

Absorptive Capacity and Organisational Performance: An Empirical Study of a Public Organisation in Delta State, Nigeria

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Abstract

Studies on a relationship between absorptive capacity and organisational performance has not been fully exhausted, as organisations operate in an environment marked by high changes and complexities. Absorptive capacity enables organisations to integrate, transform, and use external knowledge with the goal of improving the way they perform in dynamic and complex environments. Furthermore, the concept of organisational performance is multifaceted, and the managerial focus on each element may account for variations in performance across different organisations. Building on these arguments, the study aimed to examine the absorptive capacity's direct and indirect relationship with organisational performance, specifically employee adaptive performance and innovation performance. The study also put into perspective the mediating role of strategic flexibility, a construct that defines how well organisations align external knowledge with internal resources and capabilities to achieve desired outcomes. The study adopted the cross-sectional survey of 123 mid-level employees randomly selected from the Delta State Ministry of Health using a well-structured questionnaire. This ministry operates in highly dynamic and volatile environments where adaptation is necessary to respond to the numerous health challenges and threats affecting the overall wellbeing of society. The study analysed the data collected from February to March 2024 with the partial least squares method. It found that absorptive capacity has a significant and positive direct and indirect relationship with organisational performance, which includes employee performance and innovation performance. Strategic flexibility facilitated this indirect relationship, exerting a greater influence on the organisational performance proxies. The study concluded that strategic flexibility can partially explain the relationship between absorptive capacity and organisational performance.

Keywords: Absorptive capacity, employee performance, innovation, organisational performance, strategic flexibility

Introduction

Research shows that performance problems continue to persist in public organisations owing to their inability to align with changing stakeholders' expectations and demands (Amoako-Asiedu et al., 2023). This, in turn, leads to ineffectiveness and inefficiencies in public service. The organisation's bureaucratic foundations, insular thinking, and resistance to change exacerbate

this adaptive problem (Ononye & Igwe, 2019). To overcome the increasing pressure from stakeholders to improve performance, it is critical to identify organisational performance predictors for improvement and maintenance. Existing research has proffered ways of enhancing organisational performance, some of which include enhancing knowledge management practices (Kassa & Ning, 2023), fostering high-involvement work systems, and organisational ambidexterity (Pilmmer et al., 2017). The study suggests that another way for an organisation to respond strategically could be to improve and use its absorptive capacity (AC). Organisations use this dynamic capability to acquire, assimilate, transform, and exploit external knowledge in highly dynamic and turbulent environments. AC cultivates organisations' external knowledge flow to expand their understanding of their stakeholders' needs and demands to meet them. Arguably, accessing knowledge through stakeholders' interactions provides ample learning opportunities for organisations to capture and integrate useful knowledge critical to their operation and ability to perform. The environmental context is constantly changing. In light of this uncertainty, organisations consider external knowledge to be critical for developing competencies that enable them to navigate and progress in a more effective way amid these changes. In fact, the knowledge-based view suggests that an organisation's performance is dependent on their ability to share, create, organise, and apply accessible and complementary knowledge resources, including those held internally and externally. Despite the performance benefit of AC, many bureaucratic organisations face strong challenges in properly leveraging external knowledge flows, even with ample access to external knowledge sources. This may explain the poor performance of public organisations, given their poor understanding of critical stakeholders' needs and expectations. However, to eliminate such challenges, such organisations need to develop their AC appropriately (Kostopoulos et al., 2011).

There is a burgeoning stream of research on organisational performance as an outcome of AC (Sancho-Zamora et al., 2021a), but not much is known about the performance aspects influenced by AC. Organisational performance is a multidimensional construct comprising financial and non-financial elements (Udofia et al., 2021). Bentes et al. (2012) posit that the distinct managerial attention placed on each element could explain variations in organisational performance across organisations. As a result, improving one element may come at the expense of another. Because public organisations are not profit-oriented (i.e., profit-seeking) in nature and render essential public services, the focus on organisational performance will be on two non-financial performance aspects:

employee adaptive performance and innovation performance. These indicators are critical to providing public service in accordance with the evolving needs and demands of the public through learning (Ononye, 2021). Because the resources available to these organisations are highly limited, they should develop their ability to respond to evolving societal demands in order to enhance their scope for integrating change. The resource-constrained environment in which they operate provides new challenges with no commensurate improvement in resources, and this variability makes adaptation and innovation critical to maintain the quality of services delivered. Organisations, especially non-profit-seeking ones, may find their ability to adapt and innovate crucial when facing resource constraints. This ensures that they maintain an effective response capacity, leading to resilience in rapidly changing and challenging environments. Furthermore, research on how AC affects organisational performance remains unclear. The mixed results underline the fact that intervening factors can shed insights on the AC-organisational performance link (Nguyen et al., 2019). Recently, Pu and Liu (2023) affirmed that the AC-organisational performance link has significant contextual elements, which helps to deepen our understanding of the relationship. One of them could be strategic flexibility, defined as an organisational ability to respond and adapt promptly to changing environmental contexts, which yields both opportunities and threats.

