

Innovation Climate and Attraction and Retention of Human Capital Among Small and Medium Enterprises in Kenya: The Moderating Effect of Founder Characteristics

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Abstract

Past studies on the effect of innovation climate on the attraction and retention of human capital produce mixed results. For this reason, this study aimed to investigate the impact of founder characteristics on the correlation between innovation climate and the attraction and retention of human capital. Criterion sampling was used to select the top 100 SMEs in Kenya. Targeted respondents included founders of SMEs. 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 modelling technique to analyze the collected data. Since previous researchers have found mixed results on the influence of innovation climate on the attraction and retention of human capital, the current study aimed to ascertain this and thus the moderating variable, founder characteristics. It established that the variable had an insignificant effect on the link between innovation climate and human capital attraction and retention ($\beta = 0.230$, $t = 1.855$, $p = 0.064$). Since talented employees usually desire to work in a conducive workplace environment, SMEs need to create a supportive innovation climate that can assist in attracting, maintaining and retaining human capital. Future scholars can investigate the influence of other moderating variables on the link between innovation climate and the attraction and retention of human capital.

Keywords: attraction and retention, founder characteristics, human capital, innovation climate

1. Introduction

Enterprises across the globe are currently operating in competitive and volatile economic environments, making them need to attract, motivate and retain valuable workers (Rynes, 1991). Due to the crucial roles played by such workers in giving their organisations a competitive edge over peers, they are becoming scarce and strenuous to acquire and retain (Arasanmi & Krishna, 2019). Workers with rare, superior skills and knowledge always have a choice for which organisations to work for hence the need for enterprises to put in place effective measures that can boost the attraction and retention of such talents (Sathya & Indradevi, 2014). Currently, both established enterprises and small and medium enterprises (SMEs) are competing for the same pool of human capital, making it necessary for SMEs to develop effective attraction and retention strategies since most of them have limited resources and suffer from liabilities of size and newness. Owners of SMEs need to build their capacities in addition to putting in place supportive and healthy innovation climates if they are to compete favourably in the current competitive, uncertain and volatile business environments (Bilan et al., 2020).

Founders of SMEs are at the core of enterprise creation, sustainability and growth. This means that their decisions play a crucial role in the long-term success and sustainability of the entities they lead (Barkham, 1994; Roper, 1998). Valuable and skilled human capital prefers to work for entities led by experienced and knowledgeable entrepreneurs since such entities stand a better chance of achieving long-term success. According to Bae et al. (2014), well-educated and experienced entrepreneurs are in a better position to succeed since they have the requisite capacities to explore, evaluate and exploit entrepreneurial opportunities. Such skills also enable entrepreneurs to effectively mobilise key resources to run their ventures successfully and sustainably. Kapoor and

Sherif (2012) argue that the entities prepared to align their human resources practices to the dynamic and complex global labour markets will be better positioned to acquire, motivate and retain a valuable workforce. Shortage of skilled human capital has been acknowledged as a major problem in both emerging and developed economies. It has been argued that most baby boomers are ageing and retiring, thereby creating skills and experience gaps which may not easily be replaced by new graduates from universities (Rappaport, Bancroft, & Okum, 2003; Neumark, Johnson & Mejia, 2013).

This research was anchored on Resource Based View (RBV) and Human Capital Theory (HCT) in explaining how such characteristics influence the attraction and retention of human capital. Founder characteristics and innovation climates can be regarded as unique resources that can give SMEs a competitive edge, influencing what can attract and retain talents (Wernerfelt, 1984). HCT postulates that human capital assets possessed by entrepreneurs contribute to the long-term success and survival of the entities they manage. Such investments can influence the capacities of the founders to acquire and retain valuable human capital.

SMEs have been acknowledged as the backbone of economies for developed and developing nations. Lee (2007) postulates that enterprises play key roles in the industrialisation of countries through their contribution towards Gross Domestic Product (GDP), poverty reduction, wealth and employment creation. It is approximated that SMEs constitute over 90% of all entities operating globally (Lin, 1998). In Kenya, SMEs have made immense contributions to alleviating poverty, innovation, creation of wealth and employment opportunities. The government has implemented several policy interventions to support the enterprises so that they can play their rightful roles in the country's economic development and growth (Mwangemi, Wilson & Mung'atu, 2017). The enterprises have also received key support from private sector organisations, including non-governmental organisations and financial institutions. However, despite such crucial support and interventions, SMEs are still faced with unique internal and external challenges which hamper their sustainability and growth, resulting in slow growth or collapse of many of them (Muriithi, 2017).

