

# Bayesian Structural Equation Models for Cumulative Theory Building in Information Systems

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# Bayesian Structural Equation Models for Cumulative Theory Building in Information Systems

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## ABSTRACT

Theories are sets of causal relationships between constructs and their proxy indicator variables. Theories are tested and their numerical parameters are estimated using statistical models of latent and observed variables. A considerable amount of theoretical development in Information Systems occurs by theory extension or adaptation. Moreover, researchers are encouraged to reuse existing measurement instruments when possible. As a consequence, there are many cases when a relationship between two variables (latent and/or observed) is re-estimated in a new study with a new sample or in a new context. To aid in cumulative theory building, a re-estimation of parameters should take into account our prior knowledge about their likely values. In this paper, we show how Bayesian statistical models can provide a statistically sound way of incorporating prior knowledge into parameter estimation, allowing researchers to keep a “running tally” of the best estimates of model parameters.

## Keywords

Quantitative Analysis, Structural Equation Models, Bayesian Statistics

## INTRODUCTION

Theories are statements of causal relationships between constructs (Whetten, 1989; Gregor, 2006). Constructs are imbued with meaning in part by their relationship with other constructs and their relationship with observations. In other words, besides the relationships specified in the “structural” model between one construct and another, the relationships in the “measurement” model (those between constructs and observations) are also theoretically interesting and important constituents of the meaning of the construct (Hayduk, Cummings, Boadu, Pazderka-Robinson, & Boulianne, 2007; Hayduk & Glaser, 2000).

Constructs are typically represented in statistical models as latent variables (SEM), composites (PLS), components (PCA) or common factors (EFA). These variables are related to each other and to observed variables, which represent a construct's indicators, by linear or non-linear relationships. The relationships are parameterized and the parameter values can be estimated using a range of statistical techniques. *These estimated parameter values are part of the theory.*

In other words, a construct's relationship to other variables is not simply characterized by the presence or absence of such a relationship. It is insufficient to say that A influences B; we need to put a number on the strength of the relationship. For example, we would like to say not only that IT spending affects competitive advantage, but we need to specify how much advantage each dollar of IT spending brings. This is common practice in other areas of science. For example, the physical law relating the temperature (T), pressure (P), and volume (V) of a gas is described as  $PV=NkT$  where both N and k are very precisely measured parameters. Clearly, a theory that yields  $PV=2NkT$  is an entirely different theory, although in both theories temperature, pressure and volume are related in the same manner. In summary, theories that, while structurally isomorphic, differ in their numerical parameters, are different theories.

Parameter values are important not only for relationships between constructs, but also for relationships between constructs and indicator variables. To use a well known IS example, the meaning of the perceived ease of use construct is not the same when it is correlated with the indicator “I believe the system is easy to use” at  $r=0.6$  than when it is correlated at  $r=0.9$  (assuming all else being equal and that the difference is statistically significant beyond random sampling fluctuations). Kim, Shin, and Grover (2011) coined the term “measurement instability” for this phenomenon. When different models are fitted to the same data, such changes in measurement properties, which lead to differences in the meaning of constructs, are referred to as interpretational confounding. When the same model is fitted to different data, e.g. for multiple groups or in longitudinal studies, the absence of changes in measurement properties is referred to as measurement invariance. Both are special cases of

measurement stability, which is a desirable property for (re-)using constructs in different theories and for testing theories across different samples.

IS researchers are encouraged to adapt and extend existing theories and measurement instruments in order to build cumulative knowledge. This advice frequently leads to situations where the same parameter value is estimated as in previous studies. For example, there are a host of studies that build on or adapt some aspect of the Technology Acceptance Model (TAM), one of the most widely cited theories in IS. Between 2004 and 2011 (inclusive), we have identified 43 empirical studies in the top IS journals (MISQ, JMIS, ISR, JAIS, and ISJ) that reuse some of the TAM constructs and TAM indicators developed by Davis (1989) and Davis et al. (1989). Given the extensive history of parameter estimation and consequently our knowledge of previously estimated values, researchers face the question of what to do with this knowledge.

