



INNOVATION CLIMATE AND TALENT SUSTAINABILITY AMONG SMALL AND MEDIUM ENTERPRISES IN KENYA: THE MODERATING EFFECT OF FIRM PROFILE

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Abstract

Talent sustainability, defined as an organization's ability to attract, develop and retain skilled and knowledgeable workers in the long run, remains a crucial challenge faced by most small and medium-sized enterprises (SMEs) in developed and developing countries. Past studies on the effect of innovation climate on talent sustainability produce mixed results. For this reason, this study aimed to investigate the influence of firm profile on the link between innovation climate and talent sustainability. Criterion sampling was used to select the top 100 SMEs in Kenya, according to KPMG-Kenya and Business Daily. Targeted respondents included founders of the SMEs or their designates. Out of the targeted 100 SMEs, 59 responded, giving a response rate of 59%. The study used a structured questionnaire to collect data and the partial least squares structural equation modeling technique to analyze the collected data. Since previous researchers have found mixed results on the influence of innovation climate on talent

sustainability, the current study aimed to ascertain this and thus the moderating variable, firm profile. The results established that there exists a non-significant influence of firm profile on the relationship between innovation climate and talent sustainability (β = -0.160, t = 1.368, p = 0.171). Since talented employees usually desire to work in a conducive workplace environment, SMEs need to create a supportive innovation climate that can assist in attraction, development and retention of valuable talents. Future scholars can investigate the influence of other moderating variables on the link between innovation climate and talent sustainability.

Keywords: Attraction, Firm Profile, Innovation Climate, Retention, Talent Sustainability

INTRODUCTION

Innovation has emerged as a critical practice in today's business environment. Enterprises are therefore tasked with boosting innovation opportunities to ensure that they have an edge in the different markets and sectors in which they operate. According to Alparslan and Saner (2020), one way these organizations ensure this is through their ability to attract, develop and retain valuable talents. This is because having talented workers drive productivity and innovation, consequently shaping the organization's position in the market. However, unlike large and established enterprises (MNEs), small and medium enterprises (SMEs) face challenges when it comes to attraction, development and retention of this talent pool. This is attributed to competition for talent among enterprises in different sectors and industries - large, medium and small, and also the liability of newness and size associated with majority of SMEs. To counter this, SMEs need to develop unique and competitive methods that can boost talent sustainability for their long-term success, which can address either the internal and external characteristics of the firm, or both (Chung & D'Annunzio-Green, 2018).

One such factor internal to the firm is the firm profile. This encompasses various dimensions including firm age, profitability, firm size, growth, sector and ownership structure. As noted by Hauswald et al. (2016), talented employees compare these aspects with their values and needs when deciding to engage in a long-term work relationship with an organization. For instance, most skilled and knowledgeable employees prefer to be employed by superior-performing firms, highlighting the profitability aspect of firm profile. These firms usually have the capacities to offer good remuneration packages to their skilled and knowledgeable employees thus boosting attraction and retention of such employees (Bussin, 2014; Osibanjo et al., 2014; Isa et al., 2018). This shows that to ensure talent sustainability, that is, the attraction, development and retention of valuable employees, the SMEs must boost their firm profiles, which ultimately acts like a moderating factor of the company's innovation climate and

sequentially, its talent sustainability. Still, there are some differing opinions about this moderating effect, which were offset by analyzing the above-mentioned structural variables of the firm profile and their impacts in this regard.

Again, the research utilized some theories including the contingency theory, which posits that two variables are interconnected using a third variable; in this case, talent sustainability and innovation climate can be strengthened when key organizational variables are appropriately aligned, that is, firm profile. Another theory on which this study is anchored is the Schumpeterian theory of innovation, which posits that a conducive workplace environment is key in promoting innovation. This means that the company's financial and non-financial aspects or market power as utilized by the talented employees, affect innovative efforts within a company, and its ultimate success (Dekkers et al., 2014). Thus, this research proposes that firms should align the various dimensions of their profiles to enhance innovativeness, as well as talent sustainability.

Innovation Climate

From Schumpeter's (1934) definition of innovation as the process through which new products or new production methods are introduced into the market, innovation climate can be defined as the degree to which innovation-driven firms encourage a supportive atmosphere for their workforce to be innovative (Shalley & Gilson, 2004). Creating an innovation climate therefore involves utilizing available resources, necessary methods, and tools. An example is the use of motivated, engaged, skilled, and creative employees to promote innovation within their organizations. This implies that for this atmosphere to exist, organizations must create a healthy and supportive environment that stimulates and encourages employees to participate in creative activities (Frank, Finnegan, & Taylor, 2004; Bate, 2010). This can be done through decentralizing day-to-day decision-making within an organization, having flexible working arrangements, having opportunities for professional and personal development, favorable compensation and benefits, and having a workplace environment that encourages employee risk-taking and experimentation, and teamwork (Agarwal & Adjirackor, 2016; Mangi et al., 2015; Hanaysha, 2016). Doing this increases an organization's propensity to develop innovative and creative ideas (Gendi, 2017). Besides, it renders such companies competitive based on the preferences of today's younger talent pool especially generation Z (Racolța-Paina & Irini, 2021).