The study contends that strategic flexibility pays attention to the external environment by aligning external knowledge with internal capabilities, resources, and practices in a way that ensures optimality in operations and performance. Thus, strategic flexibility engages resources in new courses of action for performance improvement in uncertain environments. Studies have examined strategic flexibility as an outcome of AC (Miroshnychenko et al., 2021) and an antecedent of organisational performance (Awais et al., 2023). Arguably, absorbing external knowledge enables organisations to have a better understanding of the changing context and adapt organisational resources in various ways that generate value. This value-creating advantage has performance implications for the organisation as it allows them to make the most of available resources through productive use, enabling them to respond to changing environmental conditions. Researchers (Miroshnychenko et al., 2021; Jabarzadeh et al., 2022) have shown that strategic flexibility is relevant to AC's connection with other desired outcomes in private sector firms, such as better performance and innovation within the firm. There is a likelihood that strategic flexibility will mediate the AC-organisational performance in the public sector. The challenge,

however, is that public organisations, with their high bureaucratic systems that impede change, may be at variance with the practicality of strategic flexibility. Strategic missteps can result from ineffective use of environmental information and from the maintenance of the present state of affairs amid environmental changes.

Kamasak et al. (2016) contend that stable, standard routines and models may restrict the strategic manoeuvring capabilities of such organisations. Azamela et al. (2022) argue that the open and political decision-making process, which considers the interests of multiple stakeholders, could enable the achievement of flexibility in uncertain environments. Such a process makes public organisations less vulnerable to high environmental dynamism and puts them in a better position to successfully manage change (Cingöz & Akdoğan, 2013). Because these organisations cannot operate the same way in a changing environment, we should view change as a tool for effective action and problem solving. Adapting to change reinforces the legitimacy of these organisations (Stephen, 2018). The perception of an institution's behaviour or actions as desirable within socially constructed expectations determines its legitimacy. The study acknowledges the comparative absence of competitive and profit-making objectives in the public sector compared to the private sector; it draws similarities from the evolving yet complex expectations and demands of its stakeholders. In light of this shift in demand and/or expectation, external knowledge may prove useful for these organisations' sustained performance. This sets the foundation for developing outward-looking capacities to make public organisations more responsive in environments marked by high change and complexity. However, in this research setting, studies have yet to test and empirically prove the validity of the statement that AC fosters strategic flexibility to ultimately improve organisational performance.

This study is significant for three reasons. First, the study attempts to improve our understanding of the concept of AC and its influences on certain aspects of organisational performance, which, to the best of the researcher's knowledge, is an unexplored area in the relevant literature. The public sector provides a unique context for inference-drawing and extends the practicality and applicability of findings from the private sector (e.g., Bouguerra et al., 2022; Sancho-Zamora et al., 2021b; Umrani et al., 2022). Public organisations can benefit from the concept of AC, as effective knowledge leverage plays a crucial role in developing appropriate responses to new, emerging, and diverse societal problems (Harvey et

al., 2010; Ononye, 2021). Second, the study highlights the importance of strategic flexibility as a mediator in the relationship between AC and organisational performance, a relationship that needs further testing and confirmation within the study's organisational context. Thus, it could extend the list of contextual factors indicated in existing literature. Third, the recent research's geographic distribution necessitated the use of an original sample, as no prior studies have explicitly targeted Nigerian public organisations. The study anticipates that the findings will aid in the development of strategies and practices to improve various aspects of AC, strategic flexibility, and organisational performance.

Literature Review

2.1 Conceptual Review

Absorptive Capacity

Absorptive capacity (AC) is a dynamic capability that enables organisations to acquire, assimilate, transform, and exploit new and complementary knowledge from the environment to achieve desired ends (Kostopoulos et al., 2011). This capability enables knowledge to move from a differentiated state to an integrated state to create value or benefits for both relevant stakeholders and the organisation. AC has two components: the potential absorptive capacity and the realised absorptive capacity. Potential absorptive capacity refers to the abilities needed to identify and assimilate external information. The reduction of the knowledge gap resulting from the discovery and capture of new knowledge could aid in the effective exploitation of knowledge, thereby ensuring sustainable value creation. Realised absorptive capacity, on the other hand, is about the abilities needed to transform and use external information (Lau & Lo, 2019). The goal is to maximise the benefits of leveraging new external knowledge from its productive application to advance various aspects of organisational operations. Potential and realised absorptive capacity both improve firm performance in a positive way, but they do not work in isolation; instead, they work together to make the firm perform better. This is especially true as potential absorptive capacity opens up inbound knowledge flows; however, it does not guarantee the successful transformation and application of this knowledge. Organisations could realise the performance benefits of potentially relevant knowledge when both processes are present and relate to each other (Leal-Rodríguez et al., 2014). Bouguerra et al. (2022) discovered a greater combined effect than the individual effect of each component on performance. This reinforces the notion that their

presence, relationship, and complementarity can lead to more favourable outcomes.

AC inputs are external knowledge inflows. These inflows represent the aggregate amount of knowledge (i.e., tacit and explicit knowledge) that relates to different contexts, such as services, processes, technology, strategies, etc. Organisations obtain this knowledge from different sources, such as citizens, consultants, contractors, research institutions, and universities. In fact, engaging external stakeholders in knowledge co-creation activities (e.g., meetings, public forums, seminars, brainstorming sessions, etc.) helps to leverage shared insights and understanding to drive organisational processes, leading to valued outcomes such as innovation (Ononye, 2022a). AC sustains relationships with external knowledge actors to locate knowledge that facilitates the creation and combination of new knowledge needed to make organisations more effective and efficient. The breadth (i.e., the number of external sources accessed to complement a firm's knowledge base) and depth (i.e., the extent to which the firm deeply engages knowledge from external sources to enhance performance) of external knowledge search affects the absorptive capacity level of an organisation (Ferrerias-Méndez et al., 2015).

