
Development and Validation of a Measurement Framework for Organisational Ambidexterity and Organisational Performance in the Indian Retail Sector

^{1*}Ms.D.Alamelu, ²Dr.M.V.Subha

Abstract

There have been several studies on ambidexterity of organisations, but the results of the studies are not comparable as there was a significant difference in the ways and measurement adopted by the different studies. This issue is especially relevant in the organised retail sector, where the measurement scales developed for the other industries are often applied without sufficient validation for the retail context. The current study has undertaken to address this gap, hence developed and validated the measurement framework for organisational ambidexterity and organisational performance of the Indian organised retail sector. 621 employees from different managerial levels of organised retail firms have responded and filled in the questionnaire. Organisational ambidexterity has been assessed through two dimensions as exploration and exploitation and in other hands organisational performance has components like organisational effectiveness, growth and market share and profitability of the retail firms.

Keywords: Organisational Ambidexterity, Organised Retail firms, Organisational Performance, Measurement Validation and PLS-SEM.

^{1*}Assistant Professor, KGISL Institute of Technology, Coimbatore. Research Scholar, Anna University Regional Campus, Coimbatore. Email:alameluduraisamii@gmail.com

²Associate Professor, Anna University Regional Campus, Coimbatore. Email:subhamv@gmail.com

1. Introduction

However, the last decade in Retail in India has seen a lot of turbulent times as the customer expectations have risen, digitalization including new Retail formats and the dawn of Omni-channel as well as rapid technical changes. In this rapidly changing business climate, in the competitive environment, retailers are faced with increased pressure to improve their business organisation's performance. Grewal et.al (2021) stated that the old traditional grocery store is no longer relevant and adaptation and innovation is now a necessity for organisations to stay successful in the ever-changing and developing world of Digital technology. Similarly, it is mentioned that the retailers have to maintain the competitive benchmark, they face constant reaped market hence some changes need to be taken, explained Roggeveen and Sethuraman (2020). Therefore the significance of strategic capability development that can be deployed for innovation, adaption and to ensure a continuous competitiveness becomes more important in order to improve the success of an organization as compared to the resource management aspect. The recent study indicates that digital transformation goes beyond technology and is about generating value with connected retail channels and engaging customers and fostering business innovation. Because of this, retailers need to improve their organisation to stay competitive and modernise their requirements in line with the evolution of the market (Pantano et al., 2020; Verhoef et al., 2021).

Among the strategic capabilities discussed in the various literatures organisational ambidexterity has drawn attention to capacity building for firms to pursue innovation and operational excellence at the same time. Organisational ambidexterity describes a firm's ability to balance exploration and exploitation. Where the exploration centres on refining existing knowledge, improving operational efficiency and making fuller use of available resources. March (1991) has originally introduced this distinction arguing that long term organisational success depends on maintaining an appropriate balance between these two complementary activities rather than concentrating into single considerations. In addition to this He and Wong (2004) have found that organisations able to integrate exploration and exploitation achieve stronger outcomes than those that emphasise only a single strategic orientation. In a study by Raisch and Birkinshaw (2008) identified a dynamic organisational capability that lets firms manage that contextual ambidexterity enables organisations to combine

operational efficiency with strategic flexibility thereby strengthening overall effectiveness. Sarmiento et.al, (2024) similarly noted that ambidextrous organisations are better places to build collaborative capabilities, creates organisational value and improve performance amid rapidly changing business conditions.

Empirical research previously has brought out a strong and positive connection among the two concepts of organisational ambidexterity and organisational performance. A meta-analysis by Junni et.al, (2013) has found that the ambidexterity exerts a significant positive influence on performance across a wide range of industries and organisational settings. Wang et.al, (2024) reported that ambidexterity strengthens organisational performance by fostering organisational learning and reinforcing strategic human resource practices while Sarmiento et.al, (2024) linked organisation value to stakeholder collaboration. Even so despite the considerable growth of this literature important gap remains in the studies. Most empirical work has concentrated on the manufacturing firms, technology driven organisations, public sector institutions and small-medium enterprises leaving the organised retail sector comparatively under examined. Against this backdrop the present study sets to develop and validate multidimensional measurement frameworks for organisational ambidexterity and validity of proposed measurement instruments this study contributes a contextually appropriate framework capable of supporting future empirical work on organisational capabilities and performance in retail settings.