Some indicators of innovation climate include organization structure and support (Song, 1992), human resource practices, resource availability, supportive leadership, autonomy, and institutional and interpersonal trust (Gendi, 2017). These indicate that an innovation climate is a work environment that constantly guides workers to encourage them to participate in innovative

and creative practices. Thus, enterprises, in this case SMEs, must consider workers' opinions and concerns when making decisions that have direct impact on these individuals (De Jong & Den, 2007; Charles, Francis, & Zirra, 2021). The innovation climate can therefore be measured by looking at organizational support for innovation, organizational structure, leadership behavior, managers' support for innovation and teamwork/colleagues' support.

Firm Profile

Firm profile is defined as a firm's managerial and demographic variables which forms part of its internal environment. This definition implies that firm profile are the factors that are primarily within the control of organizations (Zou & Stan, 1998). It includes profitability, growth, ownership structure, age, size, and sector, which can be constant and stable over time (Musamali & Taurus, 2013). To begin, firm age represents the number of years a firm has been in operation. On the other hand, firm size is the total number of workers, which Ozcan, Unal and Yener (2017) contend significantly influences performance, ultimately affecting talent sustainability. Again, the firm's ownership structure is represented by the proportion of equity owned by various individuals. In a study to determine the influence of ownership structure on the effort of employees, Bennedsen et al. (2016) established that workplace absenteeism of employees among family-owned firms was 14% lower than among firms that are not family-owned. This confirmed the findings of De Vries (1993) which stated that some talented employees do not prefer working for locally owned family firms due to challenges such as inherent family biases and non-formal organizational structures.

Regarding profitability and growth, Mwai (2017) is of the opinion that most large firms experience superior performance and can quickly meet the needs and expectations of their talented employees, and thus most skilled and knowledgeable employees prefer to be employed by such firms. This makes these two aspects vital to the attraction, development and retention of valuable employees. The same is true for SMEs as they become more established since they develop solid resource bases, systems, and structures and can easily develop excellent human resource management (HRM) practices. Contrarily, a look at the impact of firm profile on the innovation climate of enterprises, reveals that the implications are a trickle-down effect of the talent sustainability.

Talent Sustainability

Talent sustainability is the capacity of a firm to perpetually attract, develop and retain skilled and knowledgeable employees who make key contributions towards current and future organizational success (Chandrasekar & Zhao, 2015). Attracting quality employees is integral to

achieving long-term organizational success (Turnea, 2018). According to Butt, Lodhi and Shahzad (2020), it is easier to access tangible assets and other technologies than intangible assets such as skills and knowledge. This is because skilled and knowledgeable employees are attracted by different factors within organizations, such as attributes, benefits, and values. Specifically, the aspect of attraction can include opportunities to advance careers, organizational culture, opportunities for work-life balance, good employer branding, including participation in CSR activities (Kumari & Saini, 2018; Dell & Ainspan, 2001; Saini, Rai & Chaudhary, 2014; Sharma & Prasad, 2018).

On the other hand, developing talent encompasses all activities and initiatives organizations undertake to support and promote learning and growth among employees (Garavan et al., 2012; Kaliannan et al., 2023). This includes all the training and education opportunities and other development programs that form part of a firm's innovation climate. According to Yaqub, Singh and Dutta (2021), talent development has become a prime concern for organizations across the globe, the sector, size and geographical location notwithstanding. This is because it contributes to positive outcomes such as better productivity, employee satisfaction, reduced absenteeism and turnovers.

The last talent sustainability aspect is talent retention, which involves putting in place relevant policies and processes to enable highly skilled, knowledgeable, and experienced employees to stay longer within an organization (Baer et al., 1996; Earle, 2003). This can include availing a conducive work environment that meets the expectations and needs of such employees (Kashyap & Rangnekar, 2016); supporting the employees' work-life balance, which strengthens their loyalty and productivity (Lobel & Kossek, 1996; Shockley, Smith, & Knudsen, 2017), ensuring job security (Das & Baruah, 2013; Sharma, Singh & Rana, 2018), availing opportunities for career development (Osman-Gani & Paik, 2016; Butt, Lodhi & Shahzad, 2020), offering organizational support, availing training and development opportunities (Umamaheswari, & Krishnan, 2016; Garg, 2018; Arasa & Krishna, 2019), having in place competitive and fair reward and compensation systems (Willis, 2000; Terera & Ngirande, 2014), and having an organizational culture where employees feel treated justly and fairly (Raghavi & Gopinathan, 2013; Stoilkovska et al., 2015). According to Kontoghiorghes & Frangou (2009), there has to be mutual trust and satisfaction between employees and organizations for talent retention to occur. This can be attributed to the fact that organizations are always hoping that the skills and knowledge of their workers will meet its needs while talented workers are always hoping that their employers will also meet their personal and professional requirements.

