

Influence of Organizational Capabilities on Innovative Climate and Talent Retention



Nayeeunnisa. A, S. Gomathi

Abstract: Organizations in the highly competitive world give attention towards providing a innovative climate to retain the talented employees in the organization. Organizational capabilities are emerged to respond to the global changes in the business environment. Organizational capabilities play an important role in managing and developing its resources to sustain in the highly dynamic environment. Building right organizational capabilities will help the organizations in retaining the right talent and creating an innovative climate in the organization. The paper aims to develop a conceptual model by linking organizational capabilities, innovative climate and talent retention. To frame a conceptual model author did an extensive review literature that revealed the relative dimensions under the variables of organizational capabilities, innovative climate and talent retention. The revealed dimensions used for framing a conceptual model to understand the influence of organizational capabilities on innovative climate and talent retention. The study revealed that to retain talented employees organizations must provide innovative climate and build right capabilities in the organization to sustain in the highly dynamic and competitive environment.

Keyword: Organizational capabilities, Innovative climate and talent retention

I. INTRODUCTION

The current business world is highly affected by the global changes, organizations faces tremendous challenges to sustain their business in the highly competitive world. Maintaining and providing a innovative climate has gained a major attention among all the organization. Organizations to sustain in the rapidly changing environment must build its people capabilities and resources capabilities to create an innovative climate. Changes in the business environment leads to creation of new capabilities and Organizational capabilities differ from firm to firm based on the nature of business and change implementation. Organizational capability can be termed as a process or resources, which a firm applies to its business for the better result. The more the firm become innovative in its process it increases the need for firm capability enhancement across the organization,

firm capabilities should match the level of innovation in each organizational process to enhance employee productivity and firm performance. To manage the changes in the business environment organization must create the capabilities that will match to the changing business environment.

Capability of learning and capability to create a knowledge environment organization must provide a platform to its resources to gain the capability, which will lead to the productivity and sustainability of the organization. The study has framed a conceptual model to understand the influence of organizational capabilities on developing innovative climate in the organization. In the model, the organizational capabilities are categorized into two aspects as organizational learning capability and knowledge management capability.

Finally, The study brought managerial implication in creating a platform for organizational resources to gain the right capabilities that will help the organizations to innovate their organizational climate and sustained in the highly competitive world.

II. REVIEW LITERATURE:

Organizational Capabilities:

Organizational capability is an ability to manage organizational resources both tangible and intangible, organizational capabilities should meet the demands of internal customer, achieve the organizational objects, to meet the external customer demand overall it should meet the demands of all the stakeholder of the organization. **Muhammad Ibrahim Bello Burhan Muhammad Bn Ibrahim** (2015) explored the factors capabilities influencing to internalize quality culture of higher educational institutes. Quality culture in the organization is achieved by leadership capabilities such as Directing setting, Strategic and organisational process, Alignment, Intervention and Strategic capabilities conclusion clearly indicates that high significant impact of leadership roles dimensions on internalising quality culture. The current business world has continuous thirst towards innovation, they always be in search of easier and efficient way of doing work. Innovation is not about doing a magic it is about bringing a new method, new process and new technology to perform a task very quick and in an easier way to bring in the operational efficiency at work by reducing time and cost. **A. Ozan Onağa et al., (2014)** investigated impact of Organizational Learning Capability on Firm Innovativeness. The author used seven dimension of Organizational learning capability as knowledge , dialogue, , managerial commitment, knowledge transfer experience and openness, , participative decision making and risk taking.

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* Correspondence Author

Dr.S.Gomathi*, Senior Professor, Business School, Vellore Institute of Technology, Vellore-14.

Nayeeunnisa. A., Present pursuing Ph.D degree in Management Business School Vellore Institute of Technology, Vellore-14.

