

Small Business Maneuvering: The Efficacy of Synergized Innovation, Talent Management, and Impeding Culture for Improved Performance

*Melia Dianingrum*¹, *Wiwiek Rabiatal Adawiyah*^{2*}, *Siti Zulaikha Wulandari*³

ABSTRACT

The purposes of this study are: examining the effect of talent management on organizational performance being mediated by a synergized innovation climate and investigating the moderating power of organizational culture in the relationship between talent management and organizational performance. This study reports the responses of 292 owners of SMEs in Indonesia. The structural equation modeling (SEM) technique was used to test the hypotheses. Our findings fail to support the view that talent management has a positive effect on organizational performance. Synergized innovation climate appears to mediate the relationship between talent management and small business performance. In addition, organizational culture strengthened the relationship between talent management and organizational performance. Our research extends the application of cognitive social theory, whereby talent management functions as a value-adding activity within small business firms.

Keywords: Talent management, Synergized innovation climate, Organizational culture, Organizational performance, SMEs.

1 PhD Student of Management Science, Economics and Business Faculty, Universitas Jenderal Soedirman Purwokerto, Indonesia; Lecturer in Business and Social Science Faculty, Universitas Amikom Purwokerto, Indonesia. meladianingrum@amikompurwokerto.ac.id

2 Faculty of Economics and Business, Universitas Jenderal Soedirman Purwokerto, Indonesia. wiwiek.adawiyah@unsoed.ac.id

3 Faculty of Economics and Business, Universitas Jenderal Soedirman Purwokerto, Indonesia. siti.wulandari@unsoed.ac.id

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مناورات الشركات التجارية الصغيرة: الفعالية المتأزرة للابتكار وإدارة المواهب وثقافة الموانع لتحسين الأداء

ميليا دينينجروم¹، ويوك ربيعة العدوية²، سيتي زليخة وولانداري³

ملخص

تهدف هذه الدراسة إلى فحص تأثير إدارة المواهب على الأداء التنظيمي بوساطة مناخ الابتكار المتأزر، والتحقيق في القوة المعدلة للثقافة التنظيمية في العلاقة بين إدارة المواهب والأداء التنظيمي. وتشير هذه الدراسة إلى استجابة 292 من أصحاب الشركات الصغيرة والمتوسطة في إندونيسيا. تم استخدام تقنيات نمذجة المعادلات الهيكلية (SEM) لاختبار الفرضيات. وقد توصلت هذه الدراسة إلى فشل دعم النظرية التي تنص على أن إدارة المواهب لها تأثير إيجابي على الأداء التنظيمي. ويبدو أن مناخ الابتكار المتأزر يتوسط الارتباط بين إدارة المواهب وأداء الشركات الصغيرة. كذلك تعزز الثقافة التنظيمية العلاقة بين إدارة المواهب والأداء التنظيمي. ويوسع بحثنا تطبيق النظرية الاجتماعية المعرفية، حيث تعمل إدارة المواهب كنشاط يضيف قيمة في شركات الأعمال الصغيرة.

الكلمات الدالة: إدارة المواهب، مناخ الابتكار المتأزر، الثقافة التنظيمية، الأداء التنظيمي، الشركات الصغيرة والمتوسطة، إندونيسيا.

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- 1 طالب دكتوراه في العلوم الإدارية، كلية الأعمال والاقتصاد، جامعة جندرال سوديرمان ببوروكيرتو، إندونيسيا؛ محاضر في كلية الأعمال والعلوم الاجتماعية، جامعة أميكوم، ببوروكيرتو، إندونيسيا.
 - 2 كلية الأعمال والاقتصاد، جامعة جندرال سوديرمان، ببوروكيرتو، إندونيسيا.
 - 3 كلية الاقتصاد والأعمال، جامعة جندرال سوديرمان، ببوروكيرتو، إندونيسيا.

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INTRODUCTION

Due to the rapid evolution of the business world, organizations must contend with intense competition in order to survive (Aina & Atan, 2020; Sivathanu & Pillai, 2020). Additionally, businesses operate in a complex and insecure environment, which may result in unpredictability in organizational performance (Oyerinde & Adeyemi, 2022). Similar to large corporations, small and medium-sized enterprises (SMEs) are required to compete to endure competitive disruptions (Anyakoha, 2019; Gallardo-Gallardo et al., 2020; Jooss et al., 2022). In reality, SMEs face numerous constraints in the process, such as limited resources (Ghosh et al., 2021), and the degree of instability of structural forms and management processes (Krishnan & Scullion, 2017). It will be challenging for SMEs to systematically identify critical positions and develop a pool of high-potential candidates to fill those positions as a consequence of structural change, and restructuring can be prohibitively expensive for many SMEs (Pauli & Poczowski, 2019). Krishnan and Scullion, (2017) demonstrated that innovative practices could be implemented to address these challenges while also leveraging their contextual appeal to help develop talent internally (making talent).