Overall, talent sustainability is a business strategy appreciated by numerous firms (Frey & Stechstor, 2007) as it ensures their long-term competitiveness and survivability (Delery & Shaw, 2001). By implementing policies, practices and processes around the above, it becomes easier for enterprises to recruit, motivate, develop and engage skilled and knowledgeable employees for a considerable period and contain their attempts to quit (Capelli, 2008), ultimately guaranteeing the business' long-term sustainability and competitiveness.

Small and Medium Enterprises in Kenya

The definition of the term SME depends on each country's or organization's set definition. For instance, the US defined it as an entity with less than 500 workers, while the European Union describes it as an entity having at most 250 workers, with a balance sheet total of less than 43 million euros and an annual turnover of at most 50 million euros. Further, the World Bank describes an SME as an entity with employees not more than 300 and whose annual turnover is at most US \$ 15 million. Locally, a definition put forth by the Kenya Association of Manufacturers (KAM) classifies SMEs as entities whose annual sales do not exceed KES 20 million. This study adopted the definition by Mkalama (2020), who describes micro-enterprises as those employing between 1-9 workers with annual turnovers of less than KES 500,000 and capital formation of less than KES 5 million for services or less than KES 10 million for enterprises doing manufacturing. Small enterprises as those that employ between 10 to 49 workers with annual turnovers between KES 500,000 and KES 5 million and capital formation between KES 5 million and KES 20 million for services or between KES 5 million and KES 50 million for enterprises doing manufacturing. Medium enterprises are those employing 50-99 workers.

Great emphasis has been put on SMEs' essential roles in Kenya's economic growth that is, job creation, improved living standards, eradication of poverty, and wealth creation (Muriithi, 2017; Mkalama, 2020). Ngugi (2013) established that SMEs contribute to an outstanding share of economic activities in the country, both in rural and urban setups, by generating over 70% of employment annually. Even with such significant contributions to the economy, the sector remains shattered. The challenges faced, which are attributed to both the internal and external environment, slow down SMEs' long-term sustainability and scalability, making them unattractive to most employees possessing valuable skills and knowledge (Bilan et al., 2020). There is need therefore for the enterprises to develop the best strategies to overcome the various challenges they face; putting in place a healthy innovation climate suitable for attracting, developing and retaining valuable employees.

Research Problem

Putting in place a healthy and supportive innovation climate is a key strategy in gaining and sustaining competitive edge due to its synergetic effect on both workers and firms (Garg, 2018). Although various studies have explored the concept of innovation climate in firms, less focus has been given to the role of firm profile on the link between innovation climate and talent sustainability. Investigating this phenomenon is therefore important since many enterprises, especially SMEs, are increasingly facing high mortality rates while the surviving ones are experiencing missing middle phenomenon (Omondi, 2017). Some reasons given for this include challenges associated with establishing healthy and supportive innovation climate which could enhance talent sustainability (Lathitha, 2012) This stems from liabilities of size and newness, whereby these SMEs suffer with regard to talent retention due to heavy poaching from established firms. Since skilled and knowledgeable workers are required to champion innovation and hence scalability and sustainability, it is important that firms investigate the various aspects within their internal environment that can be optimized to ensure the same. Accordingly, SMEs need to align the various dimensions of innovation climate and firm profile to get the full benefits of talent sustainability.

Besides, a considerable number of past researches looking at the association between innovation climate and talent sustainability have been focused on developed countries (Carolyn, 2018) and large enterprises, with limited research focusing on developing countries and SMEs. These studies have also given inconclusive and conflicting findings (Fatimah & Rosmini, 2018; Nehles & Veenendaal 2017; Nurul et al., 2019). The current study was therefore inspired by limited literature on the influence of innovation climate on talent sustainability specifically in Kenya. It considers that talent sustainability may depend on the critical variables of innovation climate and firm profile. The identified gaps from the literature review were addressed by answering the research question: What is the moderating influence of firm profile on the link between innovation climate and talent sustainability among small and medium enterprises in Kenya?

Objectives of the Study

- i. To establish the influence of innovation climate on talent sustainability among small and medium enterprises in Kenya.
- ii. To determine the influence of firm profile on the relationship between innovation climate and talent sustainability among small and medium enterprises in Kenya.