2. Literature Review

2.1 Innovation Climate

The role that innovation plays is considered critical in the sustainable development of enterprises. An innovation climate can be explained as an atmosphere created within firms to foster and propagate innovation. An enterprise's innovation climate forms an integral component of the innovative behaviour of workers (Chan & Liu, 2012). Employees' perception of an organisation's innovation climate has considerable influence on creativity and innovativeness and ultimately affects the ability of the organization to attract and retain their human capital. According to Khalili (2016), a firm's innovation climate is comprised of several dimensions, including support of the management team, support and encouragement of creative ideas, provision of resources, autonomy, teamwork, work flexibility, clarity of roles and goals, proper channels of communication, job security and provision of feedback. The innovation climate plays a key role in developing unique solutions to various problems enterprises face while focusing on adaptation, utilisation, application and execution of innovative ideas and insights (Newman et al., 2020).

A healthy and supportive innovation climate forms an integral part of creating and recognising novel ideas. Such an environment encourages the creative functioning of organisational workers (Siegel & Kaemmerer, 1978). Putting in place a healthy and supportive innovation climate requires enterprises to be flexible, versatile and entrepreneurial (Ibrahim, Mohamad & Shah, 2018). These features enhance an enterprise's competitiveness in the current dynamic and volatile business environments by attracting and retaining valuable human capital. A supportive, innovative climate encourages employees to take risks, exploit new markets, and develop new ideas and products. Such an environment also encourages innovative behaviours among workers resulting in employee satisfaction and commitment (Demircioglu, 2021). Workers and management teams are considered the main drivers of innovation among organisations. This calls for a good working relationship between the two parties if a good innovation climate is to be created and sustained.

2.2 Founder Characteristics

The characteristics of entrepreneurs/founders of enterprises directly influence the success of the entities they lead. Islam et al. (2011) argue that such characteristics can be categorised as demographic, personal traits, psychological characteristics, entrepreneurial orientation and self-efficacy. These characteristics also have an influence on an individual's intention to pursue entrepreneurial activities. In this study however, the demographic characteristics of entrepreneurs will be focused on because they have a considerable impact on acquiring and retaining valuable workers (Govindaraju, 2018).

Demographic characteristics of entrepreneurs include such factors as an individual's age, gender, managerial skills, level of education, social skills and industry experience. People aged between 25-44 years have been found to be entrepreneurially active and stand a better chance of achieving entrepreneurial success (Sinha, 1996; Reynolds et al., 2000; Kristiansen, Furuholt, & Wahid, 2003). Male entrepreneurs have been found to have higher intentions than their female counterparts in pursuing, engaging in and succeeding in entrepreneurial activities (Kolvereid, 1996; Mazzarol et al., 1999). This can be attributed to the fact that most women who might be interested in entrepreneurial pursuits face family responsibilities, among other sociocultural challenges. People with prior entrepreneurial experience have many entrepreneurial intentions and stand a higher chance of succeeding in running enterprises when compared to those without such experience (Kolvereid, 1996).

Well-educated and experienced entrepreneurs are better placed on developing the best business strategies, including attraction and retention strategies, which can enhance an organisation's long-term competitiveness (Peters & Brijlal, 2011; Hunady, Orviska, & Pizar, 2018). Such entrepreneurs can easily drive their enterprises towards achieving profitability and sustainability. Profitable enterprises can support their functional strategies and implement key infrastructural investments to attract and retain human capital (Chiliya & Roberts-Lombard, 2012). For example, a profitable entity can have competitive remuneration packages in place to attract and retain valuable workers. Education can also bring about exposure which is key to the long-term success of entrepreneurial ventures.