Organisational Performance

Organisational performance is generally defined as the extent to which an organisation achieves valued results that meet the stakeholders' needs and expectations using available resources effectively and efficiently. As previously mentioned, different elements assess organisational performance, prompting the adoption of a multidimensional approach to its examination. Arguably, not all elements of organisational performance are relevant to every organisation. Given the potential variations in their contribution to the overall organisational performance, it is crucial to always consider the context (Harvey et al., 2010; Zubair et al., 2021). The study focuses on employee adaptive performance and innovation performance, which are presumably critical to the responsiveness of organisations to external changes and complexities in their operating environment. High changes in stakeholders' needs and expectations of public services mark the operating environment of public organisations, underscoring the importance of these performance aspects (Azamela et al., 2022; Ononye, 2022b). Employee adaptive performance (hereafter referred to as employee performance) focuses on the extent to which employees' respond to or adapt to changing work and environment contexts (Pradhan & Jena, 2017), while innovation performance

is the result of transforming knowledge resources and capabilities into practical solutions or benefits that are valuable to organisations and stakeholders (Ononye, 2021).

The goal of public organisations is not profit-making but public value creation, as well as impacting and balancing the interests of different stakeholders. Given the limited resources available, the driving imperative for both proxies is to make public services more responsive through value introjection (Ononye & Igwe, 2019). In a changing environment, public organisations cannot see their business as usual; otherwise, it becomes a risk. These organisations face mounting pressure to adopt a coordinated approach that encourages them to adapt and innovate in response to shifting environmental conditions. This would endow the scarce resources with new ways to create public value, ensuring public service effectiveness, efficiency, and users' satisfaction. Employees' transformative abilities to leverage knowledge-related processes, which instill a learning mindset in managing the complexity of public problems, are crucial for both employee performance and innovation. However, the rigid and insular nature of these organisations derived from their bureaucratic framework can impede their ability to adapt and innovate according to the growing pressures derived from public service users' expectations. As a result, the new public management paradigm proposes opening up social and learning processes to external influences in order to incorporate value-driven changes that ensure public service serves the public interest.

Strategic Flexibility

Strategic flexibility is seen as an organisation's ability to restructure or adjust itself internally alongside its relationship with the external environment. Here, managerial considerations, which may be proactive or reactive, are given to all the factors, internal and external, that are connected to an organisation's environment and have a meaningful impact on the decisions and performance of an organisation (Awais et al., 2023). Strategic flexibility is made up of two components: resource flexibility and coordination flexibility. Resource flexibility deals with the changeability of organisational resources, whereas coordination flexibility focuses on the organisational ability to configure and deploy this resource to an advantage. It is important that existing resources are amenable to change by broadening their scope to enable organisations to redeploy and utilise them in new ways for value creation. The aim of resource and coordination flexibility is to foster the creation of heterogeneous resources with multiple

applications to match the ambidextrous nature of organisational activities. Extending the scope of resource use is important for organisations struggling with scarce resources. The application of resource and coordination flexibility makes strategic resources more sensitive to changing public needs and expectations, thus allowing the coordination efforts to align with external changes.

Strategic flexibility is strongly associated with environmental dynamism, as organisations operate to obtain superior performance and advantages in a highly uncertain and competitive environment. This suggests organisations should constantly develop capabilities that enable them to be open to change (Cingöz & Akdoğan, 2013). If they want to effectively and efficiently deploy resources to exploit opportunities and/or mitigate threats, it is important to do so. Organisations are less vulnerable to the threats and challenges posed by changing environments when they are flexible in the coordination of resources. Flexibility puts them in a better position to successfully navigate the uncertain and unpredictable business landscape, given that they utilise a diversity of strategic actions and are capable of transitioning from one strategy to the other. Firms can achieve strategic excellence by aligning their resources and managerial practices to seize emerging opportunities. The alignment of resources, capabilities, and practices enhances organisational preparedness. This gives organisations some form of control over their environment while generating distinct advantages critical to improved performance. Using contingency theory, the study argues that strategic flexibility is effective and relevant in changing environments because it adapts organisational resources, according to the changing context, to achieve an optimal course of action or solution. This underlines the importance of strategic flexibility for organisational adaptation to significant, uncertain, and rapid environmental changes. Other desirable outcomes of strategic flexibility include improved resource efficiency, competitive advantage, organisational performance, and innovation (Awais et al., 2023; Sen et al., 2022).

Absorptive Capacity and Organisational Performance

AC facilitates the integration of valuable external knowledge to foster learning, allowing organisations to develop, share, and apply knowledge to achieve valuable work outcomes. Organisations' alignment with externally relevant knowledge puts them in better positions to respond to changing work requirements and conditions. Organisational responsiveness strongly predicts their level of performance (Sauchon et al., 2004). Studies (Bouguerra et al., 2022; Sancho-Zamora et al., 2021b; Umrani et al., 2022) that examined the AC and

organisational performance relationships conclude that there is a positive relationship between the two constructs, but in a private sector context. As a result, research on the AC-organisational performance link has not taken into account specific organisational performance proxies in a public sector setting. The new public management approach aims to introduce some private sector values and ideas into the public sector (Harvey et al., 2010). However, it is important to exercise caution in their application, as they may not offer a comprehensive explanation of actual practice, given the nature of services provided, the bureaucratic nature of public organisations, and the complex and multi-value environment in which they operate. Because this study focused on specific performance aspects, there may be contextual factors that help explain the importance of AC for organisational performance proxies (Robertson et al., 2023).

