



**ABSORPTIVE CAPACITY AND ORGANIZATIONAL AMBIDEXTERITY IN INDIGENOUS OIL AND GAS SERVICE COMPANIES IN NIGER DELTA, NIGERIA: THE MODERATING ROLE OF ORGANIZATIONAL FORMALIZATION**

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**ABSTRACT**

*This study examined the relationship between absorptive capacity and organizational ambidexterity in indigenous oil and gas service companies in Niger Delta, Nigeria: The moderating role of organizational formalization. Primary data was generated through structured questionnaire. The methodology used was quantitative and a cross-sectional survey method was adopted in the investigation of the study variables. The population of this study consisted of 332 (Three Hundred and Thirty Two) staff members of 26 highly functional/ active operational indigenous oil and gas service companies operating in the Niger Delta region of Nigeria. A sample size of 181 was determined using Taro Yamen sample size determination formula. The reliability of the instrument was achieved by the use of the Cronbach Alpha coefficient with all the items scoring above 0.70. Spearman's rank correlation was used for hypothesis testing while the zero-order partial correlation was used to test the moderating role of organizational structure. The findings of the study revealed that that there is a significant relationship between absorptive capacity and organizational ambidexterity in indigenous oil and gas service companies in Niger Delta, Nigeria. Furthermore, organizational formalization significantly moderated the relationship between organizational ambidexterity in indigenous oil and gas service companies in Niger Delta, Nigeria. The study recommended that indigenous oil and gas companies should foster informal interaction among the firm members' supports the development of an open organizational format. By keeping the hierarchy at a minimum, unnecessary bureaucratic steps can be avoided and operational effectiveness increased.*

**Keywords:** *Absorptive Capacity, Organizational Ambidexterity, Organizational Formalization*

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## INTRODUCTION

Organizational ambidexterity is an important and hot topic in management research, having witnessed a meteoric rise in studies since March's seminal work in 1991. Its popularity took hold in the mid-2000s after the empirical work of He and Wong (2004) testing the 'ambidexterity hypothesis'. This hypothesis is deceptively simple: that a firm is rewarded with firm survival and enhanced performance when it achieves a balance of two different activities (exploration and exploitation) that compete with each other. The best firms are those that are ambidextrous, capable of refining and improving current activities to reproduce success (exploitation) while developing completely new activities that instill variety into the firm (exploration) (March, 1991, 2006; Raisch and Birkinshaw, 2008; Tushman and O'Reilly, 1996). However, this simplicity belies considerable implementation challenges. These competing activities require fundamentally different structures, processes and strategies that raise substantial tensions and potential conflict within the firm. March (1991) sees these tensions as largely irreconcilable but predicts that those firms able to manage these tensions and balance the trade-off between exploitation and exploration can secure firm survival and grow firm performance. Those that cannot balance this trade-off face a downward spiral into mediocrity. Tushman and O'Reilly (1996) echo this view, arguing that achieving this balance and level of excellence is very rare. As a consequence, organizational ambidexterity has become something of a holy grail for organizations, the formula for which many theoretical, conceptual and empirical research papers and dedicated special issues have sought to find. The need for absorptive capacity in attaining this cannot be underestimated.

'Absorptive capacity' (ACAP) as defined by Cohen and Levinthal (1989), is: the firm's ability to identify, assimilate and exploit knowledge from the environment. However, Mowery and Oxley (1995) proffer a second definition on absorptive capacity

as a comprehensive set of abilities that are required to deal with transferred knowledge and the importance of modifying this imported knowledge. Zahra and George (2002) view absorptive capacity as dynamic capability that has to do with acquisition and utilization of knowledge in order to enhance an organizations ability to create and sustain competitive advantage. Several definitions and studies on absorptive capacity (Cohen & Levinthal, 1989; Zahra & George, 2002) displays that it has four dimensions that influence organizational outcomes: knowledge acquisition, knowledge assimilation, knowledge transformation, and knowledge exploitation; however, for this paper the first three (acquisition, assimilation and transformation) will be used as the dimensions of the predictor variable.