Talent management has been considered an important part of human resource management, which concentrates on attracting, selecting, engaging, developing, and retaining talented employees (Sivathanu & Pillai, 2020; Yuniati et al., 2021). The concentration of talent management must be on facilitating the hiring of employees with exceptional potential (Ingram, 2016). To maintain organizational performance, it is essential to hire talented employees, because, with them, the organization can accomplish its objectives efficiently and effectively through outstanding performance (Al-Hyari, 2021). Furthermore, exceptional employees are more committed to the organization and highly motivated to complete tasks, which provides a significant competitive advantage, accompanied by

increased productivity and profitability (Aina & Atan, 2020). Small- and medium-sized enterprises (SMEs) seek to implement talent management (TM) to contribute substantially to performance and gain a distinct competitive advantage (Kamel, 2019; Skoumpopoulou et al., 2019). The relationship between talent management recognition, structure, and construction and organizational performance is contingent on the innovation climate of the organization (Ingram, 2016). The innovation climate is characterized by norms and practices that foster flexibility, idea generation, and learning (Bahrami, 2018). In addition to influencing employee creativity, knowledge creation, and sustainable business performance, an innovative organizational climate also influences employee innovation (Bibi et al., 2020).

Despite the fact that TM has numerous practical benefits, it also has a number of drawbacks as well (Luna-Arocas & Lara, 2020). The implementation of TM within the company has certain negative repercussions (Kibum Kwon & Jang, 2021). According to Shanker et al. (2017), innovation failure may place organizations at risk by potentially reducing their ability to maintain or acquire a competitive advantage. Additionally, due to the group-oriented nature of talent management, collaboration and intra-organizational learning may result in destructive internal competition (Kibum Kwon & Jang, 2021). Particularly, less talented employees are aware of the unequal distribution of resources within their organizations; as a result, they become detached from the organization and underinvest in developing their job skills. Kwon et al. (2010) discovered that prioritizing human resource practices in companies that target a selected number of talented employees may create an unjust, uncooperative, and discordant atmosphere. Inequitable practices will result in low collaboration, increased competitiveness, and diminished collaborative spirit (Son et al., 2018a).

Orland et al. (2019) demonstrated that TM has a negative ethical impact on those identified as gifted by impairing their capacity for self-reflection and ethical judgment. The most apparent adverse effect was the increasing rate of voluntary employee turnover (Kibum Kwon & Jang, 2021; Son et al., 2018a).

Recognizing the issues posed by Talent Management (TM) and its impact on organizational performance, merely fostering a climate for creativity (Ingram, 2016) or an Innovation Climate (Bibi et al., 2020) to mediate the relationship between TM and organizational performance is insufficient. Building on the concept of an innovation climate, we propose a Synergized Innovation Climate (Dianingrum, 2022) to address this challenge. When employees perceive that the implementation of TM leads to internal competition, less talented employees may view this competition as unfair, ultimately resulting in a decline in organizational performance. The Synergized Innovation Climate not only cultivates the typical innovation climate found in companies, but also emphasizes synergy among diverse individuals or groups collaborating towards a common goal (Benecke et al., 2007; Harris, 2004). This climate combines the potential and abilities of individuals (employees) to collaborate effectively with one another, while also fostering management support and trust. By properly implementing Talent Management, the Synergized Innovation Climate can be enhanced, reducing internal competition among employees and ultimately improving organizational performance.

In addition to causing problems, there is debate over the results of research on the relationship between TM and organizational performance. Previous studies highlighted the positive and significant relationship between talent management and organizational performance (Ali & Mehreen, 2019; Anyakoha, 2019; Luna-Arocas & Lara, 2020; Sivathanu & Pillai, 2020). Contrary to this research, it was found that TM has no effect on organizational performance, and even found a negative relationship between TM and organizational performance (Aina & Atan,

2020; Cho & Ahn, 2018; Son et al., 2018a). Some studies suggest that organizations should 'unnecessarily try to win the war for talent,' even adopting this image as a management metaphor can be very harmful to organizational health (Aina & Atan, 2020; Orland et al., 2019; Son et al., 2018b). The difference in the results of these studies raises concerns (Kiwook Kwon et al., 2010; Son et al., 2018a). Understanding that there is a research gap, we propose Organizational Culture (OC) as a moderating variable which is expected to be able to moderate the relationship between talent management and organizational performance. In addition to talent management, a strong organizational culture can encourage employee behavior to improve performance, thereby increasing company performance (Son et al., 2018a; Srihandayani & Kusnendi, 2020). Companies that successfully implement talent management focus on building an organizational culture characterized by loyalty, commitment and team spirit (Son et al., 2018b). The existence of an organizational culture serves to bind employees and promote the further development of their skills and competencies to achieve organizational performance goals and long-term strategic goals (Saleh & Atan, 2021).

This study offers solutions on inconclusive findings of talent management-organizational performance relationship by adding Synergized Innovation Climate (SIC) as a mediator, and organizational culture as a moderator into our research model. This study broadens the context of previous research which prominently focused on larger corporations into small business context. Research on the adoption of talent management and innovation climate as means of improving SMEs' performance is still scarce (Gallardo-Gallardo et al., 2020).