AC is a concept that connects both individuals and organisations to external knowledge flows in the business environment. The use of novel and diverse knowledge is indispensable for achieving desired outcomes from innovative and adaptive processes. In that way, openness to the changing work environment helps them internalise relevant information when they have new experiences or moments of discovery. This makes it easier for them to innovate or adapt to agile environmental conditions (Wu et al., 2014). Employees develop and maintain an organisation-level AC, which their interactions amplify as a collective phenomenon. Park and Park (2019) contend that organisational support for learning and knowledge development enables organisations to make careful change decisions. According to Bhojaraju (2005), when knowledge becomes inconsistent with results and expectations, employees seek to review and update their knowledge stock to reflect salient changes or developments in content through learning. This consistency and conformity check is necessary if knowledge is to guide reasoning for a particular set of work objectives over a given period.

Jena and Goyal (2022) state that innovation and adaptation are interconnected, given that they require organisations and employees to adopt a proactive approach to navigating the incessant changes and unpredictability of the work environment. Organisations highly value adaptive and innovative capabilities due to their enduring impact on the change process. Incorporating internal and external knowledge may support and accelerate innovation and adaptation at the individual or organisational level. To lend credence, studies suggest that external knowledge

flows are critical for innovation (Hurtado-Palomino et al., 2022; Nguyen et al., 2019) and individual adaptation (Aguinis & Burgu-Tian, 2021; Jundt et al., 2015; Martin, 2012; Pratoom, 2022). It is worth noting that innovation performance focuses on organisational response to changing environments through the introduction of novelty, while employee performance focuses on employees' ability to adjust to changing and agile work environments. Nevertheless, to attain superior performance, employees and organisations must open themselves to the simultaneous influence of different factors or elements in the external environment.

The adaptive challenges experienced by public organisations suggest that AC activities are challenging and often not fully exploited in bureaucratic settings. This explains the poor understanding of stakeholders' expectations, needs, and priorities, as well as the rise of new public management reforms that aim to improve this understanding through co-creation activities (Harvey et al., 2010). As a result, the study argues that a knowledge management paradigm that makes effective use of complementary external knowledge inflows would make it easy to create an inclusive and effective organisational system that meets the changing needs and expectations of critical stakeholders. Given this context, the following hypotheses were proposed:

H₁: Absorptive capacity and employee performance are positively related.

H₂: Absorptive capacity and innovation performance are positively related.

The Mediating Role of Strategic Flexibility

The dynamics of AC and organisational performance may not be straightforward due to the variable quality of AC in public organisations (Pu & Liu, 2023). The study contends that strategic flexibility can compensate for AC's variability by creating and utilising a variety of strategic responses to improve organisational performance in dynamic environments. There is available evidence that suggests absorptive capacity enhances strategic flexibility (Muneer, 2019; Tufan & Mert, 2023), and strategic flexibility improves organisational performance (Awais et al., 2023; Kale et al., 2019). However, strategic flexibility's intervening role in the AC-organisational performance link has received little empirical attention and support. The only study that examined this relationship sequence was Jabarzadeh et al. (2022). They discovered that strategic flexibility mediates the AC-organisational performance nexus of firms operating in Iran and Turkey's fast-moving consumer goods industries.

Researchers have shown that strategic flexibility can help create a positive link between environmental factors, other organisational-level factors, and firm performance, especially in the private sector. For example, Sen et al. (2022) found that small businesses operating in Coimbatore, India, achieve superior performance when their strategic resource options align with the perceived need for strategic partnerships and knowledge exchange with relevant stakeholders. Cingöz and Akdoğan (2013) revealed that environmental dynamism can be successfully navigated through strategic flexibility, which in turn enhances the innovation performance of firms operating in Kayseri, Turkey. There are also studies that employ a different perspective on strategic flexibility, such as strategic agility (Awais et al., 2023). This dynamic capability allows organisations to sense and quickly adapt to the perceived environmental conditions for change. For example, Kale et al. (2019) noted that strategic agility channelled the influences of absorptive capacity activities on the performance of accommodation establishments in Turkey. Mata et al. (2023), drawing from a sample of employees working in small and medium-sized information technology organisations in Portugal, revealed that AC supports project success via strategic agility.

Given the above, flexibility in an organisation's strategic approach to change can better manage the intricate nature of the AC-organisational performance link. In this context, the utility of strategic flexibility presents a gap that the study intends to fill. Furthermore, the reviewed studies primarily focused on private sector organisations, necessitating further research in the public sector. It is important to note that strategic flexibility is relevant for public organisations because they must seek ways to reinvent themselves by finding, developing, and using a variety of ideas and strategies to manage organisational change. The coronavirus pandemic presented a strong case for these organisations to quickly identify specific sets of competencies and channel them to where they are most needed and derived the most value. Baker (2007) supports the importance of strategic flexibility in the public sector. In light of this, the following hypotheses were formulated:

H₃: Strategic flexibility and employee performance are positively related.

H₄: Strategic flexibility and innovation performance are positively related.

H₅: Absorptive capacity and strategic flexibility are positively related.

H₆: The absorptive capacity and employee performance relationship is mediated by strategic flexibility.

H7: The absorptive capacity and innovation performance relationship is mediated by strategic flexibility.