Again, research reveals a relationship between entrepreneurs' age and the long-term success of the ventures they lead. As noted by Kristiansen, Furoholt and Wahid (2003), older entrepreneurs tend to be more successful in their ventures than younger ones. Such entrepreneurs, out of experience and exposure, understand the various wants and needs of their valuable employees and customers. Once the multiple needs and wants are met, employee attraction and retention rates can be easily enhanced. Older and experienced employees possessing valuable and rare skills and knowledge also usually feel uncomfortable working for entrepreneurs who are younger, less experienced and knowledgeable than them. Such employees prefer to work under individuals who can draw inspiration, intellectual stimulation and challenge and not just work for salaries (Nyström, 2021).

2.3 Attraction and Retention of Human Capital

The acquisition of valuable workers is currently proving to be a big challenge to organisations globally since they have been forced to recruit from the same pool of workers. Talent attraction can be described as the various methods organisations use to lure desired skills and knowledge (Songa & Oloko, 2016). Limited access to valuable workers remains a key challenge facing most SMEs. The capacity of an entity to attract and retain helpful workers contributes to the long-term competitiveness of such entities (Ulrich, 1993). Organisations that intend to succeed in highly competitive business environments must put in place high-involvement practices to build a supportive and healthy work environment that can attract and retain valuable workers (Boxall & Macky, 2009). Organisations that can attract and retain competent and reliable workers are better positioned to develop and sustain a competitive edge over their peers (Delery & Shaw, 2001). Loss of valuable employees to competitors can bring about serious setbacks, including loss of organisational knowledge and reduced performance (Cotton & Tuttle, 1986).

Various enterprises are currently experiencing serious challenges in maintaining valuable workers, making it necessary to put attractive and competitive organisational rewards (Kantar et al., 2015). The desire to protect talented employees from competition remains a crucial objective of most organisations (Pittino et al., 2016). Only organisations that can put in place a workplace environment where workers are guaranteed job security stand a better chance of retaining valuable workers for longer periods (Akhtar et al., 2015). This calls for organisations to appreciate and invest in their human resources while meeting diverse expectations. According to Sigler (1999), the current war on talent is forcing organisations to comprehend and adjust their operations to key issues related to attracting and retaining valuable workers.

Retaining valuable workers is a cheaper strategy when compared to recruiting and training new workers (Parker, 2005). Firms usually use enormous resources when replacing lost human capital. Therefore, organisations need to have effective attraction and retention strategies instead of traditional programs that may not always guarantee success in the current competitive business environments (Cappelli, 2000). Putting effective attraction and retention strategies in place calls for organisations to understand employees' ever-changing needs and wants properly. Most valuable employees always leave an organisation at some point, making it necessary for enterprises to control who exits and when they exit. This makes it possible for enterprises to get the most out of such employees before they leave (Cappelli, 2000).

When workers feel motivated, they contribute to improving working conditions within an organisation. Workforce motivation can be boosted by job design, satisfaction with reward systems, and internal communication within an organisation (Galli, 2020). Enterprises that fail to retain valuable workers usually experience a high turnover of

remaining employees. Apart from being costly to an organisation, such situations may be detrimental to the survival, growth and long-term profitability of such organisations (Masango & Mpofu, 2013). Organisations that can get the correct match between employees and the tasks assigned to them will succeed in retaining valuable workers (Nel et al., 2012).

2.4 Founder Characteristics, Innovation Climate and Attraction and Retention of Human Capital

The innovation climate and characteristics of entrepreneurs directly influence the workplace environment and culture of the entities they lead, ultimately affecting what can attract and retain valuable employees. Most skilled employees prefer to work under friendly, charismatic and supportive entrepreneurs instead of working under domineering and controlling personalities (De Jong & Den Hartog, 2007). Well-educated, exposed and experienced entrepreneurs are better placed to understand the needs and expectations of their skilled human capital, thereby creating supportive innovation climates which can boost the attraction and retention of such workers. According to Mazzarol et al. (1999), the characteristics of entrepreneurs have considerable influence on the success of entrepreneurial ventures. Gathenya, Bwisa and Kihoro (2011) established that the age and education level of women entrepreneurs impacts the planning and profitability of the SMEs they lead. This ultimately affects the attraction and retention of human capital among such firms.