Literature Review and Hypothesis Development

Social Cognition Theory

Different from the perspective of RBV which focuses on developing specific talented individuals and creating a “differentiation of the workforce”, this study focuses on an inclusive talent management approach that primarily emphasizes a group of employees to achieve a high level of performance (Ghosh et al., 2021). This research reflects from the perspective of psychology. To understand the "practice" of talent management, it is necessary to explore the organizational 'mindset', such as organizational culture (Chuai et al., 2008; Saleh & Atan, 2021). Therefore, following the philosophy of an inclusive approach to talent management, the perception of individuals in groups with regard to interactions is an important factor. Interactions between individuals and their contexts can reveal useful insights (Ghosh et al., 2021). The theoretical basis of this research rests on the social cognition theory (Bandura, 1986), which argues that most human learning occurs in a social environment. Chintalapati and Daruri (2017) assessed that the management behavior of a company in talent development will affect employee cognition of the synergized innovation climate. Combining the benefits of employees and employers will create a mutual improvement, so that employees will feel cooperation with employers to form a cooperative organizational climate, and mutual support and further enhance their contribution to the organization (Xu et al., 2020).

Talent Management and Organizational Performance

Organizational performance has received a lot of attention from various parties (Ahmad Arif & Uddin, 2016; Berberoglu, 2018; Shamaileh et al., 2022) and has been defined using various perspectives. Abd-Elrahman et al. (2020) argued that organizational performance refers to the ability of the organization to implement certain strategies. Meanwhile, Berberoglu (2018) defined organizational performance as the collective result of employee performance. Performance is action-oriented, and the result

of this action is success achieved compared to competitors (Aina & Atan, 2020). Dyer and Reeves (1995) divided organizational performance into three parts: (1) financial results (profit and market share); (2) organizational results (efficiency, quality, and productivity); and (3) human resource results (satisfaction, attitudes, behaviors, and commitment). Rop and Kwasira (2015) revealed that the success of any organization depends on the placement of the right employees who have the right skills in the right place at the right time, where talented employees are the main focus. Organizations that manage their human resources more effectively and efficiently are more likely to achieve their organizational goals and objectives and are more likely to have sustainable organizational performance (Aina & Atan, 2020). It was agreed by (Aina & Atan, 2020) that competitive advantage comes from internal talents and abilities that cannot be easily imitated, in contrast to the company's products and services. This means that talent management is an important factor in the sustainability and success of an organization.

Although talent management is critical to organizational success, consensus on the definition of talent management is elusive (Son et al., 2018b). For this reason, the definition begins with employee competence. Gallardo and Thunnissen (2016) conceptualized a gifted individual as a person who combines excellent input (high potential/excellent ability) with exceptional output (excellent performance and value creation). Talented individuals belong to the elite group; they are also aspiring leaders who can produce superior performance in the present and in the future, which must be carefully managed by senior managers and HRM experts (Son et al., 2018b). Meanwhile, talent management according to Thunnissen et al. (2013) is a process consisting of a complete set of organizational procedures, such as identifying, selecting, developing, and retaining

outstanding employees and enhancing their abilities and potential for important strategic positions, which helps employees utilize their productivity effectively and efficiently to engage with and contribute to organizational success. Gallardo and Thunnissen (2016) described talent management based on two approaches. The first is an inclusive approach, where talent management practices are applied to all employees. The second is an exclusive approach, where talent management practices are applied only to a certain group of employees. Talent Management (TM) is essential to build a winning team, which will be composed of talented employees (Rabbi et al., 2015). The theory of talent management is based on the premise that optimizing employee talent is a source of long-term competitive advantage (Scullion et al., 2010). Thus, the presence of TM contributes to HRM being accepted as a discipline for any company with the hope of enhancing business efficiency (Farndale et al., 2010).

Talent management has been considered part of the human resource management strategy, which consists of implementing an integrated strategy that is carried out to improve and maintain organizational performance (Yuniati et al., 2021). The way that can be done is by developing high-performing talents that will contribute to organizational performance (Sivathanu & Pillai, 2020). Previous studies have proven that there is a moderately positive relationship between talent management and organizational performance (Kamel, 2019; Shamaileh et al., 2022; Sivathanu & Pillai, 2020). This means that organizations need to establish processes to develop high-performing talents by ensuring that these talents are motivated, training and supporting them, deploying them effectively, and giving them opportunities to perform (Sivathanu & Pillai, 2020). Talent management underpins organizational performance by providing critical knowledge and strategies for improvement and change; it helps organizations recognize the most talented employees to become future leaders. Hence, we propose the following hypothesis:

H1. Talent management has a positive impact on organizational performance.

