ABSTRACT

A fundamental difference between reflective and formative Measurements lies in the relationship between the latent variable and the corresponding measurement items. Appropriately operationalizing construct within a measurement model to depict the causality is underexplored in operations management research. The partial least squares (PLS) approach to structural equation modeling (SEM) has been widely adopted in business research fields such as information systems, marketing, and OM. However, questions still exist about the selection of reflective measurement and formative measurement. In addition, there is a need for researchers to summarize and demonstrate the validation procedure of formative measurement. To address these questions, this study summarizes the procedures for choosing and validating formative measurement. Using SmartPLS, this study utilizes an illustrative example in operations management context to demonstrate how the specific steps are applied. The main contribution of this study is to present a summarization and demonstration for choosing and validating the formative measurement when using PLS within the OM field.