Hung, Le and Long (2017) investigated key factors affecting the retention of workers among SMEs in Hanoi Capital of Viet Nam. The researchers used interviews and questionnaires to collect data from 234 managers and founders of SMEs. Data were analysed using both quantitative and qualitative techniques. Findings from the study established that financial rewards, supervisor support, opportunities for career growth, and job satisfaction significantly influenced the attraction and retention of employees among SMEs. On the other hand, Mohammed (2017) examined the various practices employed by family owned SMEs in Saudi Arabia to recruit, select and retain employees. The researcher adopted questionnaires as well as semi-structured interviews to collect data from 100 owners of enterprises. It was established that most SMEs lacked a formal human resource (HR) department; hence, most of the HR policies and practices used were informal. This negatively impacted employee attraction and retention among the enterprises.

Hoque and Tshutsha (2022) explored key factors influencing the attraction and retention of academic workers at the Durban University of Technology. The authors conducted qualitative research and utilized semi-structured interviews to collect data from 12 academics within the institution. The authors established that several factors affect the attraction and retention of academic workers. Such factors include; training and mentorship opportunities, job satisfaction, challenging roles, availability of key resources and flexible work schedules. Organisations that are to attract and retain valuable workers need to implement effective strategies, including improved benefit and remuneration systems, supportive culture and a healthy workplace environment.

A study by Wungnsuopparat and Jiarui (2022) revealed that characteristics of organisational leaders, talent identification and management have considerable influence on the effective acquisition of valuable workers among SMEs in China. SMEs that recognise the correct talent pool and manage them effectively under the right leadership are better positioned to attract and retain skilled workers. However, some factors that had limited influence on the effective acquisition of valuable workers by SMEs in China included good talent performance evaluation methods, work characteristics, job satisfaction and the work environment.

Locally, Mungai et al. (2019) studied the impact of talent attraction on its consequential retention among government ministries in Kenya. The authors adopted a survey to collect data from 385 respondents working for seven ministries. Pearson products correlation model and linear regression were used to analyse data. Findings revealed that attracting talent considerably influences knowledge retention among employees working for government ministries. It was further established that the commitment of the top management team greatly moderates the impact of the attraction of talents on the retention of knowledge within the ministries. It also adds to the motivation of incumbent workers and the attraction and retention of top talent within an organisation.

The above shows that several past pieces of research have explored the link between innovation climate and founder characteristics on attraction and retention of human capital among SMEs and established enterprises (Govaerts et al., 2011; Zaharee et al., 2018) in general. This study aims to explore this relationship, with a focus on SMEs in Kenya.

2.5 Theoretical Foundation

This study is founded on two theories. Resource Based View (RBV) postulates that organisations possessing unique, rare, imitable and valuable resources stand a good chance of attaining a competitive edge over their peers (Wernerfelt, 1984; Barney, 1991). This paper considers the founder's characteristics as valuable, unique and rare

resources that SMEs can leverage to achieve a sustainable competitive edge and long-term sustainability. Competitive firms are always better positioned to attract and retain human capital. An enterprise's innovation climate is also a cultural resource that can differentiate entities and lead to superior outcomes such as attraction and retention of skilled human capital. Firms with healthy and supportive innovative climates can easily attain a competitive edge over peers by acquiring and retaining skilled human capital (Yusliza et al., 2020).

An organisation's internal resources and capabilities that cannot be imitated and substituted with ease play key roles in attaining long-term success. Therefore, SMEs need to implement measures to attract and retain employees possessing rare and valuable skills and knowledge if they are to thrive in competitive markets (Bilan et al., 2020). Human capital is a valuable and rare resource which enables firms to thrive and should therefore be attracted and retained. Additionally, the special skills, knowledge and capabilities of founders of enterprises are crucial to the success of the entities they lead. Such success directly influences what can attract and retain human capital.

Human Capital Theory (HCT) argues that human capital assets possessed by entrepreneurs play a crucial role in the long-term survival and success of the entities they manage (Dimov & Shepherd, 2005). Human capital comprises skills, competence, knowledge, and attributes that individuals possess and are key elements in better productivity (Hanushek, 2013). The theory focuses on the resource endowment of founders of enterprises, which concerns their knowledge and capacities in efficiently managing such enterprises (Martin et al., 2013). Entrepreneurs possessing human capital assets have better cognitive abilities and can identify and utilise profitable business opportunities making most talents want to work for them (Shanes, 2015). These individuals act as a source of inspiration and can easily attract and retain valuable workers who may want to be part of their long-term visions. Entrepreneurs of enterprises with low human capital can attend formal entrepreneurship training to improve and enhance the same.