Furthermore, absorptive capacity is grouped into two subsets of potential absorptive capacity and realized absorptive capacity. With the adoption of the three dimensions for this study, potential absorptive capacity is focused on knowledge acquisition and knowledge assimilation, while realized absorptive capacity focuses on knowledge transformation (Zahra & George 2002). With all the definitions given, the author defines absorptive capacity as a concept of acquisition, assimilation, transformation of collected external or internal knowledge with the aim of adding commercial value to the organization.

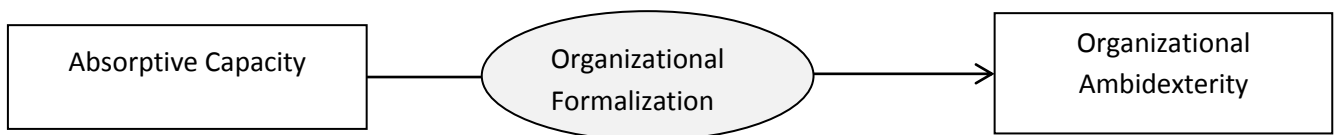
In connecting the nexus of both predictor and criterion variables of this study, absorptive capacity will refer to an organization's capacity to learn new competencies and also utilize the competences for internally (resource exploitation) and externally (resource exploration) driven opportunities. In this context, the internal and external opportunities is where organizational ambidexterity lays; in which internal refers to the exploitation of existing resources while external refers to the exploration of new resources. Although much work and research has been carried out on absorptive capacity in relation to how it enhances a firms performance

and survival (Cohen & Levinthal, 1989; 1990) and firms competitive advantage (Zahra & George, 2002), also studies have been carried out on how organizational ambidexterity can be influenced by other predictor variables and also its impact on organizations performance and survival, nonetheless, there is paucity of literature on how absorptive capacity influences organizational ambidexterity as only a few studies have tested hypothesis to determine the relationship between absorptive capacity and organizational ambidexterity so far (Jansen, 2005; Rothaermel & Alexandre, 2009; Datta, 2011). Therefore, this study examined the relationship between

knowledge acquisition and resource exploitation of indigenous oil and gas companies in Niger Delta, Nigeria.

This study was also be guided by the following research questions:

- What is the relationship between absorptive capacity and organizational ambidexterity in indigenous oil and gas service companies in Niger Delta, Nigeria?
- What is the moderating role of formalization the relationship between absorptive capacity and organizational ambidexterity of indigenous oil and gas companies in Niger Delta, Nigeria?



**Figure 1: Conceptual framework for the relationship between exploitation**  
**Source: Author’s Desk Research, 2019**

**LITERATURE REVIEW**

**Theoretical Foundation**

In connecting the nexus between these theories and related literature, reference is solely made to the Social Cognitive Learning, which with this is adopted as the theoretical framework for the study. Social cognitive learning posits that people learn from one another, via observation, imitation and modeling (Bandura, 1986). Bandura further stated that learning happens in a social context following a dynamic and reciprocal interaction of the person, environment and behavior. In relation to absorptive capacity, the concept is focused with acquiring the requisite external and internal knowledge or information and learning from others. The concept on one hand focuses on the need for external knowledge acquisition, which could be in form of firm acquisition or inter-organizational relations; on the other hand it draws attention on learning from past experience and ongoing activities, and how it is processed internally for transformation of these actions into useful purpose (Easterby-Smith,

Marjorie & Eric, 2008). It is also agreed that in this present global society, learning (which is a potential absorptive capacity) from the experience of others is of high significance in the sustainability of an organization (Al-roubaie, 2013).

From the perspective of organizational ambidexterity as a dynamic capability, in the view of (O’Reilly & Tushman, 2011), dynamic capabilities are deep-rooted in the firms processes and procedures or its observed routines around coordination of its business activities, learning culture, and transformation and creates organizational awareness for opportunities, thereby embracing them by the successful allocation of internal resources, often by the improvement of existing organizational competencies or the development of new ones.