LITERATURE REVIEW

Theoretical Foundation

This research is anchored on two theories; Contingency theory and Schumpeterian theory of innovation. The contingency theory, put forth by Burns and Stalker (1961) posits that there is no best way to organize, lead, and make company decisions. Instead, it proposes that the best way to manage an organization depends on its prevailing internal and external situation. This necessitates the need to have a fit between internal environmental factors such as innovation climate and firm profile and the external environmental conditions if superior outcomes, including talent sustainability, are to be achieved and sustained. Firm profile influences the level of bureaucracy within entities. Organizational structure and the level of bureaucracy, in turn, influence the innovation climate, directly affecting talent sustainability.

The theory argues that an interaction with a third variable is needed to connect two variables (Donaldson, 2001), thus talent sustainability can be improved when key variables such as firm profile and innovation climate are properly aligned. This indicates that talent sustainability among firms needs to be measured not only via the use of a single attribute but rather through the interaction of various attributes within a particular business setting. This research uses contingency theory to illustrate that talent sustainability depends on the interplay between innovation climate and firm profile. The two independent variables are reasoned to influence talent sustainability in different combinations in a contingency framework.

Schumpeterian theory of innovation looks at the part that entrepreneurship and innovation play in economic growth. According to Schumpeter and Nichol (1934), the entrepreneur is "an agent of innovation and change" and therefore, innovation and entrepreneurship play a pivotal role in economic growth of nations. This theory posits that organizations need conducive environments for workers to generate novel ideas key to achieving competitive advantages. Schumpeter (2013) argues that innovative employees always strive to develop new processes or products that enable an organization to enjoy sustainable competitive advantage (SCA) over peers. Workers possessing valuable skills and knowledge are easily retained when involved in a firm's creative and innovative activities (Stradinger, 2016). Therefore, this research proposes that firms can capitalize on various dimensions of the innovation climate to enhance innovation, thereby boosting attraction, development and retention of talented employees. This can be done by aligning the various dimensions of their firm profile and innovation climate to enhance the innovativeness of their firms, thereby easily attracting, developing and retaining key employees.

Empirical Literature Review

Firm Profile, Innovation Climate and Talent Sustainability

A healthy and supportive innovation climate enhances participation of valuable workers in decision-making thus making their roles more fulfilling and this ultimately boosts talent sustainability. Such workplace environment makes talents to feel valued and appreciated making them to want to be part of organization's long-term vision (Demircioglu, & Berman, 2019). Organizations have a role to play in removing all barriers which impede innovation while also putting in place other measures that can make jobs more interesting and fulfilling.

The firm profile can directly and significantly impact employees' motivation and job attitudes, ultimately affecting talent sustainability (Huddleston, Good & Frazier, 2002). Researchers have argued that behaviors of employees in possession of valuable skills and knowledge can be impacted by firm age, sector, size as well as the ownership structure of the enterprises they work for (Neckebrouck, Schulze, & Zellweger, 2018; Aguwamba & Augustine, 2019). However, important to note is that SMEs operating in the fastest-growing sectors of economies are highly innovative and thus attract huge funding and grants from global corporations and venture capitalists (Jeong, Kim, Son & Nam, 2020). Thus, high-potential employees will easily get attracted and retained by such enterprises due to the promising careers and growth prospects from such enterprises. Majority of entrepreneurs leading these enterprises have great social capital, are well-educated and experienced thereby boosting the chances of scalability and long-term success of the enterprises they lead.

The above argument is supported by Birley and Westhead (1990), who established that firms with more experience in operations have higher chances of building up useful resources and capabilities, which can be crucial in attracting, developing and retaining quality employees. Such resources can be key in the creation of a supportive innovation climate as well as the enhancement of firm performance. While Alasadi and Abdelrahim (2007) contend that older firms usually experience low levels of performance compared to younger enterprises, Takahashi (2009) noted that established enterprises perform better than small firms since they can exploit available resources better due to economies of scale. Besides, banks and investors are always willing to offer both financial and non-financial assistance to established firms since they have a track record of performance that can easily be verified. Such enterprises have objective data which can be used to make informed business decisions (Motyka et al., 2017).

A study conducted by Kontoghiorghes (2016) established that the ability of firms to attract and retain valuable workers could be predicted by superior performing culture within organizations. It was further established that such effect was mediated by the worker perception of satisfaction and commitment to the employer. Talent sustainability is highly linked with the

degree to which an enterprise is seen to embrace technology driven culture, change and quality. Being strategically aligned and ethical while also supporting creativity, embracing open communication and managing knowledge effectively also play instrumental part in the attraction, development and retention of valuable talents.