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M. Ángeles et al., (2014) Examined the relationship between organizational capabilities and profitability on Business Strategy. **Said Elbanna, Tamer H. Elsharnouby, (2018)** points that to build organizational capabilities and desirable decision making style with technocrating system an organization must adopt formal planning approach because organizational capabilities, decision making style and personal effectiveness becomes effective through Formal planning process. **Chih-Ping Lee et al., (2007)** stated that the success of e-business implementation is highly procured by organizational learning capabilities and knowledge management process. Leveraging and investing in learning and knowledge capability enhances successful e-business implementation. **Vinit Parida et al., (2016)** based on Information system literature and RBV literature the author investigated the relationship between ICT capabilities and dynamic capabilities to find its impact on small firm performance. **Belete J Bobe, Ralph Kober, (2015)** developed a scale to measure organizational capabilities under three important dimension as teaching, research and networking capability in the context of Higher education sector. **Alberto Felice De et al., (2016)** the author stated that adoption of organizational capability is very essential to solve different type's internal complexities, creation of internal complexity leads to emergence of capability to solve the complexity. Each capability emergence is a prediction on internal complexity, without complexities capabilities cannot be build. **Juan Cepeda, José Arias-Pérez, (2018)** pointed about leveraging information technology with firm capabilities will gain advantage over external partners collaboration. Organization to become agile should use technological resources, as it is the main factor for knowledge flow in the organization and stay more agile. **Rajdeep Grewal Rebecca J. Slotegraaf 2007** Embeddedness of Organizational Capabilities the author explained that the capabilities and resources influence performance at different hierarchical and the author explains how it help managers to take decision and embed with social relationship and structure with the firm. **Jacqueline H. Hall et al., (2011)** organizational capabilities are classified as sense making, decision making and asset availability these capabilities plays a vital role in the implementation of information security strategy, organizational capabilities with information security strategy enhances organizational performance. **Shu-Mei Tseng, Pei-Shan Lee (2007)** underlined organizational performance enhanced by dynamic capabilities (sensing capabilities and integrating capabilities) and knowledge management capabilities (knowledge transfer and knowledge protect capability) both the capabilities highly required for organizational effective performance. **Soonhee Kim, Hyangsoo Lee, (2010)** examine the effect of organizational context perception and information technology boost up the level of employee application capabilities and knowledge acquisition capability. This study uses the dimension of organizational capabilities identified by **Belete J Bobe, Ralph Kober, (2015)** such as teaching, research and networking capability. **Jose Camilo Da Vila, (2010)** states organizational capabilities emerged in the organization with the force of rapid changes in the organization, also explore

different organizational capabilities, technology capability, productive capability and capability to engender trust and these capabilities are reconfigured and developed in the firm to create a series of multiple new firm capabilities.

2.2 Innovative Climate:

Innovation in business leads to creation of new capabilities, new process, new learning. Hence, in order to achieve the ladder of innovative climate and business sustainability firm should develop and match its capabilities to the environmental changes, which will help the firm for sustainability in the highly competitive business world. **Hui Lei et al., (2019)** underlined interpersonal trust and knowledge sharing plays a vital role in promoting firm innovation capability on both the aspects, it is necessary to manage knowledge management to foster firm organizational capability. With the moderating effect of leadership, support becomes essential to create an effective knowledge-sharing environment in the firm. **T-P Liang et al., (2013)** author investigated the impact of Open Innovation on Organizational Performance with Information Technology and Knowledge perspective., they analyzed on how different knowledge management strategies and IT capabilities have effects on the implementation of open innovation and whether if the organizational adoption of open innovation have affect on organizational performance. **Catherine L Wang & Pervaiz K Ahmed (2004)** in their study they used confirmatory factor analysis to develop Organizational Innovativeness Construct. Objective of the study was to develop a measurement for organizational innovativeness. The study identified five dimensions to measure organizational innovativeness, such as product innovativeness, market innovativeness, behavioral innovativeness, process innovativeness, and strategic innovativeness. The results reported are promising. The results provide a basic understanding of organizational innovativeness construct, and provide a strong direction for future research. **Frank Pot, et al., (2012)** "Workplace Innovation and its Relations with Organizational Performance and Employee Commitment" "The study examined the effect of organizational innovation with organizational performance and employees commitment. **Maryam Bukhamsin (2015)** investigated the Relationship between Organizational Innovation Capability and Firm Performance with Irish SMEs in Ireland Managers and Employees studying the relationship between each individual aspect of innovation, capability and firm performance. **Chun-mei Chou O et al., (2014)** analyzed the components of organizational innovative climates as working independence, innovation leadership and team cohesion, the study also developed a scale for organizational innovative climates. The study examined the organizational innovative climate has impact on working condition and team cohesion and not with innovative leadership. **Zeinolabedin Rahmani, Seyed Ali Mousavi (2011)**" explored two antecedent of social capital in bringing out firm absorptive innovation capacity and capability, the variables in the study are social capital, organizational innovation capability, absorptive capacity organizational context and managerial behavior. The. the study proposed that high degree of absorptive capacity through four dimensions of knowledge acquisition,