One option is to ignore previously estimated parameter values and only focus on the statistical significance of the parameters in the current study. This is the de-facto standard in IS research, but can lead to a situation where new estimates differ, at times widely, from previous estimates. At best, researchers may pick up on this briefly in the discussion section of the paper. Ultimately, this can lead to measurement instability, if it occurs in the measurement model, or to widely differing theories, if it occurs in the structural model. In other words, rather than building cumulative knowledge, we accumulate different parameter estimates without being able to reconcile them in a sound and systematic way.

In this paper we advocate a way to include our prior knowledge into the parameter estimation process, so that new estimates are based not only on the new data, but also on our existing knowledge about the likely values of the parameters. Bayesian statistical methods provide researchers with a statistically sound way of doing this. One can think of this as new studies updating our best estimates of the parameter values, in effect allowing us to keep a “running tally” of our model parameter estimates.

In the remainder of this paper, we first introduce Bayesian statistical models, their general properties and their application to structural equation models (SEM). We then illustrate Bayesian SEM using a TAM example in the BUGS software package that is specifically developed for Bayesian modeling and provides extensive capabilities in this area. We briefly discuss model diagnostics for Bayesian estimation before concluding with a discussion and recommendations to researchers who wish to use Bayesian models in their research.

## BAYESIAN STATISTICAL MODELS AND ESTIMATION

In this section, we introduce only the basic notions of Bayesian statistical models and focus on conceptual understanding of the principles, without providing any derivations, which are conceptually simple but lengthy and somewhat tedious. They can be found in any good textbook, such as Congdon (2006) or Gelman et al. (2003).

Bayesian statistics are based on Bayes’ principle of conditional probabilities. In its simplest form, this can be written as follows:

$$p(\theta | x)p(x) = p(x | \theta)p(\theta)$$

This can be rewritten as

$$p(\theta | x) \propto p(x | \theta) p(\theta)$$

Here,  $p(\theta | x)$  is the *posterior probability* that the parameter  $\theta$  takes on a certain value conditional on the observation of data  $x$ . The term  $p(x | \theta)$  represents the *probability* of observing data  $x$  conditional on the value of parameter  $\theta$  and  $p(\theta)$  is the *prior probability* of the values of parameter  $\theta$ . We do not need to consider  $p(x)$  as this probability is not parameterized and therefore has no bearing on the estimation of the values for parameter  $\theta$ . In general,  $\theta$  and  $x$  are sets (vectors) of parameters and observations.

The second form of Bayes’ principle shows that our belief about the probability of parameter values after observing certain data (posterior belief) depends on our prior belief about the probability of parameter values and the probability of the observed data under that prior probability. In other words, the posterior beliefs are an update of the prior beliefs after observation of data.

For specific Bayesian models, the researcher assumes a probability distribution for  $p(x | \theta)$  based on theoretical considerations. The distribution of  $p(\theta)$  must reflect the existing knowledge about parameter values. To make the estimation tractable, the prior probability is typically assumed to have a conjugate distribution to  $p(x | \theta)$ . This means that the product  $p(x | \theta) p(\theta)$  is of the same distribution family as  $p(x | \theta)$ . To illustrate, we give a simple regression example. Assume that

$$y_i = \beta x_i + \varepsilon_i$$

And further that

$$\varepsilon_i \sim N(0, \sigma^2)$$

This yields the following multivariate-normal likelihood function, where  $Y$  and  $X$  are vectors of the  $y_i$  and  $x_i$  respectively.

$$p(Y | X, \beta, \sigma^2) \propto (\sigma^2)^{-\frac{n}{2}} \exp\left(-\frac{1}{2\sigma^2} (Y - X\beta)^T (Y - X\beta)\right)$$

We now need to assume a distribution for the prior probability of the parameters,  $p(\beta, \sigma^2)$ , preferably one that makes the posterior probability easy to compute. The conjugate prior of the multivariate normal distribution is the normal-inverse gamma distribution. Assuming that the prior mean and variance are independent, we can write

$$p(\beta, \sigma^2) = p(\sigma^2) p(\beta | \sigma^2)$$

Where

$$p(\sigma^2) \sim \text{invGamma}(a, b)$$

$$p(\beta | \sigma^2) \sim N(\bar{\beta}, S)$$

Here, the prior distribution for the variance is an inverse gamma distribution, while the prior distribution for the means, conditional on prior variance, is a Normal distribution. The latter is assumed to be independent of the prior variance, thus in effect making it an unconditional distribution and making the priors for means and variances independent.