**Absorptive Capacity**

The significance of ACAP has been demonstrated in the analyses of complex organizational phenomena (Zhara & George, 2002) and also distinguished in

the fields of strategic management (Lane & Lubatkin, 1998), technology management (Schilling, 1998) and organizational economics (Glass & Saggi, 1998). Absorptive capacity (Zahra & George, 2002) is an interesting concept because of its connection between the studies of dynamic capabilities (Tecce, Pisano & Schuen, 1997; Zollo & Winter, 2002) and organizational learning (Fiol & Lyles, 1984, Easterby-Smith, 1997; Akgun, Lynn & Byrne, 2003). The concept on one hand focuses on the need for external knowledge acquisition, which could be in form of firm acquisition or inter-organizational relations; on the other hand it draws attention on learning from past experience and ongoing activities, and how it is processed internally for transformation of these actions into useful purpose (Easterby-Smith *et al.*, 2008).

Absorptive capacity, which was first coined by Cohen and Levinthal (1989), defines it as the firm's ability to identify, assimilate and exploit knowledge from the environment". Successively, a broader view was adopted as: 'an ability to recognize the value of the new information, assimilate it, and apply it to commercial ends (Cohen & Levinthal, 1990) A combination of both definitions according to Easterby-Smith *et al.* (2008) displays a classical view of absorptive capacity as: "the identification and recognition of new information, both internal and external, and its assimilation, application and exploitation for commercial ends".

As previously stated, Zhar and George (2002) in their model grouped absorptive capacity into two subsets; potential absorptive capacity (PACAP) and realized absorptive capacity (RACAP), these two constructs will serve as the dimensions for this study. However, PACAP and RACAP have distinct but complementary roles. For instance, an organization cannot exploit knowledge without acquiring it. On the other hand, an organization can acquire and assimilate knowledge but have deficiency in transforming and exploiting capabilities.

**Potential Absorptive Capacity (PACAP):** This is the ability of an organization to acquire and assimilate external knowledge (Lame & Lubatkin, 1998). It is in line with the Cohen and Levinthal's (1990) narrative of the capability of an organization to value and acquire external knowledge. However, Zahra and George (2000) posit that PACAP does not guarantee the transformation and exploitation of this acquired knowledge.

**Acquisition:** Acquisition signifies the capability of an organization in terms of identification and acquisition of knowledge generated externally, which is relevant to the operations within the organization. Zahra and George (2002) in their dimensions of ACAP exposed some components, roles and importance of acquisition which have been extracted from various authorities (Cohen & Levinthal, 1990; Van Wijk, Van den Bosch & Volberda, 2001), the components are: prior investments, prior knowledge, intensity, speed and direction; while the roles and importance are: scope of search, perceptual scheme, new external connections, speed in which learning occurs and quality of learning.

**Assimilation:** Assimilation signifies the procedures and processes of an organization that supports the analyses, processing, interpretation and understanding of externally acquired information (Szulanski, 1996 as cited in Zhara and George, 2002). Most times some ideas and information that passes through an organization are disregarded because of the deficiency in comprehending them (Rosenkopf & Nerkar, 2001). The comprehension of knowledge is very important as it supports the organization in processing and adopting the externally generated knowledge. Zahra and George (2002) in their dimensions of ACAP exposed a component, roles and importance of assimilation, which have been extracted from various authorities (Fichman & Kemerer, 1999), the component is: understanding; while the roles and importance are: interpretation, comprehension and learning.

### **Realized Absorptive Capacity (RACAP):**

As earlier noted, this is the ability for an organization to transform and exploit acquired knowledge. RACAP displays the organizations capacity to make use of existing absorbed knowledge (Zahra & George, 2002), which implies the transformation and exploitation of absorbed knowledge by integrating it into the organizations processes as a means of business improvement.

**Transformation:** This is the capability of a firm in the development of its internal thought processes on integrating its existing knowledge and its newly acquired and assimilated knowledge. It simply means the interpretation of knowledge in a different perspective. Zahra and George (2002) posit that a transformation capability is displayed when an organization recognizes a series of incompatible information and then integrates them into a new concept. Zahra and George (2002) denote that “this capability, which arises from the bisociation process, shapes the entrepreneurial mindset” and promotes entrepreneurial actions (Smith & De-Gregorio, 2002). Thus, it recognizes acquired an assimilated knowledge as an opportunity to create or develop concepts that give rise to new organizational competencies.