An entrepreneur's level of education and experience directly influences how they interact and connect with their employees, ultimately impacting the attraction and retention of human capital (Jiménez et al., 2015). Owners of enterprises in possession of sufficient knowledge as well as experience are better placed to develop effective business approaches relating to the attraction and retention of human capital. According to Bruederl, Preisendoerfer and Ziegler (1992), these founders play an essential role in improving the chances of success of SMEs. The theory makes the founders of enterprises develop more efficient ways of attracting human capital to their entities.

2.6 Small and Medium Enterprises in Kenya

There exists no universally accepted definition of the term SME. Different countries, international organisations, and agencies, such as World Bank and United Nations, have defined SMEs differently. Various parameters, including the number of employees, total net assets and sales volumes, have been used to describe the term (Kurokawa, Tembo & Willem te Velde, 2008). The current study adopted Kenya's Micro and Small Enterprise Act (2012) which defined small enterprises as companies that have employed 10-49 workers and have an annual turnover of five hundred thousand to five million Kenya shillings. On the other hand, medium enterprises employ 50-99 workers, and yearly sales of above Kenya shillings are five million and not exceeding Kenya shillings one billion (Government of Kenya, 2016). SMEs in Kenya operate across different sectors of the economy and differ widely in characteristics (Okeyo, 2013). The government of Kenya has put in place several policy interventions aimed at promoting the sustainability of SMEs to boost their contributions towards the achievement of the country's Vision 2030.

These enterprises contribute to creating employment opportunities and are therefore recognised as a key economic base in the country (Ndemo & Mkalama, 2018). SMEs operating in Kenya account for about 30% of the Gross Domestic Product and create employment for more than 80% of the labour force (Kenya National Bureau of Statistics, 2016; Bor, 2018). Long-term sustainability and the ability of the enterprises to graduate to the next phases of growth is a great boost to wealth creation, utilisation of key resources, innovation, consumption, capital formation, community development, improved standards of living and reduced rural-urban migration (Muriithi, 2017; Mkalama, 2020). The contribution of the enterprises towards the country's economic growth and development has been acknowledged by policymakers, researchers and practitioners. The enterprises have also been recognised for their role in establishing, incubating, propagating and commercialising novel ideas (Muriithi, 2017). Despite the crucial contributions made by the enterprises towards economic development, the enterprises are still grappling with numerous challenges which have resulted in collapse and slow growth rates of a number of them. (KIPPRA, 2017).

2.7 Research Problem

SMEs across the globe are still faced with numerous challenges which slow down their performance and growth rates. The enterprises still face liabilities of size and newness, making them unattractive to the majority of talented

employees, most of whom prefer to work for established firms (Penrose & Pitelis, 2009). Limited access to valuable resources has been identified as a key challenge that most SMEs in Kenya are grappling with (Muriithi, 2017). Due to inadequate resources, these enterprises may not create the same innovation climates as established enterprises. Such challenges make it difficult for SMEs to provide competitive compensation packages to their talented employees (Williamson, Cable & Aldrich, 2002). However, SMEs can leverage their small sizes to create a healthy and conducive innovation climate to attract and retain valuable workers. Founders of enterprises play a crucial role in their entities' long-term success by creating a suitable workplace environment that makes workers feel motivated and inspired. The characteristics of these individuals also influence what can attract and retain employees possessing key skills and knowledge.

The resource challenges SMEs face are consistent with RBV, which postulates that enterprises that lack valuable and rare resources have a reduced chance of attaining a competitive edge over peers (Barney, 1991). Most SMEs are always flexible and led by entrepreneurs in close contact with their employees. This makes it possible for such employees to be part of the decision-making process, resulting in a feeling of appreciation and engagement (Sak & Taymaz, 2021). Numerous studies, particularly in developed countries, look at the role of innovation climate in attracting and retaining valuable workers. However, there are similar limited studies in developing countries, creating a contextual research gap. The moderating influence of founder characteristics on the link between innovation climate and the attraction and retention of valuable workers has also not been conceptualised exhaustively.