2. Literature Review

2.1 Organisational Ambidexterity

The organisational ambidexterity has emerged as the central concept in the strategic management given its role in helping organisations stay competitive amid rapid environmental change. At its core, the concept hold that an organisation must simultaneously explore new opportunities and exploit its existing resources and capabilities in order to sustain success. March (1991) was the first person to draw a distinction framing exploration and exploitation as interdependent yet competing organisational activities and cautioning that over emphasis on either one can undermine long-term performance. Wong and He (2004) suggested that companies that indulge in both types of activity are more likely to be able to leverage opportunities than companies with only one of the two types of activities. Lavie et al. (2010)

suggest that ambidexterity will likely increase an organization's future competitiveness because they do not distinguish between the two learning processes for exploration and exploitation. Simsek (2009) tried to conceptualize ambidexterity as a multi-dimensional capability requiring organizations to explicitly conduct both processes concurrently. Chakma et.al. (2024) wants to know about the organization's adaptability, innovation and performance in perspective of different contexts rather than just learning about the capability that has been largely researched such as ambidexterity of organization.

Likewise, O'Reilly and Tushman (2013) explained that sustaining competitive advantage is not only about the balance of exploration and exploitation but also about focusing on both capabilities. Subsequent studies by Raisch and Birkinshaw (2008) showed that organisations can successfully create continuous capability development by combining exploratory and exploitative activities without losing the efficiency in operations and Ju and Elliott (2024) study indicated that the strategic adaptability of an organisation could be strengthened by building its ambidextrous capabilities, especially in emerging markets where the internal conditions of the organisation are supportive. The organisational ambidexterity is attempted to be given special importance, especially in the organised retail sector where the firms are struggling with the continuing pressures stemming from technology change, changing consumer preference and competition. Retail organisations need to find new market opportunities, new customer engagement methods and more importantly improve their current operations. In empirical studies, exploration and exploitation are still the two most commonly adopted indicators to measure organisation ambidexterity. The present study builds on this theoretical and empirical foundation and uses these two factors as the basis of its measurement framework of organisational ambidexterity in the context of organised retail in India.

2.2 Organisational Performance

Organisational performance is an important result variable in strategic management that indicates an organisations competence to achieve its goals and stay competitive in the long term. The performance of the financial results is no longer seen as a one-dimensional phenomenon but is being looked upon as a multidimensional phenomenon which covers the operational, strategic and financial aspects. Richard et.al (2009) have stated that the success of an organisation

should be judged on a number of dimensions while earlier Venkatraman and Ramanujam (1986) have emphasized on measuring operational and strategic outcomes as well as measuring financial outcomes. Similarly, Hamann et.al, (2021) suggested that the performance of an organization is complex and multidimensional.

In the present study the investigator has attempted to measure the organisational performance on three aspects of organisational effectiveness, growth and market share and profitability. Organisational effectiveness is an organisation's capability to achieve its strategic objectives by conducting its operations and providing services efficiently, while growth and market share are indicators of competitive growth and market positioning. These dimensions provide a holistic view of the organisation's performance, capturing its operational efficiency, as well as its market performance and financial sustainability. This multidimensional view aligns with the balanced scorecard perspective of Kaplan and Norton (1992) and with Baid et.al, (2024) who described organisational performance as a higher order construct spanning multiple facets of organisational success. Recent studies has suggested that organisational performance is increasingly shaped by an organization capacity to build strategic relationships that support adaptability innovation and operational responsiveness. In a work by Sarmiento et.al, (2024) it was observed that organisations with stronger ambidextrous capabilities perform better through enhanced value creation and collaboration whereas Ju and Elliott (202) reported that supportive organisational conditions for the ambidexterity improve performance by strengthening strategic adaptability. In a retail specific context Sánchez-Gómez and Vázquez-Suárez (2024) has observed that organisational practices and managerial capabilities directly shape store performance underscoring the importance of strategic capability in the competitive markets. Neely et.al, (1995) also argued that organisational performance should be evaluated using both operational and strategic indicators for a comprehensive assessment. Drawing on this literature the present study has conceptualises organizational performance as a multidimensional construct made up of organizational effectiveness growth and market share and profitability. Together, these dimensions capture the operational, market, and financial facets of organisational success and provide a suitable foundation for developing and validating the proposed measurement framework for the organised retail sector.