### **Organizational Ambidexterity**

Various organizational literatures state that a company is successful when it efficiently aligns the management of modern-day business, while it simultaneously adapts to changes in the business environmental (Gibson & Birkinshaw, 2004; Raisch & Birkinshaw, 2008; Raisch, Birkinshaw, Probst & Tushman, 2009). The term organizational ambidexterity was first used in strategic management literature by Duncan (1976). He suggested the formation of dual structures to be adopted by organizations in order to provide support for the initiation and execution phases of a firm’s innovative process. These phases have sustained a sequence in accordance with the innovativeness cycle; a concept adopted in ambidexterity research as “temporal sequencing”

(O’Reilly & Tushman, 2008). The term ambidexterity, which is an individual’s ability to use both hands with equal ease, has become extraordinary well accepted to organizational setting, generally defined as an organization’s ability to simultaneously execute two different activities equally well (Birkinshaw & Gupta, 2013), or to simultaneously execute exploitative and explorative innovation (O’ Reilly & Tushman, 2004). This construct is now generally applied in a wide variety of organizational setting through a seminal article by March (1991) who introduced the concept of exploitation and exploration to the management literature.

March noted that the inability for organizations to both exploit and explore is the fundamental challenges faced by organizations in their quest for long-run survival. In his terms, the basic problem confronting an organization is to engage in sufficient exploitation to ensure its current viability and, at the same time devote enough energy to exploration to ensure its future viability (1991: 105). March further explains his perspective on exploitation, which was centered on efficiency, control, certainty and variance reduction, whereas the perspective on exploration is centered on search, discovery, risk taking, autonomy and innovation. O’Reilly and Tushman (2013) posit that the challenges faced in achieving this balance of simultaneously exploiting and exploring is as a result of the biasness that tends to make exploitation more favorable with its nature of short-term success, however, his is perceived so because exploration is usually related with an enormous increase in number bad ideas. Nonetheless, they go further to stand on the grounds that without some efforts by organizations towards exploration, there is a likelihood of failure during the face of change.

March (1991) characterized exploitation and exploration as two distinctive activities. His view on exploitation is related to refinement, efficiency and implementation, while exploration involves search, variation, risk taking, experimentation, discovery,

flexibility and innovation. Lubatkin et al. (2006) define an ambidextrous organization as one that is capable of exploiting existing competencies and simultaneously exploring new opportunities. March (1991) regarded the two activities as incompatible, thereby causing organizational tensions as both compete for scarce organizational resources (Gupta, Smith & Shalley, 2006). If an organization actions resource investment in exploitation logic dictates that fewer resources are left for exploration (Stadler, Rajwani & Karaba, 2014); thus March (1991) stresses on the need for resource equilibrium between both for an optimum organizational performance. In sum, exploitation and exploration are complementary activities, as allocation of resources via successful exploitative activities can support or yield future exploratory activities (Bierly & Daly, 2007). Nonetheless, there are possibilities of a collaborative effect between the two constructs, and hence need arises for organizations to create a balance between both (He & Wong, 2004).

### **Absorptive Capacity and Organizational Ambidexterity**

Organizations that are referred to as successful are those that are able to continuously sustain existing markets and technologies, while exploring new opportunities simultaneously (O' Reilly & Tushman, 2004). Datta (2011) argues that for an organization to be ambidextrous it is a prerequisite to develop their capacity to acquire and assimilate knowledge, what refers to the definition of absorptive capacity. In consideration of the definition of ambidexterity, organizations become ambidextrous by developing exploratory (radical) and exploitative (incremental) innovation simultaneously (Gibson & Birkinshaw, 2004; He & Wong, 2004). This balance between continuity and change is also reflected in the definition of absorptive capacity (Raisch & Birkinshaw, 2008). Firms that only focus on acquisition and assimilation (potential absorptive capacity) of external knowledge will be able to renew their knowledge base, but at the same time, they may suffer from high acquisition costs for

knowledge that is not utilized or exploited (realized absorptive capacity) (Zahra & George, 2002). Inversely, organizations that only focus on exploiting existing knowledge may fall into a competence trap when core competences become core rigidities (Leonard & Barton, 1992) and may not be able to acquire new and external knowledge needed to address rapidly changing environments (Datta, 2011).