Practitioners and academicians in entrepreneurship and management studies have shown interest in understanding the attraction and retention of human capital due to its crucial role in the long-term success and sustainability of entities. Consequently, researchers have made it their goal to deeply understand the background, determinant factors and key strategies used in attracting and retaining human capital by enterprises (Horwitz et al., 2006). Research by Udechukwu & Mujtaba (2007) establishes that attraction and retention of human capital are impacted by external and internal organisational factors. In view of the above, the current research attempts to establish the influence of founder characteristics on the relationship between innovation climate and the attraction and retention of valuable human capital among SMEs in Kenya.

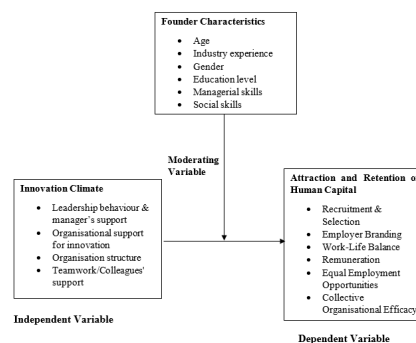
2.8 Objectives of the Study

The objectives of this study were to;

- i. Establish the influence of innovation climate on attracting and retaining human capital among small and medium enterprises in Kenya.
- ii. Determine the influence of founder characteristics on the relationship between innovation climate and attraction and retention of human capital among small and medium enterprises in Kenya.

2.9 Conceptual Framework

Several variables impact the link between innovation climate and the attraction and retention of human capital. The current research investigated the influence of founder characteristics on the relationship between innovation climate and the attraction and retention of human capital. This interrelationship is shown in below conceptual framework;



Based on research objectives as well as the conceptual framework, below two alternative hypotheses were formulated and tested.

H₁: The innovation climate influences the attraction and retention of human capital among SMEs in Kenya.

H₂: Founder characteristics influence the relationship between innovation climate and attraction and retention of

human capital among SMEs in Kenya.

3. Research Methodology

This study adopted a cross-sectional survey design which played a key role in exploring relationships among the variables under investigation (Leedy, 2001). The design has been considered vigorous when carrying out relationship research (O'Sullivan & Abela, 2007). The study's objective was to determine the influence of founder characteristics on the relationship between innovation climate and the attraction and retention of human capital among SMEs in Kenya. Data was collected at a particular time to establish linkages between study variables. This research targeted all the licensed SMEs operating in Kenya. Due to the lack of updated records by the relevant government agencies, this study used the last census conducted in 2016 by micro and small enterprise authorities and found the number of SMEs as 1.56 million as the study population. 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 from founders of targeted SMEs. In their absence, the top or middle-level management team were requested to respond to the questionnaires. These individuals were considered knowledgeable and took part in decision-making roles. 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%.

Further, the Cronbach's Alpha Coefficient method was used to estimate reliability, which can be described as the degree to which the research instrument gives consistent findings after several trials. The value of the coefficient ranges from 0 to 1, with a higher coefficient implying a higher correlation among research items (Mugenda & Mugenda, 2003). Conversely, validity can be described as a research tool's capacity to measure what it's meant to measure. A panel of entrepreneurship and strategic management experts were consulted to give their suggestions as to whether the research tool satisfactorily met the criterion. SPSS and Partial least squares structural equation modeling (PLS-SEM) was used to analyse the collected data. The researcher applied the PLS-SEM technique because it's not sensitive to sample size considerations and can be adopted by studies with sample sizes over thirty (Hair, Ringle & Sarstedt, 2013). The current study used a sample size of 100 which was relatively small.

4. Findings and Discussion

4.1 Response Rate

Out of the 100 questionnaires administered to founders and management teams of SMEs, 59 were returned and analysed, giving a response rate of 59%. The response rate was acceptable since it compared well to other local and international studies.

This study investigated the moderating influence of founder characteristics on the relationship between innovation climate and attraction and retention of human capital among SMEs in Kenya. Innovation climate was operationalised as; leadership behaviour and manager's support, organisational support for innovation, organisation structure and teamwork/colleagues' support. Indicators of founder characteristics were demographic indicators such as age, industry experience, gender, education level, and managerial and social skills. The indicators for attracting and retaining human capital were employer branding, work-life balance, remuneration, equal employment opportunities, collective organisational efficacy, recruitment and selection.