assimilation, transformation, and exploitation would positively enhance the level of its' innovative outcomes and since social capital is a major factor influencing the capacity to absorb knowledge study explored two important organizational attributes that contribute to the facilitation of internal social capital. **Kambiz Abdi and Aslan Amat Senin (2014)** examined the effects of organizational culture on innovation directly and through organizational learning.

The study results showed that the Organizational learning has a full mediation effect on Organizational culture and Organizational Innovation. The study uses the factors under organizational innovative climate from the study **Chun-mei Chou O et al., (2014)** such as working independence, innovation leadership and team cohesion.

Talent Retention:

Talent is the most important resource to the organization, firms today requires talented people who are dynamic in nature to adapt to the changes and sustain in the rapidly changing environment. As the industrial scenario, changes with several internal and external factors firm must build and organize its own capabilities to retain top talent that matches to the current and expected future changes to have competitive advantage and sustainability in the business environment. Organizational capabilities help employees to retain in the firm by giving various types of support to learn and adopt the changing environment. Organizational capabilities and innovative climate are the two variables make the employees to grow their talent and retain in the same industry with fullest satisfaction. **Natalie Govaerts et al., (2011)** Pointed that employee retention can be predicted by employee level factors and organizational level factors. Also underlined the two factors learning and working climate highly triggers employee retention. **Asuman Matongolo et al., (2018)** Identified impact of employer branding on talent retention. The author identified different employer branding measures than fond its impact on talent retention. **Neerpal Rathi, Kidong Lee (2015)** investigated the firm prestige on turnover intention, firm perceived external prestige has a great influence on employee turnover intention. This study uses the dimensions of talent retention identified by **Natalie Govaerts et al., (2011)** such as Management, Environment, Social Support, Development, Autonomy, compensation, workload, and work life balance.

Need of the Study:

Business sustainability in the highly competitive world depends on the level of innovation created in the organization. So that its stakeholder remains satisfied as they get the many benefits from the organization. The present trend always search for changes in their work environment that makes them feel comfortable and satisfied to work in the in organization. The work force in the current trend expects innovative climate more than the pay benefits. Organization must enhances the employee capabilities that help them cope with the innovative climate provided in the organization and make use of the Organization spent huge investment on their employees training and learning programs, so that the organization makes many strategies to retain the trained and talented employees in the organization for the longer period. Organization must renew its capabilities to create a innovative climate to employees so that the employee retention is possible at the highest rate. Hence the study understands the

influence of organizational capabilities on innovative climate and employee retention.

III. PROBLEM STATEMENT

Talent retention is the biggest focus for the organization to retain their top talent to increase the level of talent retention organizations enhances their climate very innovative and different from other organizations so that the employee feel comfortable and satisfied to work in the organization. Organization before deploying any new practices in the system must provide platform to enhance employee's knowledge and skills through various learning programs to make employees feel comfortable. Many organizations use to provide innovative practices to its employees without accessing their knowledge and learning level at that point employees feels some dissatisfaction and start shifting to their level of suitable jobs. hence it is very important to note that any new practice in the organization always require a proper learning platform to make sure that employees are aware about the new practices in the organization and employees remain comfortable and satisfied.

