support the growth and success of SMEs in China's rapidly evolving economy.

This will allow the researcher to study and the idea of this research is established, as shown in Table 1

**Table 1** Contents of Conceptual Framework

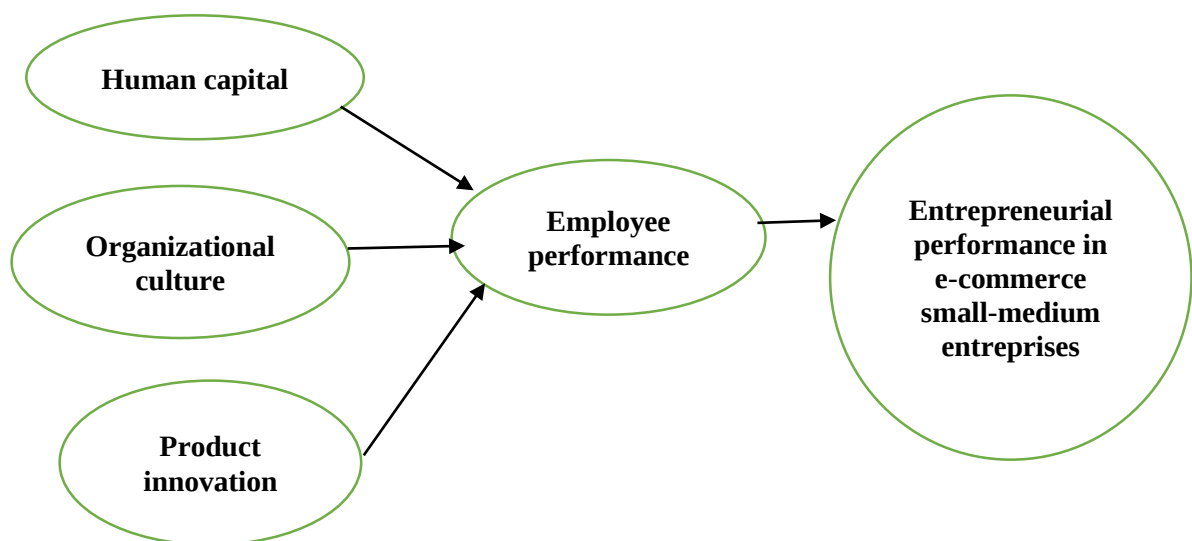
| <b>Author</b>                                                                                                         | <b>Analysis Conclusion</b>                                                                                                                                                                                                                                                                                                                                               |
|-----------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Mohan MM., Voss KE, Jemenez FR, 2017; Naranjo-Valencia JC, Jimenez-Jimenez D, Sanz-Valle R. (2017).</b>            | Culture of innovation: Culture refers to the common assumptions, norms, and ideas held by an organization's members that lead to an increased propensity to seek out new information, learn new skills, and produce innovative solutions to problems.                                                                                                                    |
| <b>Bhardwaj, (2021); Quinn and Camere , 1998) Naranjo-Valencia JC, Jimenez-Jimenez D, Sanz-Valle R. (2016, 2017).</b> | Organizational culture in which employees take risks helps improve their performance.                                                                                                                                                                                                                                                                                    |
| <b>Amabile (1996)</b>                                                                                                 | Organizational innovation: et al. suggest that individuals' perceptual description of their organizational environment's innovative traits shows that the organization, superiors, and coworkers may foster creativity. This study's university innovation atmosphere refers to university coaches' perceptions of innovation orientation, characteristics, and support. |
| <b>Pawirosumarto, Sarjana, and Gunawan (2017)</b>                                                                     | They found a correlation between employee performance and a work environment comprised of physical and nonphysical variables that have a favorable and substantial impact on enhancing employee performance.                                                                                                                                                             |
| <b>P.Eddy Sanusi Silitonga and Djoko Setyo Widodo (2017)</b>                                                          | According to the results of the determination study, factors other than Organizational Commitment, Competence, and Organizational Culture influence the performance of organizations.                                                                                                                                                                                    |
| <b>Smith and Bititc (2017)</b>                                                                                        | The importance of enhancing performance measurement systems and performance                                                                                                                                                                                                                                                                                              |