PLS-SEM was used to ascertain the moderating influence of founder characteristics on the relationship between innovation climate and human capital attraction and retention. Vinzi et al. (2010) describe partial least squares as a soft modelling approach to the structural equation model, which does not make any assumption about data distribution. According to Byrne (2013) and Kline (2016), the model has several advantages. It can simultaneously test multiple equations, enables the modelling of independent variables, deals with and measure moderating effects, and rectifies measurement errors.

4.2 Presentation of Findings

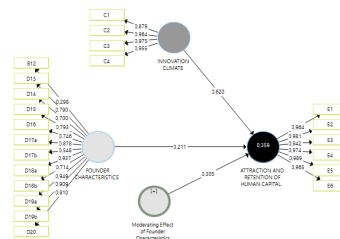


Figure 1. Moderating effect of founder characteristics on the relationship between innovation climate and ARHC

Figure 1 above shows that each variable's output indicator loading meets the convergent validity threshold for construct reliability with loading factors > 0.7, with the exception of B12 and D17b, where 0.298 and 0.54 do not meet the convergent validity standards for construct reliability.

Table 1. Display output indicator loading convergent validity

Indicators	Innovation Climate	Founder	Attraction and
Length of time at the helm of the firm		0.79	
Gender of founder		0.7	
Age of founder		0.793	
Highest educational certificate		0.746	
Membership in a professional association		0.878	
No of professional associations		0.54	
Training/seminar attended		0.937	
No of trainings/seminars attended		0.714	
Membership of social affiliation		0.949	
No of social affiliations		0.909	
Plans to handover leadership		0.91	
Leadership & manager's support	0.879		
Organisational support for innovation	0.964		
Organisational structure	0.975		
Teamwork/Colleagues support	0.955		
Recruitment & selection			0.964
Employer branding			0.981
Work-life balance			0.942
Remuneration			0.974
Equal employment opportunity			0.989
Collective organisational efficacy			0.965

Table 2. Display of composite reliability

Indicator	Composite Reliability
Innovation Climate	0.902
Founder Characteristics	0.948
Attraction and Retention of Human Capital	0.939

Table 2 above shows the categories' composite reliability, which is larger than 0.9 and higher than 0.70. This is a strong signal that all items from Table 1 consistently measure the same concept.

Table 3. Moderating effect of founder characteristics on the relationship between innovation climate and ARHC

	Original Sample (O)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values	Confidence Interval Bias Correction	
					2.5%	97.5 %
Innovation Climate -> Attraction and Retention of Human Capital	0.610	0.099	6.166	0.000	0.409	0.799
Founder Characteristics -> Attraction and Retention of Human Capital	0.189	0.121	1.560	0.119	-0.041	0.429
Moderating Effect of Founder Characteristics ->Innovation climate -> Attraction and Retention of Human Capital	0.230	0.124	1.855	0.064	-0.008	0.484
	R²	Q²	SRMR			
Moderating Effect of Founder Characteristics ->Innovation climate -> Attraction and Retention of Human Capital	0.322	0.286	0.096			

The finding was obtained using bootstrapping, which was used to establish whether there is a positive or negative relationship reflecting a sufficient substantial influence. The data were normalised and measured as coefficients. Two relationships do not pass the significance test, according to the results of **Table 3**: founder characteristics -> attraction and retention of human capital and moderating effect of founder characteristics -> innovation climate -> attraction and retention of human capital. These relationships can be disregarded. The remaining coefficients of innovation climate -> attraction and retention of human capital have a positive relationship. The findings revealed an insignificant influence of founder characteristics on the relationship between innovation climate and attraction and retention of human capital ($\beta = 0.230$, $t = 1.855$, $p = 0.064$). Therefore, H_2 is rejected.

5. Discussion of Findings

5.1 Relationship between Innovation Climate and Attraction and Retention of Human Capital

The first objective of the study aimed to ascertain the influence of innovation climate on the attraction and retention of human capital. Results from the study established that innovation climate has a positive and significant impact on human capital attraction and retention. Based on Table 3 for t statistic testing obtained, t value of the relationship between innovation climate and attraction and retention of the human capital is 6.166, which exceeds the value of 1.96 (at $\alpha = 5\%$). It can be concluded that the innovative climate positively influences the attraction and retention of human capital.