Referring to Zahra and George's (2002) definition of absorptive capacity, Jansen (2005) and Datta (2011) differentiate between the effects of potential and realized absorptive capacity on ambidexterity. They argue that realized absorptive capacity supports the improvement of existing products and processes that leads to exploitative innovations. At the same time, realized absorptive capacity is aimed at developing and utilizing newly acquired external knowledge that leads to exploratory innovations. Considering the initial definition of ambidexterity as the balance between exploration and exploitation and if realized absorptive capacity is positively associated with both, it can be suggested that realized absorptive capacity leads to ambidexterity (Datta, 2011). Furthermore, Jansen (2005) posits that potential absorptive capacity positively moderates the correlation between realized absorptive capacity and exploratory innovation. Thus, organizations that increase their potential absorptive capacity shift their focus to external knowledge acquisition and assimilation to renew the knowledge base within an organization what is associated with discovery (Jansen, 2005).

### **Organizational Formalization**

Formalization and standardization are known to be organizational control mechanisms, which strives to aim at employees possessing behaviors that will positively contribute and add value to the achievement of the organizations strategic intend and business objectives. When the awareness of formalization and standardization are well communicated in an organization; employees become more accountable for their actions, thus

they have no authority or reason to break rules (Jones, 2013). In the works of Nahm, Vonderembse and Koufteros (2003), he carried out an investigation on the correlation between several organizational structural dimensions and the performance of the manufacturing plant, and practices of time-based manufacturing in manufacturing organizations. The study revealed that the practices of time-based manufacturing are impacted by communication and the order of decision-making. Also from the study, the results disclosed that hierarchy authority layers, formalization, and the degree of horizontal integration impact positively on communication and decision-making.

From the foregoing arguments, the study thus hypothesized that:

- H<sub>01</sub>:** There is no significant relationship between Absorptive capacity and organizational ambidexterity of indigenous oil and gas companies in Niger Delta, Nigeria.
- H<sub>02</sub>:** Formalization does not significantly moderate the relationship between

absorptive capacity and organizational ambidexterity of indigenous oil and gas companies in Niger Delta, Nigeria.

## METHODOLOGY

Primary data was generated through structured questionnaire. The methodology used was quantitative and a cross-sectional survey method was adopted in the investigation of the study variables. The population of this study consisted of 332 (Three Hundred and Thirty Two) staff members of 26 highly functional/ active operational indigenous oil and gas service companies operating in the Niger Delta region of Nigeria. A sample size of 181 was determined using Taro Yamen sample size determination formula. The reliability of the instrument was achieved by the use of the Cronbach Alpha coefficient with all the items scoring above 0.70. Spearman's rank correlation was used for hypothesis testing while the zero-order partial correlation was used to test the moderating role of organizational structure with the aid of the Statistical Package for the Social Sciences version 22.0.

## DATA ANALYSIS AND RESULTS

**Table 1: Distribution for measures of organizational structure**

	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Absorptive	179	3.5301	.65911	-.500	.182	-.405	.361
Ambidexterity	179	3.3734	.68731	-.305	.182	-.867	.361
Structure	179	3.4302	.78448	-.320	.182	-.376	.361
Valid N (listwise)	179						

**Source: Research data, 2018**

The summary approximations for the three variables: absorptive capacity (Absorptive), organizational ambidexterity (Ambidexterity) and organizational structure (Structure) are illustrated in table 1. As depicted, all distributions indicate mean distributions, which reflect moderate levels of evidence and confirm the features presented by

their manifest properties. In this vein, it is evident that the indigenous oil and gas firms in the South-south of Nigeria moderate on their absorptive capacity and exhibit moderate levels of organizational ambidexterity. The distribution for organizational structure is also observed to be at a moderate level.