Talent Management and Synergized Innovation Climate

Talent Management (TM) is a strategy widely used in business and industry and occurs in many forms from highly structured to informal (Bahrami, 2018; Ghosh et al., 2021). TM can influence and adapt individual behavior and ability to innovate (Mohammed et al., 2018). Given this and considering that the environment that supports innovation can influence individual innovation behavior, in this study we introduce a new construct “*Synergized Innovation Climate*”. Synergized innovation climate is a new construct resulting from the integration of innovation climate (Martin et al., 2011; Molenaar et al., 2010; Zuraik & Kelly, 2018) with synergization (Benecke et al., 2007; Harris, 2004). An innovation climate supports creativity, a drive for risk, and a willingness to try new things, and exemplifies open communication between employees across all functions (Erkmen et al., 2020). An innovation climate also supports the initiation and development of new ideas, recognizes individual creativity, and is characterized by individual autonomy and ownership (Bos-Nehles & Veenendaal, 2019). Meanwhile, synergization is a concept that describes a systemic process in which the business units of a diversified organization can generate greater value by working together as one system rather than working as separate entities (Benecke et al., 2007; Harris, 2004). This strong collaboration concept represents a dynamic process that involves adaptation and learning (Harris, 2004). Synergized innovation climate is derived from combining the human capital theory and the organizational theory. Indicators for building an innovation construct (innovation/innovative) is based on the synthesis of the innovation climate construct measurement from (Moleonor et al., 2010; Martin de Castro et al., 2013; Zuraik & Kelly, 2018) and the work climate construct from (Ekvall, 1996; Scott & Bruce,

1994). The results of the integration of the two constructs are then defined as a corporate innovation climate that can combine the ability of potential individuals (employees) to be able to work together with other employees, and the support and trust of management so as to improve company performance (Dianingrum, 2022).

Synergized innovation climate gives us an idea about improving the TM strategy among others through sharing learning and education and more communication to improve the innovation climate in the system (Bahrami, 2018). An innovative employee climate is necessary for the success of the organization (Nasirin & Asrinaa, 2020; Zubair et al., 2019). Previous research has found that there is a significant relationship between talent management and the innovation climate (Bahrami, 2018; Dianingrum, 2022). Implementing talent management properly will result in a climate of synergized innovation that can make employees feel more comfortable working with all other employees between departments, leading to better employee performance. A climate of synergized innovation will form employees who can think for themselves, and build their cognitive and emotional resources to creatively subsidize organizational goals. Based on the theoretical framework built and the logical relationship between the variables that occur, the following hypothesis is proposed:

H2. Talent management has a positive effect on the synergized innovation climate.

Synergized Innovative Climate and Organizational Performance

Innovation has proven to be critical to the success of an organization (Shanker et al., 2017; Waheed et al., 2019). Isaksen & Ekvall (2010) noted that deliberate organizational climate management to support innovation is a primary challenge for those who lead and manage organizations. This innovative approach can help improve the progress of organizations. For innovative success, employees must be seen as an important part of the modern environment, because their creative perceptions build an innovative

climate (Waheed et al., 2019). Innovative and creative employees are more likely to practice innovation when they feel strong organizational support (Diliello, 2006). Making them feel valued in the work environment and supporting innovation will reciprocate through innovative behaviours, as this will help achieve the organizational goals (Bos-Nehles & Veenendaal, 2019). Furthermore, if the organization is able to develop a positive organizational climate, this is more likely to result in higher levels of employee motivation, commitment, and engagement, leading to increased OP (Al-Hyari, 2021; Shanker et al., 2017). A synergized, supportive organizational climate has been considered an important aspect of organizational policy, because it can direct employees to utilize their potential freely. Previous research has found that an organizational climate for innovation improves performance (Bibi et al., 2020). These results are supported by (Waheed et al. (2019) who found that a more innovative organizational climate can improve organizational innovation performance. Of course, the innovation climate must be represented by adaptability and flexibility (Salman et al., 2016). Thus, we propose the following hypothesis:

H3. Synergized innovation climate has a positive effect on organizational performance.

Talent Management, Organizational Performance, and Synergized Innovation Climate

The relationship between talent management and organizational performance is positive (Ingram, 2016; Yuniati et al., 2021). However, in practice, there are opportunities for internal competition and perceived injustice, uncooperation and disharmony, which in turn increases voluntary turnover (Kiwook Kwon et al., 2010; Son et al., 2018a); so, we need a way to solve this problem. According to various studies, there are many contextual or contingent variables that determine, or influence, the nature of the relationship

between talent management and organizational performance (Aina & Atan, 2020; Truong et al., 2020). Previous research has provided evidence that the relationship between TM and organizational performance seems to be highly dependent on the climate that exists within the organization (Ingram, 2016). Well-implemented TM will directly increase the synergized innovation climate in the form of incorporating potential individual (employee) abilities to be able to work together with other employees, as well as promoting fair competition among employees, recognizing their extraordinary talents and legitimacy, and encouraging promising talents in developing their potential (Downs & Swailes, 2013). So, the synergized innovation climate is very important to understand why talent management affects organizational performance. Managers who understand how to have a positive impact on the innovation climate and work behaviors that support innovation will create opportunities for innovation within their organizations, which in turn can improve organizational performance (Shanker et al., 2017). Sufficient evidence shows that TM in organizations influences innovative behavior, which can increase the phenomenon of innovative climate and ultimately determine organizational performance (Bahrami, 2018; Dianingrum, 2022; Nasirin & Asrinaa, 2020; Riaz et al., 2018). Based on the arguments that have been built, we propose the following hypothesis:

H4: Talent management has a positive effect on organizational performance mediated by synergized innovation climate.