With these assumptions, the posterior probability distribution can be calculated analytically. The parameters of the prior distribution  $a, b, \bar{\beta}, S$  are called hyper-parameters. The parameters  $a$  and  $b$  represent our prior knowledge of the means and variances for the variances of the regression errors  $\varepsilon_i$ . The means and variances of an inverse gamma distribution are  $\frac{b}{a-1}$  and  $\frac{b^2}{(a-1)^2(a-2)}$  respectively. Thus, setting  $a = 5$  and  $b = 8$  yields a mean of 2 and a variance of  $\frac{4}{3}$  as our prior estimate of the variances. In other words, the mean of the prior distribution represents our “point estimate” of the parameter value and the variance represents our uncertainty in this estimate. Similarly, the hyperparameter  $\bar{\beta}$  represents the mean of the prior probability and is thus our prior estimate of the parameter  $\beta$ . The hyperparameter  $S$  represents the variance of the prior probability distribution and thus represents our uncertainty of the estimate  $\bar{\beta}$ . Because the variances represent uncertainty, texts on Bayesian statistics often re-parameterize the prior probabilities using the inverse variance, called *precision*. When there is little prior knowledge, i.e. little certainty about any prior values, an uninformative prior distribution, such as a uniform distribution may be used. Alternatively, a prior distribution with very small precision, i.e. very large variance, may be used.

Having developed our statistical model and found a solution for the posterior probability, we are now in a position to estimate the parameter values from this posterior distribution. This occurs by sampling values of individual parameters from the posterior distribution one parameter at a time, a process referred to as Gibbs sampling. Using our example, we have analytically determined the posterior probability distribution to be multivariate normal (because of the multivariate normal likelihood and the conjugate prior distribution). It is now straightforward to iteratively sample values from this multivariate normal distribution, e.g. first for  $\beta$  from