The current findings are consistent with other scholars who established that a healthy and supportive innovation climate positively influences the attraction and retention of valuable workers (Alatawi, 2017; Munyaka et al., 2017; Zaharee et al., 2018; Mey, Poisat & Stindt, 2021). When skilled and knowledgeable workers realise that their employers have put in place measures that promote their career growth, then such employees can easily be retained.

The current findings are inconsistent with those of Wungsnuopparat and Jiarui (2022), who established that the working environment/innovation climate had a limited impact on attracting skilled and knowledgeable workers among China-based SMEs. Additionally, Sadeli (2015) investigated the influence of leadership, talent management, organisational culture and organisational support on employee engagement and established that perceived organisational support does not positively influence employee engagement.

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

The second objective was to ascertain the influence of founder characteristics on the relationship between innovation climate and the attraction and retention of human capital. The t value for the relationship between founder characteristics and attraction and retention of the human capital of 1.56 does not exceed the value of 1.96 (at $\alpha = 5\%$). Hence it can be concluded that founder characteristics cannot positively influence the attraction and retention of human capital. The findings also obtained a t value of the moderating effect of founder characteristics on the relationship between innovation climate and attraction and retention of human capital as 1.855, which is less than the value of 1.96 (at $\alpha = 5\%$). This can be interpreted to mean that founder characteristics do not moderate

the relationship between innovation climate and attraction and retention of human capital. R^2 is given as 0.322, implying that the moderating effect of founder characteristics and innovation climate and human capital attraction and retention explains 32.2% of the output variable variation.

The current findings are inconsistent with past studies (Moorthy et al., 2012; Chilya & Mornay, 2012; Zafar & Khan, 2013). These studies proposed that well-educated, highly skilled, and knowledgeable entrepreneurs are exposed to new concepts and ideas which they can adopt in their enterprises, thus boosting the innovation climates of their enterprises. Such measures directly influence what can attract and retain valuable human capital.

6. Conclusion

This research set out to assess the influence of founder characteristics on the relationship between innovation climate and attraction and retention of human capital among SMEs in Kenya. Results from the study established an insignificant impact of founder characteristics on the link between innovation climate and attraction and retention of human capital. Boosting the attraction and retention of human capital among SMEs requires policymakers and practitioners within the entrepreneurship discipline to pay considerable attention to the characteristics of entrepreneurs and the innovation climate within small and medium enterprises.

6.1 Implications of Results of the Study

Policymakers can use the results of this research to develop supportive policies which can boost the competitiveness, performance and sustainability of small and medium-sized enterprises operating in Kenya. Enterprises with good performance are better placed to attract and retain valuable human capital, thereby contributing to the realisation of the country's Vision 2030. Vision 2030 is highly dependent on the competitiveness of SMEs and human capital holders who can boost Kenya's global competitiveness due to the unique skills and knowledge they possess (Government of Kenya, 2012). Therefore, there is a need for the government to put in place measures that can promote the competitiveness of SMEs, thereby boosting their growth, sustainability and expansion. Such actions can enhance the competitiveness of Kenya on a global stage.

This research can also be useful to managerial practice since it can be applied to understand how innovation climates within enterprises can be adjusted to boost the attraction and retention of valuable human capital among small and medium-sized enterprises in Kenya. From the study, the management team, including founders of SMEs, are better positioned to understand how to capitalise on the various dimensions of innovation climate to neutralise key liabilities that most enterprises are still grappling with. Such understanding can play a crucial role in boosting the competitiveness and long-term sustainability of enterprises.

This study will also act as a reference point for other scholars and researchers interested in studying the link between founder characteristics, innovation climate and attraction and retention of human capital.

6.2 Recommendations

There is a need for founders of SMEs to put in place healthy and conducive innovation climates which can boost the attraction and retention of valuable human capital. This will make the enterprises compete favourably with large established firms for the same pool of human capital. The ability of the enterprises to attract and retain human capital will place them in a better position to contribute towards the country's economic development and achievement of Vision 2030.

6.3 Possible Areas for Further Studies

Future scholars may consider investigating the influence of other factors on the link between founder characteristics, innovation climate and attraction and retention of valuable human capital among SMEs in different contexts. Future researchers may also consider using other research methodologies to investigate the influence of the same variables on the attraction and retention of human capital among SMEs in Kenya. Similar studies can also be conducted among large and established organisations in Kenya to enable comparison of findings.

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