Talent Management, Organizational Performance, and Organizational Culture

Talent management is a proven strategy that can be used to retain the best employees and improve performance (Aina & Atan, 2020; Kamel, 2019). However, arguments in the talent management literature about the influence of talent management on organizational outcomes have been mixed (Son et al., 2018a). There is debate over research results (Ali & Mehreen, 2019; Anyakoha, 2019; Luna-Arocas & Lara,

2020; Sivathanu & Pillai, 2020) that found a positive relationship, while on the other hand (Aina & Atan, 2020; Cho & Ahn, 2018; Son et al., 2018a) found that TM does not affect organizational performance, and even found a negative relationship between TM and organizational performance. This debate raises concerns about the development of talent management in the HRM field. There is pessimism that decisions around talent management are rarely optimal in practice and there are often only weak relationships between variables (Sparrow, 2019). It is recommended to investigate potential moderators that are useful for managing tensions due to talent management (Son et al., 2018a). So, we propose organizational culture (OC) as a moderating variable that is expected to be able to moderate the relationship between talent management and organizational performance.

In previous studies, organizational culture is considered as the basic beliefs and behavioral norms that are adhered to by organizational members, which are based on business strategies for the survival and long-term development of the organization. This may be implicitly or explicitly manifested in group awareness including values, rules of behavior, team awareness, work style, sense of belonging, ... etc., expressions of individual behavior, and ways of thinking (Zheng et al., 2016). Organizational culture is important, because talent management involves individual and organizational development in response to change and a complex operating environment (Hongal & Kinange, 2020). The HRM function should be able to help organizations develop a culture that encourages innovation and change (Kontoghiorghe, 2015; Son et al., 2018a) to conquer the high level of business competition. Organizational culture needs to be considered to strengthen talent management programs aimed at improving organizational performance (Kontoghiorghe, 2015). The successful implementation of talent management depends on the

organizational culture to internalize and reflect the complexities of the external environment. The greater the mismatch between the internal and external environments, the more likely the talent management program will encounter difficulties in helping the organization achieve its objectives (Kontoghiorghes, 2015). According to Hunter et al. (2007), the proper type of culture for any organization embodies the characteristics that help the organization be effective in the environment in which it operates. Because most organizations today operate in fast-changing environments, organizational adaptability is considered the key to high-performance system design (Schwaninger,

2009). Based on the theoretical framework developed and the logical relationship between the variables that occur, the following hypothesis is proposed:

H5. Organizational culture moderates the positive relationship between talent management and organizational performance, so that the relationship will be stronger when organizational culture is high than when organizational culture is low.

The research hypotheses are presented in the conceptual path model shown in Figure (1).

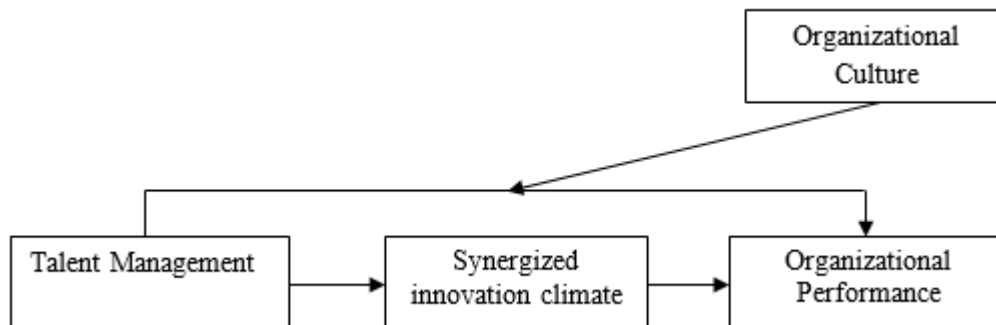


Figure (1)
Conceptual model

Methodology

Sample

The respondents of this study were SMEs in the creative industry in Central Java, Indonesia. The questionnaire used for this purpose was administered to 400 SME owners, and data was collected using a hybrid method utilizing Google Forms and offline questionnaires. Seven hundred questionnaire forms were distributed, and 332 were returned. However, 40 questionnaire forms were excluded due to incomplete and outlier responses. Therefore, 292

questionnaire forms were used in the data analysis process with a response rate of 73%.

Measures

In this study, all variables were measured with five-point Likert-type scales anchored at 1 (strongly disagree) and 5 (strongly agree), unless otherwise specified. A more complete description of the questionnaire items and operational variables is shown in Table 1.

Tabel 1
Operational variables

Variable	Operational Definition	Items	Example Items	Source
Talent management	Effective talent management within the organization, starting from recruitment to employee career development	1-10	"The owner consistently selects employees with specific skills"	Collings & Mellahi, (2009)
Synergized innovation climate	Giving confidence to employees by combining the ability of potential employees to be able to work together with other employees in innovative teams	11-20	"The company openly recognizes innovative employees"	(Dianingrum, 2022)
Organizational culture	The system of values, norms, and beliefs adopted by an organization that differentiates it from others	21-28	"The company is a place that is very performance-oriented"	(Hofstede, 1991)
Organizational performance	The totality of work results achieved by an organization represents the achievement of organizational goals	29-32	"In the last two years, the productivity of the work unit has increased".	(Demirbag et al., 2006)

Analysis

Data in this study was analyzed using Structural equation Modeling (SEM), with AMOS 24.0 software. The choice of the analysis tool is based on SEM's ability to test several dependent and independent variables with direct and indirect relationships simultaneously (Ferdinand, 2014). The explanation of the output with this method is divided into three parts: the fit instrument model test output, the goodness of fit criteria, and the hypothesis test output.