Conceptual Framework

Several variables impact the link between innovation climate and talent sustainability among enterprises. The current research explored the influence of firm profile on the relationship between innovation climate and the attraction, development and retention of talented employees among SMEs in Kenya. For more conclusive results, the research adopted an integrative approach, whereby the diverse variables of innovation climate, firm profile and talent sustainability were coalesced into a single model. From the model, it was hypothesized that SMEs in Kenya could boost their capacities to attract, develop and retain talents by creating a healthy and supportive innovation climate. It was also proposed that firm profile has moderating influence on the relationship between innovation climate and talent sustainability. This interrelation among the study variables is shown in the conceptual framework presented below.

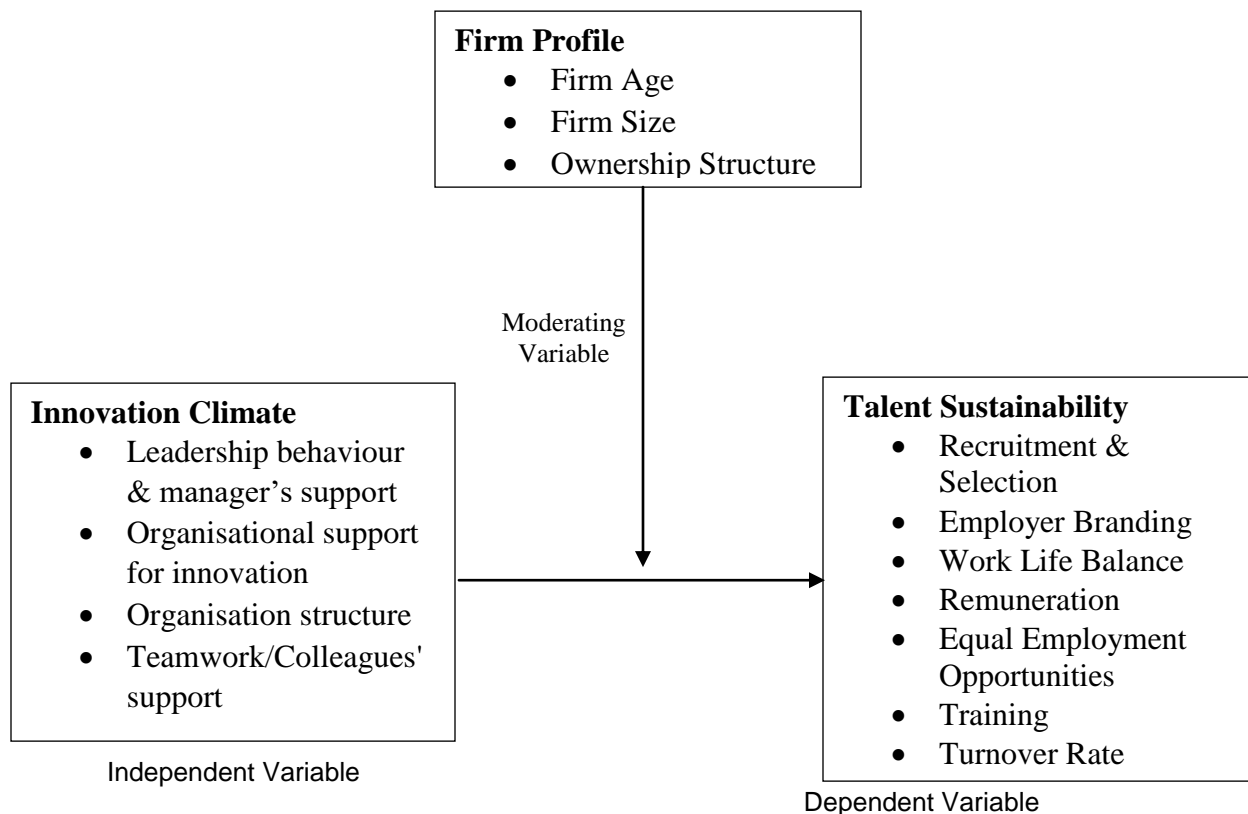


Figure 1: Conceptual Framework

Based on the above conceptual framework and the outlined research objectives, two alternative hypotheses were formulated and tested.

H₁: Innovation climate influences talent sustainability among SMEs in Kenya.

H₂: Firm profile has a moderating effect on the relationship between innovation climate and talent sustainability among SMEs in Kenya.

RESEARCH METHODOLOGY

This study was a positivist research since the aim was to establish reliable and accurate results that reflect societal phenomena. It utilized a descriptive cross-sectional survey to study the hypotheses. This research design was considered the most appropriate since it is applicable in cases where the overall purpose of research is to establish a significant relationship among research variables at a particular time (Denzin & Lincoln, 2003). A problem experienced in the data collection process was the realization that there was a lack of updated records on SMEs in Kenya by the relevant government agencies. Therefore, this study used the last census conducted in 2016 by micro and small enterprise authorities to determine the study's population and found the number of SMEs as 1.56 million. Criterion sampling was used to select the top 100 SMEs for 2019, as listed by Business Daily and KPMG – Kenya.