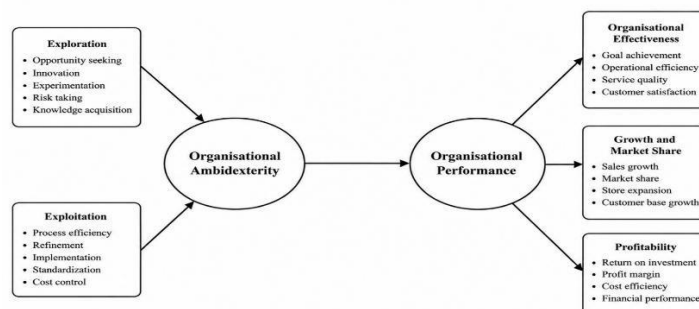


Figure1 Proposed Measurement framework

3. Methodology

This research is aimed to be designed for developing and validating multi-dimensional measuring construct of Organisational Ambidexterity and Organisational performance of Organized Retail Sector in India. For the investigation the researcher had collected data from employees of organised retail firms using a structured questionnaire administered both online and offline with convenience sampling used to reach respondents across participating organisations. After screening for completeness and consistency 621 valid responses were retained for analysis. Questionnaire items were adapted from established scales to preserve content validity and measurement consistency (DeVellis, 2017). Organisational Ambidexterity (OA) was captured through dimensions exploration with 6 items, exploitation with 6 items adapted from Siren et.al, (2012) and Lubatkin et.al, (2006). Organisational Performance (OP) was measured as a multidimensional construct comprising Organisational Effectiveness (OE) with 3 items followed by Growth and Market Share (GMS) with 2 items and profitability (PE) with 3 items which was adapted from the Lubatkin et al. (2006) and Han and Celly (2008). All the items were rated based on five point likert scale ranging from

1 which is Strongly Disagree to 5 which is strongly agree. The final sample comprised 621 employees from organised retail firms spanning various retail formats across India with respondents varying in managerial level, organisational size and professional experience providing a diverse range for validating the proposed measurement model. Data were analysed using the Smart PLS 4. The measurement model was evaluated for indicator reliability, internal consistency and convergent validity following established guidelines for variance based structural equation modelling (Hair et.al, 2022 and Hair et.al, 2021) criteria that are widely accepted for assessing the reliability and validity of reflective measurement models before further empirical analysis.

4. Results and Discussion

4.1 Measurement Model Assessment

For the measurement model assessment SmartPLS 4 was used to establish the reliability and validity of the proposed instrument. Following the guidelines of Hair et al. (2022), the evaluation included the indicators of reliability and internal consistency. The findings confirm the adequacy of the measurement model for assessing organisational ambidexterity and organisational performance in the Indian organised retail sector

Table 1 Measurement Model Assessment

Construct	Indicator	Factor Loading	Cronbach's α	Composite Reliability	AVE
Exploitation Capability (EIC)	EIC1	0.667	0.827	0.875	0.538
	EIC2	0.772			
	EIC3	0.729			
	EIC4	0.794			
	EIC5	0.725			
	EIC6	0.708			
Exploration Capability (EXC)	EXC1	0.674	0.783	0.847	0.480
	EXC2	0.743			
	EXC3	0.659			
	EXC4	0.712			

Ms.D.Alamelu

	EXC5	0.688			
	EXC6	0.67			
Growth & Market Share (GMS)	GMS1	0.849	0.614	0.838	0.721
	GMS2	0.849			
Organisational Effectiveness (OE)	OE1	0.774	0.707	0.837	0.631
	OE2	0.798			
	OE3	0.81			
Profitability (PE)	PE1	0.625	0.576	0.780	0.545
	PE2	0.752			
	PE3	0.824			

Table 1 reports the results for the 5 first-order constructs obtained by performing a factor analysis. Most of the indicators had factor loadings greater than the suggested cutoff value (>0.70). A few items showed slightly lower loadings but were retained because the corresponding constructs demonstrated acceptable composite reliability and theoretical relevance. Internal consistency was assessed using Cronbach's alpha and Composite Reliability. All constructs showed acceptable Composite Reliability values, with Exploitation Capability (CR = 0.875) recording the highest reliability, followed by Exploration Capability (CR = 0.847), Organisational Effectiveness (CR = 0.837), Growth and Market Share (CR = 0.838), and Profitability (CR = 0.780). Although the Cronbach's alpha values for Growth and Market Share and Profitability were relatively lower, their Composite Reliability values indicate

satisfactory internal consistency.