Reliability and Validity

The initial stage of this research analysis is the validity and reliability test. Reliability is a construct measurement through consistent internal indicators. High-reliability results provide confidence that each variable's indicators have consistency with their measurements (Vaske et al., 2017). The accepted level of reliability (CR) must be ≥ 0.70 , while reliability ≤ 0.70 is acceptable for exploratory research (Hudson et al., 2001). Validity can measure the extent to which an indicator explains accuracy in measurement.

Another type of validity is average variance extracted (AVE) with a cut-off value of ≥ 0.50 (Sarstedt et al., 2014).

Outlier Normality Assumption Test

Outlier detection is very important in modeling, inference, and data processing. Outliers can lead to model specification errors, biased parameter estimates, and poor estimates (Hordo et al., 2005). Implementation of univariate outlier testing can be done by looking at the distance of the mahalanobis value (Mahalanobis distance) (Collier, 2020). Arbuckle (2017) provided a heuristic for determining which observations are likely outliers, suggesting that small numbers in column p1 are to be expected. Small numbers in the p2 column, on the other hand, indicate observations that are very far from the center of mass under the normality hypothesis. If the p1 and p2 values are less than 0.001, this means that the data represents an outlier (Collier, 2020).

Goodness of Fit

A construct cannot be said to be good if it does not meet the goodness-of-fit criteria. For this reason, several stages were carried out to test the questionnaire. Furthermore, the fit test measures the suitability of the observed or actual input (covariance or correlation matrix) with the predictions of the proposed model. The goodness-of-fit of the model was checked using several parameters, such as chi-square (χ^2), degrees of freedom (df), chi-square/degrees of freedom (χ^2/df), normed fit index (NFI), comparative fit index (CFI), Tucker Lewis Index (TLI), and root-mean-square error of

approximation (RMSEA) (Thakkar, 2020).

Results

Respondents' Demographics

Respondents in this study amounted to 292, consisting of 42.81% males and 57.19% females. A large number of respondents are aged 20-40 (42,81%). Respondents aged 41-60 are (41.44%) and respondents aged 61-80 are (3,08%). All demographic information is summarized in Table 2.

Table 2
Respondents' demographic information

Variable	Frequency	(%)
Gender		
Male	125	42.81
Female	167	57.19
Age (years)		
20 - 40	162	55.48
41 - 60	121	41.44
61 - 80	9	3.08
Education		
Primary school	12	4.11
Junior high school	23	7.87
Senior high school	211	72.26
Diploma/bachelor	42	14.38
Magister	4	1.37
Type of business		
Culinary	112	38.36
Fashion	51	17.46
Handicrafts	78	26.72
Printing	51	17.46
Length of Business (years)		
1 - 2	56	19.18
2 - 4	153	52.39
> 5	83	28.43
Region		
Banyumas	105	35.96
Purbalingga	104	35.62
Cilacap	83	28.43

Table 3
Loading factor, construct reliability (CR) and average variance extracted (AVE)

No.	Variable	Indikator	Loading Factor	Composite Reliability (CR)	Average Variance Extracted (AVE)
1	Synergized Innovation Climate (SIC)	SIC1	0.711	0.891	0.551
		SIC2	0.732		
		SIC3	0.607		
		SIC4	0.586		
		SIC5	0.668		
		SIC6	0.605		
		SIC7	0.669		
		SIC8	0.737		
		SIC9	0.656		
		SIC10	0.723		
2	Talent Management	TM1	0.716	0.880	0.525
		TM2	0.699		
		TM3	0.642		
		TM4	0.691		
		TM5	0.618		
		TM6	0.559		
		TM7	0.667		
		TM8	0.608		
		TM9	0.698		
		TM10	0.618		
3	Organizational Culture	OC1	0.518	0.791	0.624
		OC2	0.533		
		OC3	0.662		
		OC4	0.631		
		OC5	0.524		
		OC6	0.493		
		OC7	0.656		
		OC8	0.514		
4	Organizational Performance	OP1	0.713	0.755	0.536
		OP2	0.664		
		OP3	0.705		
		OP4	0.552		

The findings showed that each of synergized innovation climate, talent management, organizational culture, and organizational performance had a CR higher than 0.7, which provided good reliability. For convergence validity, all constructs had an average variance extracted (AVE) greater

than 0.5, which met the criteria of convergence validity. The results of the CFA show that all factor loadings were above 0.5 for all 32 items.

The next stage is the outlier test, where the result is the mahalanobis distance ($p=0.001$, $df= 37$), which is

69.346 so, that if the value is above the mahalanobis distance, it can be said to be a multi-variate outlier. So, it can be concluded that all data used in the testing process meets

the assumption of normality (*multivariate outlier*).