Objective:

- To understand the role of organizational capabilities on firm innovative climate
- To understand the role of organizational capabilities on Talent Retention
- To understand the role of Innovative Climate on Talent Retention

IV. CONCEPTUAL MODEL OF THE STUDY

This research identifies the influence of organizational capabilities on firm Innovative climate and Talent retention to understand how to build dynamic capabilities and firm innovative climate in order to retain the talented employees in the organization firm must build it capabilities and innovate climate.

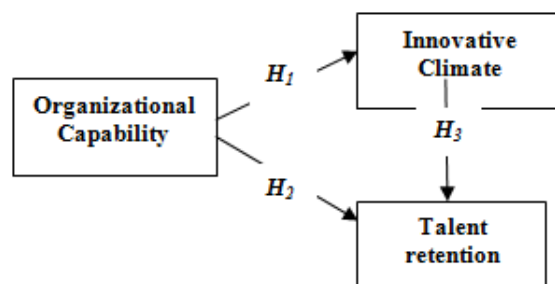


Figure 1: Source: Chih-Ping Lee et al., (2007), Chun-mei Chou O et al., (2014). Christeen George, (2015) Conceptual Model: Influence of Organizational capability on innovative climate and talent retention

Organizational Capability and Innovative climate
Firm must build its capability to create an innovative climate that support and satisfies the employees to complete the work easily.

In this changing business environment capability of the organization need to be aligned to build a innovative atmosphere for the employees.

Influence of Organizational Capabilities on Innovative Climate and Talent Retention

(Grant 1999) stated that organization must make its resources richer by building and creating better abilities more effective than their competitors to acquire competitive advantage. This happens only when the firm enhances and renews the overall organizational structure and system according to environmental and technological changes. Hence, the current study explains dynamic capabilities highly influence firm innovativeness. The study used organizational capability dimension from the study Chih-Ping Lee et al., (2007) recommended two main capabilities as organizational learning capabilities and knowledge management process to procure implementation of new practices.

Organizational Capability and talent retention

Firm Organizational Capability enhances its capacity to retain the potential talent in the organization; organization must make dynamic capability improvement strategy to make strong system for retaining skilled employees in the organization to acquire competitive advantage. Vinit Parida, Pejvak Oghazi, Stefan Cedergren (2016) such as Absorptive capability, Adoptive Capability, innovation capability and Network Capability to explain talent retention get influenced by all these dynamic capabilities. Wu (2006) explains dynamic capabilities as a variable which converts resources into performance, utilization of dynamic capabilities can further enhance firm performance hence the current study states that utilization of dynamic capabilities enhances employees performance and the organization gets the benefits of talent retention through proper use of dynamic capabilities.

Innovative Climate and Talent Retention.

The current business environment seeks innovation in all the aspects of doing business to achieve the work with minimum time and high speed. Employees in the organization require flexibility and freedom to complete their task on time. Hence it is up to the organization to make their employees working environment and work procedure more innovative to attract and retain the potential talent in the organization. The study uses the innovative climate components working independence, innovation leadership and team cohesion, from the study Chun-mei Chou O et al., (2014). Here the current study applies these three components of innovative climate to explain talent retention. Any organization, which provokes and provides innovative climate to its employees gets great chances to retain its potential talent. Christeen George, (2015) outlined and developed a model for professional workers retention. Identified retention happens from both sides of the organization and the job. He discovered four factors at organizational level such as management, environment, social support development and another four factors at job level as autonomy, compensation, workload and work life balance. All these eight factors help professional workers retention.