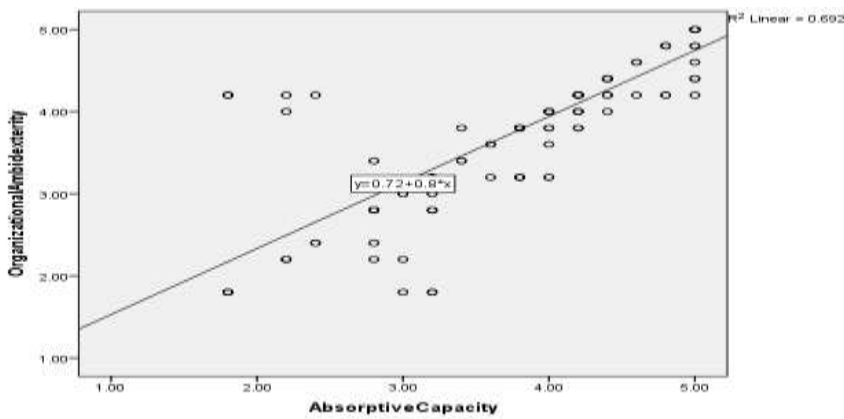


Figure 1: Scatter plot for relationship between absorptive capacity and organizational ambidexterity

The scatter plot graph shows at  $R^2$  linear value of (0.692) depicting a very strong viable and positive relationship between the two constructs. The implication is that an increase in absorptive capacity simultaneously brings about an increase in the level of organizational ambidexterity. The scatter diagram has provided vivid evaluation of the closeness of the relationship among the pairs of variables through the nature of their concentration. The positive relationship is evidenced by the

pattern of the points moving upwards from left to right. This positive relationship indicates that a higher value of the dependent variable is associated with higher values of the independent variables.

**H<sub>01</sub>:** There is no significant relationship between absorptive capacity and organizational ambidexterity of indigenous oil and gas companies in Niger Delta, Nigeria.

**Table 2: Correlation between Absorptive Capacity and Organizational Ambidexterity**

			Absorptive Capacity	Organizational Ambidexterity
Spearman's rho	Absorptive Capacity	Correlation Coefficient	1.000	.894**
		Sig. (2-tailed)	.	.000
		N	179	179
	Organizational Ambidexterity	Correlation Coefficient	.894**	1.000
		Sig. (2-tailed)	.000	.
		N	179	179

\*\* . Correlation is significant at the 0.01 level (2-tailed).

**Source: Research Data 2018, (SPSS output version 23.0)**

Table 2 showed the result of correlation matrix obtained for between absorptive capacity and organizational ambidexterity. Similarly displayed in the table is the statistical test of significance (p - value), which made possible for the generalization of our findings to the study population. From the result obtained in table 2 above, the correlation coefficient (rho) showed that there is a significant relationship between service quality and repeat purchase. The correlation coefficient of 0.894

confirmed a strong correlation between the variables. Therefore, based on empirical findings the null hypothesis earlier stated was hereby rejected and the alternate upheld. Thus, there is a significant relationship between absorptive capacity and organizational ambidexterity of indigenous oil and gas companies in Niger Delta, Nigeria.

**Moderating Effect of Formalization:**

The test on the mediating effect of organizational formalization on the relationship between

absorptive capacity and organizational ambidexterity was assessed in this section. The hypothesis adopted in assessing this relationship was presented as follows:

H<sub>02</sub>: Organizational formalization does not significantly mediate the relationship

between absorptive capacity and organizational ambidexterity in indigenous oil and gas companies in Niger Delta, Nigeria.

**Table 3: Moderating effect of organizational formalization**

Control Variables		Absorptive	Ambidexterity	Formalization
Absorptive	Correlation	1.000	.767	.730
	Significance (2-tailed)	.	.000	.000
	Df	0	177	177
-none <sup>a</sup>	Correlation	.767	1.000	.842
	Significance (2-tailed)	.000	.	.000
	Df	177	0	177
Formalization	Correlation	.730	.842	1.000
	Significance (2-tailed)	.000	.000	.
	Df	177	177	0
Absorptive	Correlation	1.000	.412	
	Significance (2-tailed)	.	.000	
	df	0	176	
Formal	Correlation	.412	1.000	
	Significance (2-tailed)	.000	.	
	df	176	0	

a. Cells contain zero-order (Pearson) correlations.