2.2 Theoretical Framework

The dynamic capability theory, developed by Teece et al. (1998), forms the foundation of this study. According to the dynamic capability theory, organisations can achieve sustainable performance by fostering adaptation to changing environmental conditions through dynamic capabilities. Organisations consider a construct dynamic when it enables them to adapt to a rapidly changing environment, thereby enhancing their functionality and capacity to serve the public through change or innovation. In light of this, developing resource-based dynamic capabilities (absorptive capacity and strategic flexibility) can enhance an organisation's value-creating potential by systematically renewing, updating, or adapting their resource base. The essence of adaptation is to ensure that organisations have more dynamic than static resources when managing responses to shifting environmental factors. In a turbulent environment, internal resources may be insufficient to address the critical issues of organisational adaptation. Hence, organisations should extend their collaborative relationships with external stakeholders to obtain complementary resources that can increase the diversity of strategic responses under dynamic circumstances. Not doing so will leave them isolated and vulnerable to unstable performance due to insular thinking. Absorptive capacity gathers useful external information. However, if internal resources, processes, or practices do not align properly to foster and sustain value-creating activities, exploiting external knowledge may not yield the desired results. Finding the right balance is crucial for managing change and achieving competitiveness; hence, the need to activate strategic flexibility for successful integration. Strategic flexibility links the inputs from inbound knowledge flows through internal resource reconfiguration and allocation to maintain a good performance level.

The relational dynamics between absorptive capacity and strategic flexibility could provide organisations with adaptive abilities. These abilities have the potential to maximise the adaptive performance achieved by employee efforts and innovation processes. Jabarzadeh et al. (2022) conducted the only relevant study, utilising this theory to explain the relationship among the constructs. They argued that having external knowledge and using it to your advantage makes an organisation more strategically flexible, which in turn helps it succeed and survive in dynamic environments. This means that how well an organisation mobilises,

integrates, and uses complementary internal and external resources affects the way they perform. The unfolding of change in public organisations, however, is a challenging task. Dynamic capability theory, according to research, has the potential to enhance our understanding of how change unfolds and is managed in increasingly complex and turbulent environments. However, little attention has paid to improving this understanding in the public management field (Piening, 2012). Poor attention to dynamic capabilities can make it challenging or difficult for these organisations to execute determined objectives, define and create public value, and nurture an agile organisation (Hawryz, 2018). Hawryz (2018:95) asserts that “dynamic capabilities can constitute an organisation’s potential for systemic problem solving, resulting from the mindfulness of the signals deriving from an organisation’s environment to ensure the correct direction of functioning and development of a public sector organisation.” Hence, dynamic capabilities (e.g., absorptive capacity and strategic flexibility) could provide answers to how these organisations can develop and apply new strategic approaches to accept change for better performance.

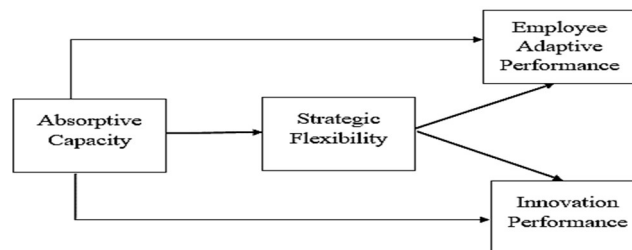


Figure 1: The research framework
Source: Developed by the researcher, 2024

Methodology

3.1 Sample and Data Collection Procedure

The study included randomly sampled mid-level management employees at the Delta State Ministry of Health in Nigeria. This ministry oversees other health organisations in Delta State, Nigeria; principal among them are the Hospital Management Board and the Delta State Contributory Health Commission. This ministry operates in a highly volatile environment with numerous health-related opportunities and threats, and may face pressure to adapt to changing environmental conditions through their employees and innovation systems. The ministry's activities may reflect the concepts under examination. The study selected mid-level employees because they are in a central position to know the

strategic approaches utilised by top management and work closely with other frontline employees to translate these strategic plans to action. Simple random sampling is justified to ensure an unbiased and equal chance of selection in a homogenous population.

A sample of 126 was obtained from a population of 183 using Yamane's formula. Before administering the questionnaire personally, the study secured informed consent from the respondents. The survey ran for two months, from February to March 2024, and reminders were sent every two weeks to improve the response rate. To minimise the likelihood of bias, the study included the research objectives and an anonymity statement in a cover letter for the questionnaire. 124 completed the questionnaire at the deadline date, resulting in a return rate of 98.4 percent. Out of the 124, one had a missing value and was excluded from the responses used for analysis. The demographic characteristics of the respondents showed that 67 (54.5%) were males and 56 (45.5%) were females. The respondents' mean age and tenure were 41.8 years and 14.4 years, respectively. The minimum educational qualification obtained was a graduate degree. The distribution of respondents based on profession showed that 11 (8.9%) are doctors, 4 are nurses (3.3%), 1 (0.8%) is a pharmacist, 53 (43.1%) are public health practitioners, 36 (29.3%) are in other health-related professions, and 18 (14.6%) are in support and administration.