Based on Table 4, it can be concluded that the research model has a good fit.

Table 4
Goodness-of-fit criteria

Criteria	Cut-off value	Value	Result
RMSEA	antara 0.08-0.10 (<i>mediocre fit</i>), <0.08 (<i>good fit</i>) (Maccallum et al., 1996)	0.051	<i>fit</i>
GFI (<i>Goodness of fit index</i>)	Value ≥ 0.90 (Thakkar, 2020)	0.920	<i>fit</i>
TLI (<i>Tucker-Lewis index</i>)	Value ≥ 0.90 (Collier, 2020)	0.910	<i>fit</i>
Parsimonious normal fit index (PNFI)	0.60-0.90 (Junaidi, 2020)	0.910	<i>fit</i>
CMIN/DF (The <i>minimum sample discrepancy</i>)	<5 (Junaidi, 2020)	2.40	<i>fit</i>

The last stage in this study is the hypothesis testing. The results are as shown in Table 5.

Table 5
Hypothesis-testing results

Hypothesis	Relationship	β	Sig.	Result
H1	Talent Management > Organizational Performance	0.096	0.637	Not Supported
H2	Talent Management > Synergized innovation Climate	0.283	***	Supported
H3	Synergized Innovation Climate > Organizational Performance	0.362	0.014	Supported
H4	Talent Management > Organizational Performance mediated by Synergized Innovation Climate	0.481	***	Supported
H5	Talent Management > Organizational Performance moderated by Organizational Culture	0.129	0.039	Supported

Note: *** $p < 0.01$.

As shown in Table 5, the first hypothesis stating that talent management has a positive impact on organizational performance is not supported. The p-value from talent management to organizational performance is ($p=0.637>0.05$). The findings indicate that talent management has no positive effect on organizational performance. The second hypothesis states that talent management has a positive effect on synergized innovation climate. The p-value from talent management to Synergized

Innovative Climate is ($p=0.00<0.05$). Hence, talent management has a significant effect on synergized innovative climate. The third hypothesis states that synergized innovation climate has a positive effect on organizational performance. The p-value for synergized innovation climate is $0.014<0.05$. Thus, the third hypothesis is supported. It implies that a synergized innovation climate has a positive impact on organizational performance. The fourth hypothesis is

supported, stating that synergized innovation climate is proven to positively mediate the relationship between talent management and organizational performance, with a p-value of ($p=0.00<0.05$). This means that the relationship between TM and OP, previously with no effect, becomes positive when there is a synergized innovation climate. The fifth hypothesis is also supported, meaning that organizational culture can positively moderate the relationship between talent management and organizational performance ($p=0.039<0.05$).

Discussion

Talent management focuses on positioning the right people in the right places and encouraging employees to develop their qualifications and talents, which ultimately serves to sustain the success of the organization (Aina & Atan, 2020; Sparrow, 2019). We conducted this research to study the impact of TM on organizational performance. More precisely, the study empirically examines the relationship between TM and organizational performance mediated by synergized innovation climate and moderated by organizational culture. To the best of our knowledge, this study is the first in the existing literature to explore such relationships within a single research model and the context of SMEs in Indonesia.

Our research findings are a little surprising, because they show that there is no significant relationship between talent management and organizational performance. Thus, the first hypothesis is rejected. This result contradicts most of the previous studies which concluded that there is a positive and significant relationship between the two constructs (Ali & Mehreen, 2019; Anyakoha, 2019; Luna-Arocas & Lara, 2020; Sivathanu & Pillai, 2020). The reason behind our findings refers to the idea that many SMEs in Indonesia have many limitations in the HR management process, most of which are run by owners who sometimes double as managers, possibly not having sufficient knowledge and skills to design TM.

Human resource management (HRM) practices may be

considered preferential for employees who are selected and discriminatory by employees who are not selected (Son et al., 2018b). This causes morale and even employee productivity to decrease, keeping in mind that employees will behave according to what they receive from the organization and how they are treated (Thneibat, 2022). We found that HR practices generate new knowledge and lead to innovation for selected talented employees, but have an effect on unfairness, uncooperativeness and disharmony, as well as increasing internal competition within the organization. If left unchecked, it will increase employees' negative feelings towards the organization, thus increasing their tendency to leave the organization, which is the biggest effect on decreasing organizational performance.

Strategic leaders must improve employee performance rationally and effectively (Al-Othmani, 2023). Our findings show that talent management is positively related to synergized innovation climate. These findings support (Bahrami, 2018), who found that there is a significant relationship between talent management and innovation climate. This shows that when SMEs develop talent management, this will be reflected in their ability to attract, select, engage, develop, and retain talented employees, creating a conducive environment for growth. Talent management (TM) can foster innovative behavior, such as exploring new opportunities, nurturing creativity, and showcasing extraordinary abilities and achievements in various activities and situations, even in specialized fields (Sciences, 2017). As a result, a synergized innovation climate emerges, where employees feel comfortable collaborating with one another and working in teams, supported by an effective management. Furthermore, our third finding reveals a positive correlation between synergized innovation climate and organizational performance. This aligns with the notion that a collaborative and

innovative work environment, fostered by talent management, positively influences the overall company performance.