$$p(\beta | \sigma^2, Y, X, a, b, \bar{\beta}, S) \quad (\text{Step 1})$$

and then for  $\sigma^2$  from

$$p(\sigma^2 | \beta, Y, X, a, b, \bar{\beta}, S) \quad (\text{Step 2})$$

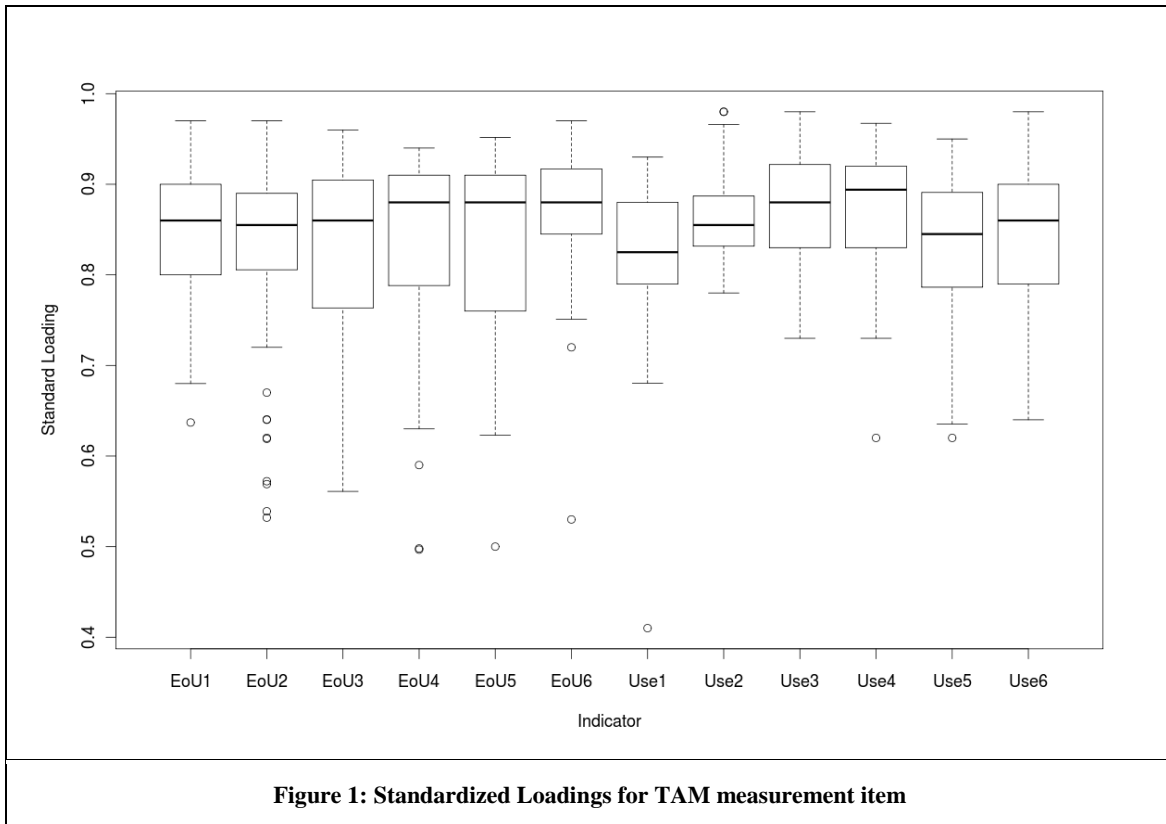
Every iteration comprises these two steps. In the first iteration, a starting values for  $\sigma^2$  is randomly assumed for step 1. This allows sampling of a value for  $\beta$  which is then input to step 2 in that same iteration and allows sampling of a value for  $\sigma^2$ . These sampled values form the input for the next iteration of these two steps. The iterations continue until the sampled values are stable. In practice, it is common to begin multiple of these Markov Chains from different starting values to ensure valid convergence. Final parameter estimates are then computed as the mean of the sampled values after a “burn-in” period where stabilization occurs and whose samples are discarded. Typically, there may be up to 10,000 iterations in each of three Markov Chains, with burn-in periods of between 2,000 and 5,000. These numbers indicate the substantial computational requirements for Bayesian statistics, especially for complex structural equation models with dozens or hundreds of parameters.

While Bayesian statistics have been known for a long time, their application to structural equation models has been more recent (Lee, 2007). Moreover, the necessary computing power only now makes their estimation feasible on personal computers. Finally, easy to use software for Bayesian SEM has only recently been developed, in the form of MCMC packages for the R system, the BUGS and OpenBUGS software, and inclusion of Bayesian analysis in popular SEM software packages like Mplus and Amos. In this paper, we illustrate Bayesian SEM using BUGS and OpenBUGS. BUGS (“Bayesian Inference Using Gibbs Sampling”) is a flexible software package for estimation of Bayesian models, originally developed by the biostatistics unit at Cambridge University. OpenBUGS is an open-source version of the commercial WinBUGS implementation, and model definitions are fully interchangeable between the two. We focus on BUGS because of its flexibility and the fact that model specifications are written in a very explicit form and are therefore easy to understand.

**EXAMPLE: BAYESIAN ESTIMATION FOR TAM CONSTRUCTS**

We use TAM as an illustrative example because its constructs have been measured consistently using the same measurement items across multiple studies. Thus, it provides a rich set of prior knowledge about parameter estimates for us to use. TAM focuses on the relationship among three constructs, Perceived Ease of Use (PEoU), Perceived Usefulness (PU) and Behavioral Intention to use (BI).

To identify previous estimates for the TAM model parameters, we focus on studies published in five IS journals, MISQ, JMIS, ISR, JAIS, and ISJ. Through the ISI web of science we identified papers in these journals that cite either Davis (1989) or Davis et al. (1989), revealing 263 papers. Of these, 43 are empirical papers that use at least some of the TAM indicators developed by Davis (1989) and Davis et al. (1989). Figure 1 shows box-and-whisker plots of reported standardized loadings by items. That data is presented in Table 1 (all surveyed studies use 7-point scales). As many of the 43 studies do not use BI as outcome variable, we have compiled prior values only for the loadings of the PEoU and PU constructs.