Brief model of the study

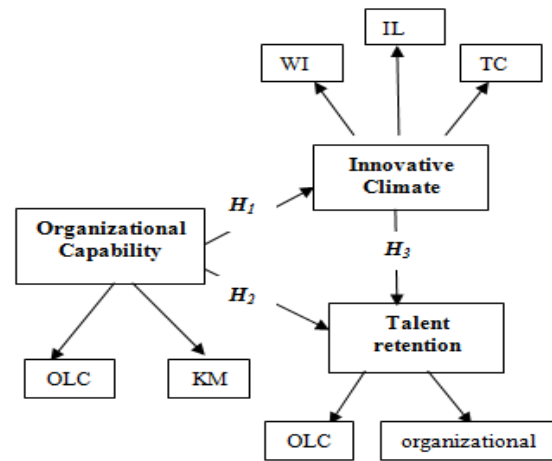


Figure 2: Source: Chih-Ping Lee et al., (2007), Chun-mei Chou O et al., (2014). Christeen George, (2015)

OLC: Organizational capabilities
 KMP: Knowledge management process
 WI: Working Independence
 IL: Innovation Leadership
 TC: Team Cohesion

V. DISCUSSION AND CONCLUSION:

The study framed a conceptual model to understand the influence of Organizational capabilities on innovative climate and talent retention. The study provides an insight that organizations need to develop their resource capabilities to build an innovative climate and retain their talented employees. Organizational leaders must focus on retaining the potential talent by providing them an innovative climate. This is possible only when they start focusing on organizational capabilities. Business managers and leaders can take the understanding and implement the view to acquire competitive advantage and sustainability in the dynamic environment. Finally, the study focused highly on how talent retention can be predicted through organizational capability and innovative climate. The study explained that better organizational capabilities of a firm could create a powerful innovative climate for the employees that will increase the rate of potential talent retention. Hence, the study suggests that organizational capabilities together will make an innovative working climate in the organization and increase the possibility of retaining potential talent.

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AUTHORS PROFILE



Nayeemunnisa. A. hold master degree in MBA in Human resource management specialization, with professional work experience of three years as HR Manager in educational institution. Present pursuing Ph.D degree in Management Decipline.



Dr.S.Gomathi, has obtained a doctoral degree in the field of Human Resource management in 1994 at a very young age from Alagappa University, Karaikudi, Tamilnadu as a first full-time research scholar. She was born on April 9th, 1966 in Tiruchirappalli. She was the first one to receive the stipend for her Ph.D. Programme based on merit. At present, she has 27 years of teaching experience, inclusive of 25 years of teaching P.G. students. She made an active contribution in creating nine doctorate candidates successfully enhancing her research contribution. At present, she is guiding six Ph.D. scholars at VITBS. She is a popular and friendly speaker, trainer in most of the premier educational Institutions and corporates and in other Public forums. She is specialized in stress management techniques, emotional intelligence, HR analytics, Knowledge management, Balanced scorecard, entrepreneurship, and other Organisational behavior & HRM Subjects. As an academic achievement, she has authored five books one on essentials of Entrepreneurship in 2003, and a study on Grievance management in a Pvt. enterprise in 2014, impact of social network on employee Productivity in 2015 and Managing Human Resource in an Organisation and a study on workers relationship with management in a Weaving Industry She is also a recipient of a lot of honors as best teacher, best paper presenter in conferences and also research awards continuously for more than 7 years. She is a recipient of senior woman Educator and Scholar Award from National foundation of entrepreneurship development, Coimbatore on 8th March 2014. She is also a recipient of an Award on the International women's day for the contribution made to Science and Engineering in VIT, University, Vellore on 9th March 2015. Guided more than 700 projects in MBA and other mini projects of Interest. Completed a consultancy project for ITCOT in 1999 and As a single individual organized an AICTE Staff development program for other engineering colleges in Tamilnadu which was sponsored by AICTE in 2004. Yet another achievement, at a very young age she also served as the head of the department for in the Department of Management studies in Vellore Institute of Technology in the academic year 2004-2005. She had delivered more than 72 Guest lectures and also presided as a resource person for UGC Sponsored conference and other national conferences. She has visited countries Malaysia and Singapore in 1993.