Primary data was collected using structured questionnaires issued to founders of targeted SMEs. The researcher used self-designed questionnaires to gather data from these respondents. In their absence, the top or middle-level management team were requested to respond to the administered questionnaires. These individuals were considered knowledgeable and took part in decision-making roles. Again, a combination of face-to-face interviews and drop-and-pick methods were used to collect data from targeted respondents. Ten SMEs participated in pilot testing to evaluate whether the respondents could easily answer the questions. The questionnaires were adjusted accordingly based on the feedback received from pretesting. Out of 100 targeted SMEs, 59 responded, giving a response rate of 59%.

Validity concerns in the study were addressed through discussions with relevant experts in entrepreneurship and strategic management, factor analysis, adopting established measurement models documented by experts and pretesting. Contrarily, the reliability of the data collection instruments was tested using Cronbach's Alpha Coefficient method whereby the value of the coefficient ranges from 0 to 1, with a higher coefficient implying a higher correlation among research items (Mugenda & Mugenda, 2003).

The study used both SPSS and smart PLS to test various aspects of data for clarity and validity and partial least squares structural equation modelling (PLS-SEM) for data evaluation. Shapiro-Wilk test was done to test the normality of data while unidimensionality was tested with an Exploratory Factor framework that included Kaiser-Meyer-Olkin (KMO) and Bartlett's test of sphericity. The coded data were then analyzed using SPSS 26 and SMART PLS4 software for descriptive and inferential statistics. This method is not sensitive to sample size considerations and can be adopted by studies with sample sizes over thirty (Hair, Ringle & Sarstedt, 2013). Structural equation modeling (SEM) was performed using the partial least square (PLS) method rather than covariance-based SEM (CB-SEM).

FINDINGS

Response Rate

Out of the 100 questionnaires administered to the founders and management teams of SMEs, 59 were returned and analyzed, giving a response rate of 59%. The response rate was well above the empirically acceptable averages as suggested by Baruch (1999) and was thus acceptable.

Moderating Effect of Firm Profile

The aim of the study was to investigate the moderating influence of firm profile on the relationship between innovation climate and talent sustainability among SMEs in Kenya. As such innovation climate was operationalized as; leadership behavior and manager's support, organizational support for innovation, organization structure and teamwork/colleagues' support while the firm profile was analyzed in terms of the age of the enterprise (indicated by the number of years an enterprise has existed), the category the firm belongs to, firm size (as indicated by the number of employees), ownership structure and scope of operation. Further, the indicators for talent sustainability were employer branding, work-life balance, remuneration, equal employment opportunities, collective organizational efficacy, recruitment and selection.

Specifically, the study examined how the size, ownership structure, and age of the firm may influence the relationship between innovation climate and talent sustainability. The coefficient of determination (R Square) and adjusted R Square are both 0.311, reflecting the proportion of variance explained by the model. The standard error of the estimate is 33.69104, representing the average distance between the observed and predicted values as shown in the table 1.

Table 1: Firm Profile, Innovation Climate and Talent Sustainability
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.510 ^a	.311	.311	33.69104

a. Predictors: (Constant), Firm Profile, Innovation Climate

Again, the unstandardized coefficient for firm profile is -0.150, indicating that, on average, a one-unit increase in firm profile is associated with a -0.150-unit decrease in talent sustainability. However, the standardized coefficient (Beta) for firm profile is -0.192, suggesting a weak negative effect. The t-value of -1.485 is not statistically significant ($p = 0.143$), indicating that the moderating effect of firm profile on the relationship between innovation climate and talent sustainability is not significant.

