

Comparing Two Worlds. Theoretical and Empirical Assumptions in Discriminant Validity Testing

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Abstract

Discriminant validity testing has become a standard procedure for checking as to whether factors or latent variables overlap. Two approaches, the Fornell-Larcker criterion (FLC) and the Heterotrait-monotrait ratio (HTMT), have gained considerable attention in marketing research, but which pursue different conceptual assumptions. The recently proposed HTMT approach adopts an empirical route, whereas FLC follows a theoretical route. We propose that ignoring this distinction provokes misleading conclusions, such that the seeming superiority of HTMT is a result of the empirical assumptions about acceptable factor correlations. This research pin-points that both approaches' performance strongly depends on the assumptions made. Accounting for this so-far ignored aspect overturns previous findings, in that FLC outperforms HTMT when pursuing a conservative approach where critical correlations are relatively low (.7), while the opposite is true for stronger acceptable correlations.

Keywords: *discriminant validity; Fornell-Larcker criterion; HTMT*

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