**Figure 1: Standardized Loadings for TAM measurement item**

Table 1: Standardized Loadings by TAM measurement item						
Item	Minimum	Median	Mean	Maximum	Variance	SEM
PEoU1	.6370	.8600	.8432	.9700	.00586	.0095
PEoU2	.5320	.8550	.8202	.9700	.01261	.0154
PEoU3	.5610	.8600	.8327	.9600	.01028	.0135
PEoU4	.4967	.8800	.8217	.9400	.01526	.0211
PEoU5	.5000	.8800	.8344	.9517	.01260	.0158
PEoU6	.5300	.8800	.8682	.9700	.00562	.0092
PU1	.4100	.8250	.8199	.9300	.00743	.0127
PU2	.7800	.8550	.8652	.9800	.00298	.0105
PU3	.7300	.8800	.8724	.9800	.00421	.0087
PU4	.6200	.8940	.8728	.9673	.00451	.0124
PU5	.6200	.8450	.8309	.9500	.00711	.0124
PU6	.6400	.8600	.8429	.9800	.00622	.0100

A researcher using TAM constructs such as PU and PEoU in a new study, and choosing to adapt the instrument pioneered by Davis (1989) and Davis et al. (1989), might be faced with the situation that, despite taking all reasonable precautions, her data does in fact show statistically significant differences to previously established values. When the researcher is certain that her instrument does in fact measure the same construct (e.g. changes to the instrument have been ruled out, sample characteristics are comparable, and the same statistical methods are used), we recommend that researchers employ Bayesian statistics to reconcile the differences by using the existing, prior knowledge about the parameter values as inputs to the Bayesian estimation.

To show how this can be done, we have used the TAM data from Chin et al. (2008). First we fitted a CFA model using traditional Maximum-Likelihood estimation. Then we employed Bayesian estimation of the CFA model to make use of the prior information in Table 1. The means of the loadings in Table 1 are used as the means of normal prior probability distributions for the loadings. We ran the Bayesian estimation with three different variances of the normal prior probability distributions for the loadings to show how researchers can encode different degrees of certainty about the prior model parameter values. The initial estimation used the standard error (s.e.) of the mean of the published estimates from Table 1. This expresses relatively little certainty about the prior values. The second estimation used 1/10 times the s.e. of the published estimates, expressing greater certainty about the published estimates, while the third estimation used 1/100 times the s.e. of the published estimates, expressing even more certainty about the published estimates. Table 2 compares the parameter estimates of the ML estimation and the Bayesian estimations.

Table 2 shows that the Bayesian estimates and standard errors are of the same order of magnitude as the traditional ML estimates (column “Bayesian 1” in Table 2, variance of prior probability distribution on factor loadings equals the standard error of the mean from Table 1). In the Bayesian context, the ML estimates can be viewed as posterior estimates with an uninformative prior distribution because they make no use of existing information about parameter distributions, only of the sample data. When the certainty of the prior information is increased (column “Bayesian 2” in Table 2, variance of prior probability distribution on factor loadings equals 1/10 the standard error of the mean from Table 1) estimates for all parameters tend to be closer to the prior estimates, showing the influence of prior information on the estimates. When the certainty of the prior estimates is further increased (column “Bayesian 3” in Table 2, variance of prior probability distribution on factor loadings equals 1/100 the standard error of the mean from Table 1), the estimates tend to be still closer to the prior estimates. Table 2 also shows that the standard errors for the estimate are smaller when the prior means are more certain, and larger when the prior means are less certain.