Source: SPSS Output, 2018

The result from the analysis showed that organizational formalization has a significant moderating effect on the relationship between absorptive capacity and organizational ambidexterity. This was based on the evidence where direct effect = 412 and P = 0.000, where indirect effect = .767 and P = 0.000. Results suggested significant contributions from the evidence of formalization within the organizations.

### DISCUSSION OF FINDINGS

The null hypothesis on the insignificant moderating effect of organizational formalization was revealed to be false. As such, it was rejected as evidence from the tests that showed that there is a significant moderating effect of organizational formalization on the relationship between absorptive capacity and organizational ambidexterity. Although the evidence recorded a

positive moderating effect, some studies have highlighted on the negative role of high or strict formalization. Ahuja, Lampert and Tandon (2008), in a literature review, claimed that formalization stifled innovation. This was reiterated by Dormen and Edidin (1989) who suggested that conformity stifled creativity.

Amabile (1988) identified good project management as a factor promoting creativity. Robbin and DeCenzo (2005) affirmed that formalization supports the degree to which jobs are standardized. The nature of formalization refers to the degree to provide employees with rules and procedures that not only deprive but also discourage creativity, autonomous work and learning activity (Miner 1982). When organization reduces rules and regulations, it encourages creative, autonomous work, learning, and organizes

work units around core processes to enhance value to customers.

In the opinion of Nnabuife (2009), mechanistic system encourages strict bureaucracy: here the activities in the organization are laid down in such a way that objectives and authority of individual are well defined, power flow is known, and adhered to strictly, personal skills are separated and specialized tasks are clearly defined. The organic structure in contrast to mechanistic is where job skills are used in the group settings, communication flows at all levels of the organization and there is less emphasis on taking and giving orders from subordinate to superior and vice versa.

The formalization implies a systematized way of utilizing rules and procedures in decision-making (Bartlett & Ghoshal, 2002). As management control is implemented to resolve goal alignment, adaptability, and integration (Bedford, Malmi & Sandelin, 2016), it is important to study, whether and how a management control system design and a formalization process can improve better alignment, adaptability and integration within an organization. Tessier and Otley (2012) argue that as both managerial intents and employee perceptions of controls vary, and the perception of controls may heavily depend on presentation of controls. Employees have emotional responses to controls, and attitudes towards the control system can be positive, negative or neutral. As Adler and Borys (1996) indicate, in formalization process employees' perceptions are more positive when formalization enables employees to better conduct their tasks and attitudes vary to negative, when controls are perceived as managers are attempting to force employees. Ahrens & Chapman (2004) studied the management control in restaurant chain and the relationship between headquarters and restaurant managers was characterized by mistrust while the head office was more compliance oriented and managers more performance driven.

Formalization refers to the systematized way of utilizing rules and procedures in decision-making

(Bartlett & Ghoshal, 2002) but can also be correlated to standardization (Bedford & Malmi, 2015) and the process of enforcing and codifying inputs, outputs and behavior (Ouchi, 1979). As integration in a multinational company is often expensive due to use of internal and external resources and competences, the optimal coordination mechanism has to be found to achieve organizational integration. Formalization is the most cost effective administrative mechanism and governs with well-developed rules and systems. Formalization needs less administrative resources and after stabilized it needs the least resources and energy to maintain. Formalization provides a coherent context for information sharing but may sometimes be stiff for rapid organizational changes. Subsidiaries present a pool of sticky resources on whose performance the organization is often dependent (Ghoshal & Nohria, 1989). Formalization is seen as an effective control mode due to the conflict prone situation, and formalization may help the actions of the organization more predictable over time due to the well-defined routines and rules.

## **CONCLUSION AND RECOMMENDATION**

It became apparent, based on the evidence presented in this study that absorptive capacity contributes significantly towards organizational ambidexterity, and depending on content and utilization of knowledge, not all contexts are equal when pursuing ambidexterity. Furthermore, organizational formalization significantly moderated the relationship between absorptive capacity contributes significantly towards organizational ambidexterity of indigenous oil and gas companies in Niger Delta, Nigeria.

The study recommended that indigenous oil and gas companies should foster informal interaction among the firm members' supports the development of an open organizational format. By keeping the hierarchy at a minimum, unnecessary bureaucratic steps can be avoided and operational effectiveness increased.

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