|                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-----------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                   | management methods as elements of the work environment that boost employee engagement levels, we believe that a more holistic approach is required.                                                                                                                                                                                                                                                                                                                                        |
| <b>Rebecca Mazin, 2017</b>        | Leadership and employee performance are positively related. Employees are responsible for their work. Employees work to meet organizational goals. Effective leadership influences employee work and productivity (Bass, 1997). Successful organizations need effective leaders and motivated employees. Leadership affects staff performance.                                                                                                                                             |
| <b>Al Mehrzi and Singh, 2016,</b> | Performance is the outcome or level of success of a person as a whole over a period of time in carrying out duties compared to many possibilities, such as work standards, goals or targets, or mutually agreed-upon criteria.                                                                                                                                                                                                                                                             |
| <b>Arham, 2014.</b>               | The performance of firms, particularly small and medium-sized businesses (SMEs), is a topic of intense interest among academics, practitioners, and policymakers                                                                                                                                                                                                                                                                                                                           |
| <b>Song, Shan, &amp; Ju, 2016</b> | The effective promotion of collaboration, knowledge sharing, ideas, and experience through organizational culture can motivate every employee to engage in the innovation process. Ingenuity, adaptability, and versatility in the face of changing circumstances distinguish cultures that work to foster creativity and cultivate conducive environments. OC can facilitate both innovation and OP, and organizational innovation mediates the relationship between EO and performance . |

|                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|-----------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Gbadamosi, Haffar, Al-Karaghoul, and Djebarni, 2019</b>                                          | Small and medium-sized businesses' OP is influenced by three factors: organizational characteristics, business management practices and strategies, and entrepreneurial orientation (EO). Entrepreneurial orientation (EO) is a consistent behavioral pattern; if an organization's EO leans towards innovation, it is more likely to actively pursue and manage innovation in its operations, as opposed to situations where entrepreneurs are not significantly innovative and simply outperform their competitors . |
| <b>Hadian (2017)</b>                                                                                | Hadian (2017) suggested OC to be a powerful instrument for enhancing OP. Some of the benefits of OC contribute to enhance OP, employee contentment and increased problem-solving skills. Jiménez-Jiménez, Naranjo-Valencia & Sanz-Valle (2016) their study found that OC fosters both innovation and OP. Therefore, the following hypotheses are postulated:                                                                                                                                                           |
| <b>Terry &amp; Cherchem (2017) and Grünhagen (2017)</b>                                             | Small and medium-sized enterprises (SMEs) should offer unique products with cultural and traditional values to boost performance. However, SMEs often rely on superiors' desires, stifling employee innovation and affecting the organization's future mission.                                                                                                                                                                                                                                                        |
| <b>Utin Nina Hermina and Sri Yanthy Yosepha, 2019), Pawirosumarto, Sarjana, and Gunawan (2017).</b> | Performance of entrepreneurial e-commerce companies: 1) Enhanced teamwork, 2) Effective work completion, 3) Executed the performance and responsibilities of employees, 4) Professional setting.                                                                                                                                                                                                                                                                                                                       |

### Relationship between variables from the review

The study investigates the impact of human capital, organizational culture, product innovation, and employee performance on the success of Chinese SMEs in low-tech, labor-intensive sectors. It highlights the importance of adopting technological innovations to maintain competitiveness in the dynamic marketplace. Human resources, including employees, play a crucial role in the operation of businesses, and integrating technology into operations can optimize efficiency and process speed. Effective marketing and promotion strategies, such as utilizing plants and herbs, can increase market share and reach a larger audience. Optimal resource allocation and strategic investment in cutting-edge technologies can enhance productivity and operational processes, leading to increased profitability and customer satisfaction. The study aims to inform policymakers on strategies to enhance SMEs' competitiveness in China's rapidly evolving economy (Figure 1)



**Figure 2.1** The relationship between human capital, organizational culture, product innovation, employee performance and entrepreneurial performance

The study reveals that human capital, organisational culture, product innovation, and employee performance all positively impact entrepreneurial performance in small and medium-sized e-commerce, with employee performance playing a mediating role. These findings suggest that investing in employee development and fostering a strong organisational culture can significantly enhance entrepreneurial performance in the e-commerce sector. Additionally,

continuous product innovation is crucial for staying competitive and achieving sustainable growth in this dynamic industry.

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