Table 2: CFA model loadings for the Chin et al. (2008) data for different estimation methods										
Param.	ML Estimate		Prior Estimates (From Table 1)		Bayesian 1		Bayesian 2 (greater certainty)		Bayesian 3 (much greater certainty)	
	Estimate	Std. Err.	Estimate	Std. Err.	Estimate (Mean)	Std. Dev.	Estimate (Mean)	Std. Dev.	Estimate (Mean)	Std. Dev.
Eou1	.881	.0468	.8432	.0095	.9078	.0551	.8717	.0234	.8488	.0094
Eou2	.899	.0462	.8202	.0154	.8506	.0531	.8319	.0243	.8242	.0111
Eou3	.922	.0453	.8327	.0135	.8396	.0509	.8270	.0227	.8318	.0104
Eou4	.827	.0486	.8217	.0211	.7128	.0485	.7306	.0266	.7965	.0131
Eou5	.895	.0463	.8344	.0158	.8445	.0529	.8312	.0247	.8341	.0113
Eou6	.939	.0446	.8682	.0092	.9000	.0530	.8802	.0212	.8721	.0088
Use1	.828	.0390	.8199	.0127	.7424	.0453	.7691	.0256	.8106	.0108
Use2	.837	.0406	.8652	.0105	.7983	.0468	.8245	.0248	.8585	.0099
Use3	.845	.0498	.8724	.0087	.8760	.0496	.8708	.0239	.8727	.0091
Use4	.861	.0466	.8728	.0124	.8692	.0491	.8661	.0256	.8724	.0105
Use5	.809	.0595	.8309	.0124	.9092	.0550	.8633	.0281	.8363	.0108
Use6	.880	.0594	.8429	.0100	.9688	.0524	.9016	.0249	.8527	.0097
Phi1,2	.612	.0403	NA	NA	.6090	.0782	.6106	.0682	.6113	.0683

Using Bayesian estimation methods, it is thus possible to build cumulative evidence of model parameter estimates and to incorporate prior knowledge in a statistically sound way. This allows researchers to keep a “running tally” of the best estimates of model parameters.

**BAYESIAN DIAGNOSTICS**

As any numerical, iterative algorithm, Bayesian estimation can suffer from non-convergence of results. Before interpreting the results of Bayesian estimation, it is therefore important to perform diagnostic evaluations. To assess convergence of the Gibbs sampler, it is common practice to have multiple independent sampling “chains”, each with different start values. Two possible problems can arise and need to be assessed. First, the different Gibbs sampling chains should converge with one another. Second, each individual chain should be stable. The WinBUGS software, or the coda package in the R software, can produce diagnostic plots and other diagnostic statistics to assess these potential issues. In our example, we ran three Gibbs sampling chains using 5000 samples each.

Figure 2 below shows a properly converged solution for one parameter of the model. The trace plot on the left of the figure shows the sampled values for each of the three chains for the 5000 samples, while the density plot on the right shows the overall frequency of sampled values for the three chains. We can see that all three sampling chains converge on the same values and each of the three sampling chains have a stable average. The density plot in Figure 2 confirms this by showing an approximately normal distribution.