Table 2: Firm Profile, Innovation Climate and Talent Sustainability Coefficients

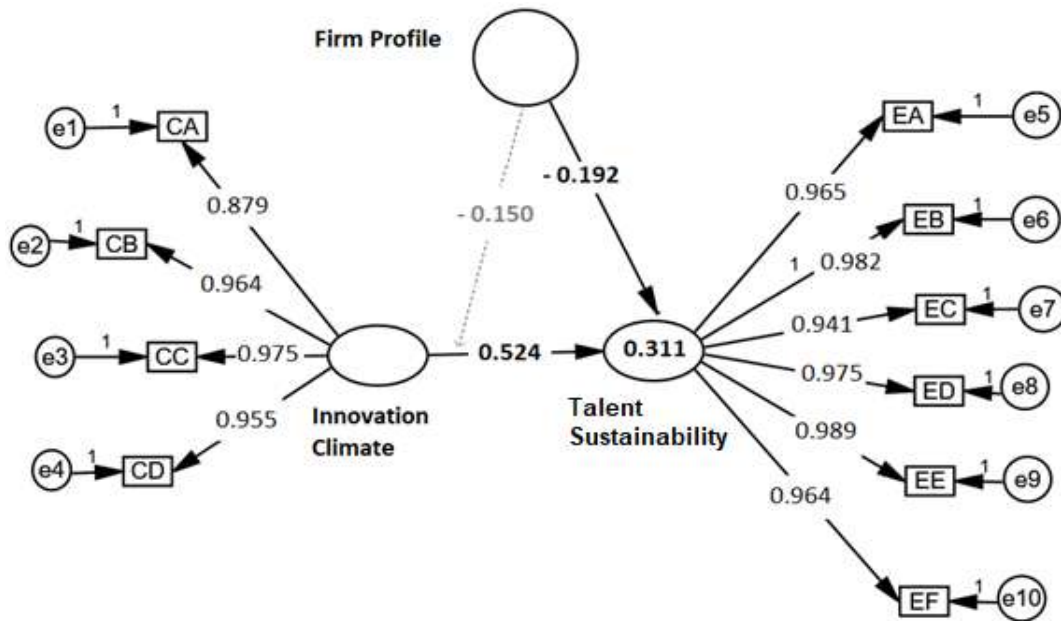
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	62.268	19.397		3.210	.002
	Innovation Climate	.524	.146	.557	3.819	.000
	Firm Profile	-.150	.656	.192	-1.485	.143

a. Dependent Variable: Talent Sustainability

$$y = \beta_0 + \beta_1 FP + \beta_2 IC + \varepsilon$$

The results show that 31.80% of the variation in talent sustainability is attributed to the predictive capability of innovation climate as moderated by firm profile. Further analysis of predictive data suggests that the firm profile has predictive relevance ($Q^2 = 0.278$) on the relationship between innovation climate and talent sustainability. The value of SRMR (0.075) is also higher than the threshold (0.05), which indicates a good model fit. The assessment of the confidence interval shows that it is different from zero (-0.358, 0.109), which means the moderating effect of firm profile on the relationship between innovation climate and talent sustainability is detected.

Figure 2: Effect of Firm Profile on the Relationship between Innovation Climate and Talent Sustainability



The findings of the moderating effect of firm profile on the relationship between innovation climate and talent sustainability indicate that the regression model, which includes innovation climate and firm profile as predictors, accounts for approximately 31.1% of the variance in the dependent variable, talent sustainability. The results suggest that the moderating influence of firm profile on the relationship between innovation climate and talent sustainability is not statistically significant ($\beta = -0.160$, $t = 1.368$, $p = 0.171$). Therefore, H_2 which proposes that there exists significant moderating effect of firm profile on the relationship between innovation climate and talent sustainability is rejected.

Table 3: Effect of Firm Profile on the Relationship between Innovation Climate and Talent Sustainability

	Original Sample (O) Path Coefficient	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values	Confidence Interval Bias Correction	
					2.5%	95.5 %
Innovation Climate -> Talent Sustainability	0.522	0.100	5.206	0.000	0.313	0.708
Firm Profile -> Talent Sustainability	-0.207	0.120	1.719	0.086	-0.345	0.430

Moderating Effect of						
Firm Profile -	-0.160	0.117	1.368	0.171	-0.358	0.109
>Innovation Climate -						
> Talent						
Sustainability						
	R ²	Q ²	SRMR			
	0.318	0.278	0.075			

Table 3...

DISCUSSION OF FINDINGS

Relationship between Innovation Climate and Talent Sustainability among SMEs

Objective 1 of the study was to determine the influence of innovation climate on talent sustainability, with the hypothesis - That innovation climate influences talent sustainability among SMEs in Kenya. It was established that the relationship between innovation climate and talent sustainability is positive and significant. This is in reference to the current findings which indicate that the t value of the relationship between innovation climate and talent sustainability is 5.206, which exceeds the value of 1.96 (at $\alpha = 5\%$). Therefore, the hypothesized presence of a link between innovation climate and talent sustainability was supported.

An interpretation of this finding is that firms that create healthy and supportive innovation climate stand a better chance of ensuring talent sustainability. This was further corroborated by the partial least square and structural equation modelling results.

The results tally with those of several scholars including (Arasa and Krishna, 2019; Mogeni, 2020; Fatimah and Rosmini, 2018; Demircioglu and Berman, 2019) which posit that deliberately creating an enabling, healthy and supportive organizational innovation climate is key to the success of organizations in today's dynamic business environments. These results were consistent with the views of the Schumpeterian theory of innovation and the contingency theory in that, there is a need for organizations to create conducive environments for their employees to generate novel ideas key to achieving competitive advantages, and that talent sustainability is strengthened when key organizational variables are appropriately aligned, in this case, firm profile and innovation climate, respectively. However, these findings are inconsistent with those of Sadeli (2015) and Wungsnuopparat and Jiarui (2022) based on different conceptualizations. Still, in confirming that innovation climate influence talent sustainability, this research realized the first objective and supported the H₁.