3.2 Measures

The original measurement items from previous studies were used to develop the questionnaire. All the items were placed on a five-point Likert scale, with 1 representing total disagreement and 5 representing total agreement. This study adapted six question items from Ferreras-Mendez et al. (2015). A sample item includes: "Our organisation is able to observe important trends in our operating environment." The study also incorporated five strategic flexibility question items from Xiu et al. (2017). A sample item includes: "To derive benefits from environmental changes (political, economic, socio-cultural, technological, etc.), we often change strategies and structures." Ononye & Igwe (2019) provided the five question items for measuring innovation performance. A sample item includes: "In developing new services, processes, or policies, employees and key stakeholders collaborate closely." This study obtained seven question items on employee performance from Koopmans et al. (2012). A sample item includes: "Our employees often demonstrate flexibility at work."

Two management experts from Delta State University and three respondents from the target organisation ensured the face validity. Based on the constructive comments, we slightly rephrased seven question items (AC1–AC6, SF1) to improve clarity and relevance. To further test its reliability, the questionnaire underwent a pre-test with 13 respondents. This study used the Cronbach alpha, aided by SPSS 20.0, to determine the internal consistency of the questionnaire. Cronbach alphas for absorptive capacity (0.774), strategic flexibility (0.781), innovation performance (0.812), and employee performance (0.789) were all above the acceptable cut-off point of 0.700. This meant that the scales for the constructs were acceptable. In addition, the whole scale's Cronbach alpha was 0.733, indicating an appropriate level of internal consistency among the latent constructs. For measurement items related to the constructs, please refer to Appendix A.

3.3 Method of Data Analysis

The study made use of the partial least squares (PLS) path model for data treatment and hypothesis testing. The best use of PLS, a common multivariate data analysis method, is to explain variance and predict relationships among constructs. It places minimal restrictions on sample size and has fewer stringent data assumptions than the traditional linear-based method. Compared to covariance-based structural equation modelling, PLS can yield stable estimations ranging from 0.210 to 0.300 with a small sample size of 100 (Hair et al., 2022). The study expects stable statistical predictions given that the sample size exceeds 100. Furthermore, the use of Likert scales, which does not guarantee normal distribution properties, makes this analytical method appropriate by default. This study conducted the PLS analysis using the SmartPLS 4 software. This software is increasingly popular among management scholars because of its ease of use and its ability to correct analytical problems that could cause under or overestimation of hypothesised relationship in the research model.

Results and Discussion

The study conducted some preliminary tests to ensure that the dataset was factorable before performing the PLS analysis. For this determination, it used the Kaiser-Meyer-Olkin (KMO) test and Bartlett's sphericity (BTS) test. According to Field (2005), performing KMO and BTS tests is a requirement for validating the use of factor analysis on the dataset. A cut-off of 0.60 for KMO and $p < 0.05$ for BTS are considered desirable; otherwise, remedial actions should be taken to correct the correlation matrix by deleting poorly correlated items or adding other

related items. Table 1 shows that the KMO scores exceed the 0.60 cut-off mark, indicating that the observed construct significantly explains the variances of the items. The BTS scores were statistically significant at the 5% level, indicating a significant overall correlation among the items in each construct. Both analyses suggest that the data is adequate and suitable for factor analysis.

Table 1: Preliminary Test Results

Test	Indicators				
	Absorptive capacity	Strategic flexibility	Employee performance	Innovation performance	
KMO	0.818	0.753	0.652	0.797	
BTS	Appx X ² Sig.	898.970 0.000*	719.728 0.000*	690.260 0.000*	703.774 0.000*

Note: * $p < 0.05$, KMO = Kaiser-Meyer-Olkin, BTS = Bartlett's test of sphericity

Based on these initial results, the study used the two-step method for structural equation modelling to check the measurement model for validity and reliability, as well as the structural model for hypotheses testing (Hair et al., 2017). Hair et al. (2017; 2022) and Henseler et al. (2009) provided the guidelines for interpreting the results. First, the study estimated the measurement model to check the quality of the outer model using five quality criteria: standardised factor loading (item reliability), composite reliability (construct reliability), average variance extracted (convergent validity), Fornell-Larcker criterion (discriminant validity), and variance inflation factor (multicollinearity and common method bias test).

Table 1 demonstrates that the measurement indicators' factor loadings fall within the highly satisfactory range of greater than 0.708. Therefore, the measurement model's underlying constructs hold practical significance as they account for more than 50% of the item's variance. Hair et al. (2022) suggest deleting coefficient scores below 0.40 to enhance internal consistency or convergent validity among the constructs. However, the measurement model retained all items from the latent constructs due to their strong coefficients and acceptable item reliability. The composite reliability results show that all the values exceeded the acceptable threshold of > 0.70 , indicating strong internal consistency. Although values within 0.60 and 0.70 are acceptable in exploratory studies, values exceeding 0.95 are considered problematic because they suggest redundancy of some items, thereby reducing the validity of the construct. The composite reliability coefficients posed no problems because they fell within the acceptable limit, proving construct

reliability. The average variance extracted (AVE) coefficients were above the acceptable level of 0.50, confirming that the set of items loaded well onto the latent construct. Thus, the construct's convergence can explain 50% of the items' variance, suggesting satisfactory convergent validity. When each construct's AVE exceeds the inter-construct correlations, discriminant validity becomes apparent. According to the Fornell-Larcker criterion, the results show evidence of discriminant validity arising from the distinctiveness among constructs. The HTMT ratio of correlations, which demonstrated that each construct's correlation was below the acceptable cut-off point of 0.85, further supported the uniqueness of each construct. Both discriminant validity tests enable the study to draw accurate or realistic conclusions from the findings about the hypothesised direct and indirect relationships among the constructs.