According to prior studies (Bibi et al., 2020; King et al., 2007; Kissi et al., 2012; Waheed et al., 2019), the extent to which an organization maintains a supportive climate for innovation will be positively related to organizational performance. When drawn from the synergized innovation climate perspective, SMEs that develop a synergized innovation climate can not only produce mutually supportive teams, and creative products, but also produce innovative work methods that enable employees to better cope with the demands of their work, of course supported by open and continuous communication between individuals within the team and outside the team (Al-Hyari, 2021), which will ultimately improve organizational performance.

The fourth finding shows that synergized innovation climate mediates the relationship between TM and organizational performance. The results of this study support (Ingram, 2016). Previous research has provided evidence that the relationship between TM and organizational performance seems to be highly dependent on the climate in the organization. Synergized innovation climate consists of mechanisms that help uncover the stated relationships. The reality is that many organizations cannot provide all of their employees with all the support, as well as with transparent, fair, and open opportunities for talent development. The right conditions for implementing talent management in SMEs have proven to be able to encourage the emergence of a synergized innovation climate in the form of an organizational climate in which there is solid teamwork, and there is a sense of comfort and fairness when working, because getting support from the management motivates employees to be more innovative at work, so that this affects positively organizational performance. The last finding was that organizational culture is proven to moderate the relationship between TM and organizational performance. TM that is applied properly will further strengthen organizational performance when the organizational culture

is conducive. These results also illustrate the gap in research results on the relationship between TM and organizational performance (Aina & Atan, 2020; Ali & Mehreen, 2019; Anyakoha, 2019; Cho & Ahn, 2018; Luna-Arocas & Lara, 2020; Sivathanu & Pillai, 2020; Son et al., 2018b), which can be solved with the existence of organizational culture. When the relationship between TM and organizational performance is weak, then implementing and maintaining an effective organizational culture, by developing organizational structures, processes, and controls (i.e., perceived organizational support) is of great importance. Moreover, the organizational culture of SMEs is very different from the culture of large organizations, where SMEs have their uniqueness. It is hoped that this relationship will strengthen to become higher or more positive.

Conclusion and Implications

This study discusses the relationship between talent management and organizational performance with the mediating variable synergized innovation climate and the moderating variable organizational culture. The results of the study found that talent management is not related to organizational performance, so the first hypothesis is rejected. The reason is that involvement in SMEs and TM is preferential for employees who are selected and discriminatory for employees who are not selected. This means that the better the application of TM, the more the synergized innovation climate will improve. Next, it is proven that synergized innovation climate mediates the TM relationship with organizational performance. This means that the application of good TM will increase the synergized innovation climate, which will ultimately improve organizational performance. The last finding is that organizational culture is proven to be able to moderate the positive relationship between TM and organizational performance. The weak relationship

between TM and organizational performance will become stronger and more positive if organizational culture is applied.

Our findings also provide several implications, both theoretical and practical. This study provides a theoretical contribution to the literature related to organizational performance by exploring the relationships between TM, synergized innovation climate, organizational culture and organizational performance. Another implication is that our research extends the application of cognitive social theory (Bandura, 1986), where talent development acts as a value-adding activity in the organization and can place a workforce that is appropriate to the time, place, and quality, which then increases the synergized innovation climate to improve the work of organizational members. The final implication is that we introduce a new construct; namely, the synergized innovation climate, which can complement the existing innovation climate (Schneider, 1983). Unlike the general organizational climate that supports employee innovative behavior, a synergized innovation climate is an innovation climate that can combine the abilities of potential individuals (employees) to work together with other employees, as well as gain support and trust from the management.

Our study also provides several practical implications. Based on empirical findings, this study recommends that SMEs should be careful in adopting talent management practices and procedures, especially because SMEs are different from large companies, while the available literature is more in the context of large companies. Wrong adoption can result in losses for SMEs. Talent management can increase innovation in SMEs by new knowledge creation and talented employees. However, talent management also encourages voluntary turnover due to perceived competition

and injustice, which can be considered unhealthy for the organization's long-term performance (Son et al., 2018a). For this reason, managers or owners of SMEs need to implement a synergized innovation climate as a form of effort to reduce problems with TM implementation. In addition, managers and owners of SMEs are advised to focus on building a conducive organizational culture, for example by forming an organization like a home for employees, so that they will feel comfortable when working, thereby increasing the climate for innovation and ultimately improving organizational performance.

Limitations and Future Research

Although this research has been carefully and thoroughly prepared, our study has some limitations. First, the cross-sectional nature of the study may limit the generalizability of the findings. Further research that discusses the same theme is expected to be able to conduct longitudinal research to strengthen the findings. Second, we note the lack of generalizability of the results of our study, because our sample only consisted of SMEs in several districts in Central Java province. Further research is recommended to examine SMEs in other provinces or in other countries. Third, the synergized innovation climate is a new construct, which needs to be tested for its robustness. Further research needs to examine synergized innovation climate in other contexts. Finally, our research is limited to investigating organizational culture as a moderating variable, so further research can explore other important potential moderators to align tensions under talent management.

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