Average Variance Extracted (AVE) was used to test the convergent validity. Four constructs had an AVE greater than the recommended value of 0.50, and Exploration Capability had an AVE which was a little less than this level (0.480). The construct however, was retained as per the Hair et al. 2022 recommendations as a result of the above acceptable indicators of Composite Reliability and indicator loadings. Overall, the results showed that the measurement model has good reliability and convergent validity.

4.2 Discriminant Validity Assessment

To evaluate the distinctiveness of the constructs of the study, both Fornell–Larcker criterion and Heterotrait–Monotrait (HTMT) ratio were used to measure the discriminant validity.

Table 2 Discriminant Validity- Fornell–Larcker

Construct	EIC	EXC	GMS	OE	PE
EIC	0.734				
EXC	0.062	0.693			
GMS	0.037	0.006	0.849		
OE	0.082	0.065	0.036	0.794	
PE	-0.06	0.053	-0.01	0.08	0.738

In accordance with the Fornell-Larcker criterion, for each construct the square root of the AVE was more than the inter-construct correlations as presented in Table 2, suggesting that each construct has more variance among its indicators

than with other constructs. The results validate the five first-order constructs that draw out different dimensions of organisational ambidexterity and organisational performance which are empirically distinct.

Table 3 Discriminant Validity-HTMT Matrix

Construct	EIC	EXC	GMS	OE	PE
EIC	—				
EXC	0.119	—			
GMS	0.073	0.071	—		
OE	0.11	0.159	0.055	—	
PE	0.096	0.134	0.088	0.146	—

Additional evidence of discriminant validity is presented in the HTMT matrix found in Table 3. All the HTMT values were significantly lower than the conservative limit of 0.85, suggesting that constructs were conceptually different and therefore without any problems in multicollinearity. The relatively low HTMT values also show that the measurement instrument is able to differentiate the dimensions of organisational ambidexterity from the organisational performance.

Based on the discussion above, it can be seen that the combined evidence of indicator reliability, internal consistency reliability, convergent validity and discriminant validity proves that the proposed measurement model has good psychometric properties. Therefore, the findings suggest that the measurement instrument is suitable to measure the organisational ambidexterity and organisational performance in the context of Indian organised retail sector.

5. Conclusion and Future Research

The present study explored the measurement properties of organisational ambidexterity and organisational performance in the context of the organised retail in India. The proposed measurement model was tested by using SmartPLS 4 with indicator reliability, internal consistency reliability, convergent validity, and discriminant validity. The results show that the tool developed has good psychometric properties, which means that the adapted scales can be used as reliable and valid tools to measure the multi-dimensionality of organisational ambidexterity and organisational performance.

Based on the empirical results, the study validates a brief measure for organisational ambidexterity that includes the two dimensions of exploration and exploitation, as well as three complementary dimensions of organisational performance: organisational effectiveness, growth and market share, and profitability. The validated measurement model helps researchers to have an instrument that is backed up by the empirical evidence and can be used in future studies involving the organisational capabilities and performance in the retail sector and other organisational contexts.

Practically, the validated measurement framework provides a systematic way for retail managers and researchers to measure organisational ambidexterity and organisational performance. The instrument could help organisations evaluate their ability to perform exploratory and exploitative activities and keep track of various aspects of their performance. These evaluations

can assist in managing and making decisions based on evidence to improve the organisation's competitiveness and sustainable performance.

The current study has some drawbacks, however. This investigation was limited to the employees of organised retail organisations and the results should be viewed within this organisational framework. Also, only the instrument validation of the study was conducted and structural relationships among the constructs were not studied. The instrument developed in this study, therefore, can be used in future research with larger and more representative samples in various industries and geographical areas.

The framework can be expanded in future research by adding the additional mediating and/or moderating variables and investigating the causal relationship between organizational ambidexterity and organizational performance by using structural equation modelling or other sophisticated analysis tools. On the basis of the results of this study, the developed and validated measurement instrument offers a solid basis for further empirical studies on the relationship between organisational ambidexterity and organisational performance. It will help to gain a more profound understanding of how organisations seek to achieve superior performance in increasingly dynamic business environments whilst balancing exploring and exploiting, across varying organisational settings.

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