Overall, the results have acceptable values for all the quality criteria and confirm the appropriateness of the study's measurement model. The variance inflation factor (VIF) results confirm that none of the constructs violates the multicollinearity assumption, with all values falling below the recommended cut-point of 5.0. The antecedent constructs are not moderately or highly correlated; instead, they are somewhat unrelated or separate. This means that statistical estimations using constructs with acceptable VIF values may not be biased, misleading, or inflated. Furthermore, despite capturing the anonymity of responses in the cover letter to reduce bias, Kock (2015) recommends that if VIF values are less than 3.3, the model does not exhibit the problem of common method bias. The VIF results validate this notion. The statistical inferences made from the measurement model were reliable because the self-reported and single-sourced data is free from multicollinearity and common method bias.

Table 2: Reliability, Validity and Multicollinearity Test

Indicators	FL Range > 0.708	CR > 0.70	AVE > 0.50	Discriminant Validity				HTMT	VIF
				1	2	3	4		
1 AC	0.786 – 0.824	0.822	0.704	0.839				0.680	1.065
2 EP	0.743 – 0.880	0.917	0.613	0.246	0.783			0.752	
3 IP	0.729 – 0.797	0.806	0.659	0.035	0.251	0.812		0.797	
4 SF	0.771 – 0.806	0.883	0.558	0.601	0.577	0.253	0.747	0.536	1.135

Note: AC = Absorptive capacity, EP = Employee performance, IP = Innovation performance, SF = Strategic flexibility, FL = factor loading, CR = Composite reliability, AVE = Average variance extracted, HTMT= Heterotrait-monotrait, VIF = Variance inflation factor

The study tested the structural model to examine the significance of the hypothesized paths. The beta coefficients (β) and p -values were used for this analysis to determine the nature of the relationship and its significance, respectively. Furthermore, the study applied the bootstrapping technique using 10,000 subsamples to determine the significance of the indirect relationships.

Table 3: Structural Model Results

Path (Relationship)		Model 1 β ($p < 0.05$)	Model 2 β ($p < 0.05$)	Support
H1	Absorptive capacity → Employee performance	0.119 (0.000)	0.112 (0.007)	Yes
H2	Absorptive capacity → Innovation performance	0.121 (0.000)	0.118 (0.000)	Yes
H3	Strategic flexibility → Employee performance	0.292 (0.000)	0.296 (0.000)	Yes
H4	Strategic flexibility → Innovation performance	0.223 (0.000)	0.224 (0.000)	Yes
H5	Absorptive capacity → Strategic flexibility		0.147 (0.000)	Yes
H6	Absorptive capacity → Strategic flexibility → Employee performance		0.103 (0.003)	Yes
H7	Absorptive capacity → Strategic flexibility → Innovation performance		0.097 (0.012)	Yes
	Employee performance R	0.474	0.501	
	Innovation performance R	0.489	0.525	
	SRMI	0.069	0.063	
	NFI	0.836	0.880	

Note: SRMR = Standardised root mean square residual, NFI = Normed fit index

Table 3 shows the structural model results for the direct effect (model 1) and indirect effect (model 2) frameworks. The study found that absorptive capacity and employee performance ($\beta = 0.119$; $p = 0.000$) and innovation performance ($\beta = 0.121$; $p = 0.000$) are positively related. This means that for every percent increase in absorptive capacity, employee adaptive performance improves by 11.9 percent, and innovation performance improves by 12.1 percent. Thus, the study accepts H₁ and H₂. In light of this, an organisation's ability to absorb external information influences how well their employees adapt to change, which aligns with previous studies' submissions (Aguinis & Burgu-Tian, 2021; Jundt et al., 2015; Martin, 2012; Pratoon, 2022). Furthermore, absorptive capacity makes innovation activities much more likely to succeed, which supports what other scholars (Hurtado-Palomino et al., 2022; Nguyen et al., 2019) are suggesting. Overall, the study agrees with what other research has found in the private sector (Bouguerra et al., 2022; Sancho-Zamora et al., 2021b; Umrani et al., 2022) on the positive absorptive capacity and organisational performance link. It also suggests

that this information may be useful for public organisations, since they endeavour to develop and maintain collaborative and constructive relationships with important external stakeholders.

Similarly, strategic flexibility and employee performance ($\beta = 0.292$; $p = 0.000$) and innovation performance ($\beta = 0.223$; $p = 0.000$) are positively related. Thus, the study supports the arguments in H3 and H4. This reinforces studies (Awais et al., 2023; Kale et al., 2019; Muneer, 2019; Tufan & Mert, 2023) that reported a significant relationship between strategic flexibility and organisational performance, and equally extends it by indicating some of the proxies accounting for strategic flexibility influences. The findings also show that strategic flexibility exerts more influence on both performance parameters than absorptive capacity. Possibly, strategic flexibility may facilitate strategic alignment between internal and external options, thereby enabling an appropriate response to evolving environmental factors. Public organisations cannot act on external knowledge if they do not possess complementary resources or capabilities to exploit it to their advantage. This is critical to achieving strategic excellence.