Relationship between Innovation Climate, Founder Characteristics and Attraction and Retention of Human Capital

Objective 2 of the study was to determine the moderating effect of firm profile on the innovation climate and talent sustainability among small and medium enterprises in Kenya, with the hypothesis - Firm profile has a moderating effect on the relationship between innovation climate and talent sustainability among SMEs in Kenya. It was established that firm profile had no statistically significant moderating influence on the relationship between innovation climate and talent sustainability. This is in reference to the current findings which indicate that t value of the moderating effect of firm profile on the relationship between innovation climate and talent sustainability is 1.368 which does not exceed the value of 1.96 (at $\alpha = 5\%$). Therefore, the firm profile does not influence the relationship between innovation climate and talent sustainability, resulting in rejection of H_2 .

CONCLUSION

This study aimed to investigate the moderating effect of firm profile on the relationship between innovation climate and talent sustainability among small and medium enterprises in Kenya. The researcher derived two specific objectives from this main aim, which were used to formulate two hypotheses. The findings show that innovation climate significantly and positively influenced talent sustainability and that the link between innovation climate and talent sustainability is not influenced by firm profile. Overall, these results highlight the importance of fostering an innovation-friendly workplace environment within SMEs for attracting, developing and retaining valuable talents.

Implications of Results

The results have several implications for managerial practice, theory, and policy. To begin, they advance the application of Schumpeterian theory of innovation and contingency theory in entrepreneurship studies since they suggest that firms are more fortunate when they align the innovation climate with talent sustainability. Implications on policy are that the findings serve as a beacon for best practices in talent sustainability for different stakeholders in Kenyan SMEs. By analyzing the different variables of the firm profile, and innovation climate, policymakers can understand in detail the various challenges SMEs face in attracting, developing and retaining valuable workers, and also the factors that might fuel the closure of these firms. Understanding this will be vital in establishing supportive policies that can assist SMEs in overcoming the identified challenges and prospective factors, thus helping the different sectors and industries in attaining better performance. Lastly, implications for managerial

practice are that through the research, management will know about the essential steps and practices for ensuring talent sustainability. They will also understand how they can configure their firm profiles while creating a healthy and supportive innovation climate to boost talent sustainability. Therefore, if these stakeholders apply the findings of this study the scalability and long-term sustainability of the enterprises can be enhanced thus boosting their contributions towards achievement of the country's vision 2030.

Recommendations

Overall, the findings of this study suggest that for Kenyan SMEs to achieve long-term success in the current business environment, there is a need for them to create healthy and supportive innovation climate that will promote talent sustainability, firm profiles notwithstanding. Managers, in this case, should realize that attracting the right talent is key in ensuring survivability, therefore through a favorable innovation climate. Therefore, these employees will not only be attracted, but also developed to align with changing innovation capabilities, and retained as a result of the innovation climate of the enterprise. Evolution in this regard is what ensures long-term firm sustainability and success. Additionally, the enterprises need to ensure that they create a workplace environment where mutual trust, respect and engagement is encouraged through communication that is fair and transparent. These measures can be instrumental in promoting attraction, development and retention of skilled and knowledgeable employees among SMEs operating in developing countries like Kenya.

Limitations of the Current Study

Although the current research was instrumental in shedding on the relationship between innovation climate, firm profile and talent sustainability among SMEs in Kenya, it had a handful of limitations. The current study sampled the top 100 SMEs for 2019 as listed by KPMG-Kenya and Business Daily. The characteristics of the enterprises for the year 2019 may not be the same as the listing for the other years. Therefore, the sampling used by this study may give a partial reflection of all the small and medium enterprises in Kenya.

Adopting the Likert scale made it possible for respondents who were not interested in giving genuine responses to tick the boxes for the sake of just finishing without taking time to understand the contents. Two questionnaires were rejected during analysis since the respondents gave a scale of four and five for almost all the boxes. Additionally, the researcher gathered data from founders of SMEs at a given point in time using cross-sectional survey design and this made it impossible to ascertain the link between the variables over time. The

responses provided by the targeted respondents who were founders of the enterprises may have been subjective and prejudiced.

Areas for Further Studies

While this research provides useful insights into the area of management, a suggestion for further research is on the retesting of the hypothesis to prove further predictive relevance. The conceptual framework can also be contextualized differently to further confirm the findings from this research. This could be in the form of a different scope of study, for example varying sample population, which would help determine replicability.

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