Model 2 introduces strategic flexibility as a mediating pathway. The study found that absorptive capacity and strategic flexibility are positively related ($\beta = 0.147$; $p = 0.000$), which supports H₅. The study also revealed a 0.4 and 0.1 percent increase in strategic flexibility's main effect on employee and innovation performance, respectively. Furthermore, absorptive capacity's main effect on employee and innovation performance decreased slightly by 0.07 and 0.03, respectively. Given these positive PLS results on strategic flexibility's antecedent and outcome(s), the study processed the data for specific indirect coefficients. The study found that strategic flexibility mediates the effects of absorptive capacity on employee adaptive performance ($\beta = 0.103$; $p = 0.003$) and innovation performance ($\beta = 0.097$; $p = 0.012$). The mediation had a partial and complementary effect. Thus, H₆ and H₇ were accepted. The findings suggest that the understanding that comes from leveraging externally useful knowledge helps public organisations to align this information with internal resources, capabilities, and practices. This strategic alignment enables employees to adapt their behaviours to changing environments while also contributing to the creation or enhancement of public value through innovative activities. The study, while aligning with the findings of Jabarzadeh et al. (2022), extends this study by examining organisational performance as a multidimensional construct, comprising distinct components such as employee performance and innovation

performance. These findings are consistent with those of Pu and Liu (2023), who suggested that the absorptive capacity and organisational performance link have significant contextual variables at play. This supports research (Cingöz & Akdoğan, 2013; Kale et al., 2019; Mata et al., 2023; Sen et al., 2022) that shows the role of strategic flexibility as a mediator in relationships between organisational performance and other environmental/organisational factors. The development of strategic flexibility can maximise the absorptive capacity's influences on both performance proxies. The premise of this argument is that strategic flexibility has a greater connection to both absorptive capacity and organisational performance and can, as such, create an optimal link for the derivation of more benefits.

Given the above, the study argues that absorptive capacity can have direct and/or indirect contributions to employee performance and innovation performance. The findings support the idea that organisations should build and sustain complementary dynamic capabilities (i.e., absorptive capacity and strategic flexibility) to function and perform effectively in changing environments. Dynamic capabilities facilitate the acceptance of changes and the formulation of a strategy for actively responding to them. This underscores the arguments drawn from dynamic capability theory. Given the opportunities and challenges it presents, the constantly evolving environmental context is often too ambiguous and complex for internal knowledge and resources to manage alone. This inadequacy triggers public organisations to develop open systems that leverage other complementary external resources to manage change through adaptation and innovation. This evidence is promising for public organisations, given that their bureaucratic characters, marked by rigidities and complexities, stifle the effectiveness of systems that respond to change.

In Table 3, the R^2 values for Model 1 show that absorptive capacity and strategic flexibility accounted for 47.4% of the variance in employee performance and 48.9% of the variance in innovation performance. In Model 2, the R^2 values increased to 50.1% for employee performance and 52.5% for innovation performance, which added the mediating pathway. Based on Hair et al.'s (2022) suggestions, the predictive power was moderate. Regarding the fitness test, the direct hypothesised paths in Model 1 failed to achieve a good fit, as the SRMR value exceeded the acceptable limit of 0.80 and the NFI value exceeded 0.90. However, Model 2, which introduced the mediating paths using the SRMR value, improved the fit and found it to be within the acceptable limit. The introduction of

the mediating pathway is indeed critical to the implementation of this research framework, as it ensures a better fit with the data.

Conclusion and Recommendations

This study develops a research model showing the relationship among absorptive capacity, strategic flexibility, and organisational performance, and proposes seven hypotheses that were verified through the partial least squares (PLS) method from data collected from 123 mid-level employees in the Delta State Ministry of Health. The PLS analysis findings revealed that absorptive capacity has a direct and indirect relationship with organisational performance, including employee performance and innovation performance. Strategic flexibility facilitated this indirect relationship, exerting a greater influence on organisational performance proxies. Basing these findings on the dynamic capability perspective, organisations can effectively align internal organisational resources, capabilities, and practices by leveraging external knowledge from key stakeholders, thereby empowering their employees to adapt and drive innovation processes for value creation and delivery. It is easier for organisations to perform when working with others in a collaborative and synergistic manner than when working alone or in isolation. By incorporating an external perspective, knowledge provides strategic advantages for adaptation and innovation. This is critical for public organisations, especially the Delta State Ministry of Health, that want to enhance productivity and performance amid resource constraints. The study concludes that although accessing external knowledge is essential for improving and maintaining good performance levels, the ability of organisations to reconfigure themselves internally for effective use of this shared knowledge can go a long way in ensuring employees adapt well and work together to develop something new and of public value. Holistically, this allows them to attain superior performance. Based on this conclusion, the study recommends the following actions:

1. To improve responsiveness to the demands of changing environments, public organisations should properly develop and maintain absorptive capacity activities, which involve the acquisition, assimilation, transformation, and exploitation of external, useful knowledge. Absorptive capacity is the foundation for adaptation and innovation, which are critical for accommodating changes in organisations. Using public forums, brainstorming sessions, and other interactive platforms that provide an active interface with stakeholders can demonstrate public organisations' willingness to collaborate and work closely with them.

2. Public organisations should properly develop and utilise their productive resources to complement other capabilities, as strategic flexibility plays a crucial role in creating an appropriate response to intense changes, thereby enhancing performance benefits. Managers should take cognisance that absorptive capacity activities need other complementary capabilities, like strategic flexibility, to support organisational functionality and ensure better performance outcomes in dynamic environments.
3. The contributions of absorptive capacity and strategic flexibility demonstrate that public organisations must properly align themselves with the imperatives of the external environment to improve their responsiveness to change through continuous adaptation and innovation. Effective leadership can achieve this through active commitment and support for capability development and maintenance.

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