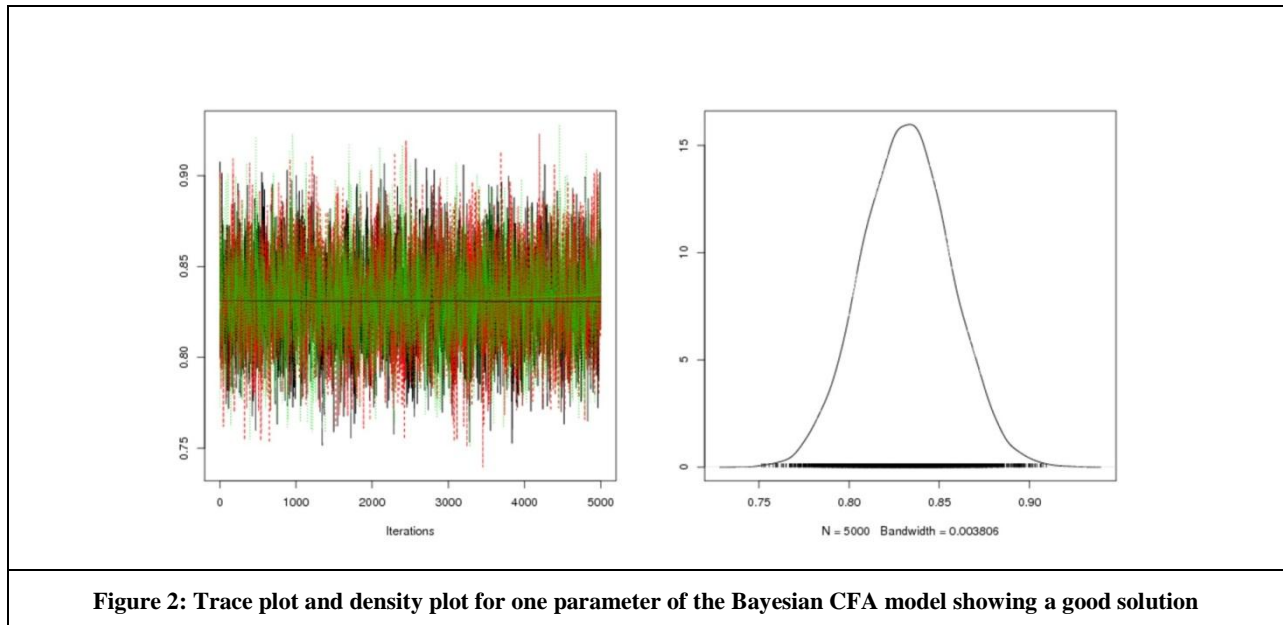
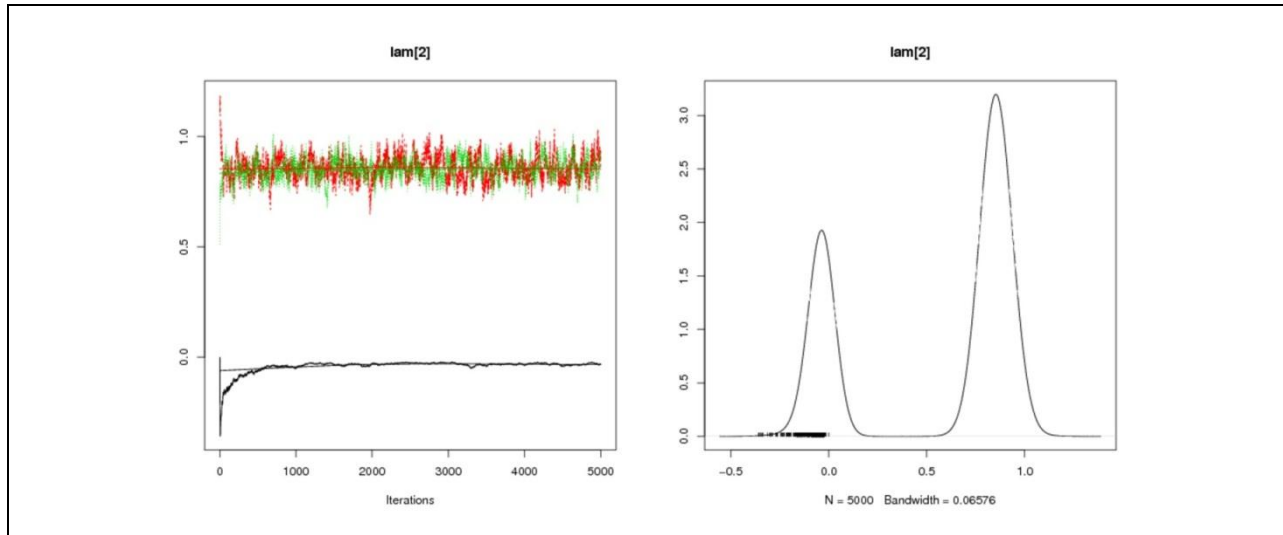


Figure 3 below shows a trace plot and a density plot for one parameter of the CFA model that shows convergence problems of the type that one of the chains produces stable values that differ from those of the other chains. We can see that one of the chains converged on a different value, which is also reflected in the bimodal density plot on the right of Figure 3. In this situation, the analysis should be re-run with different starting values for this parameter.

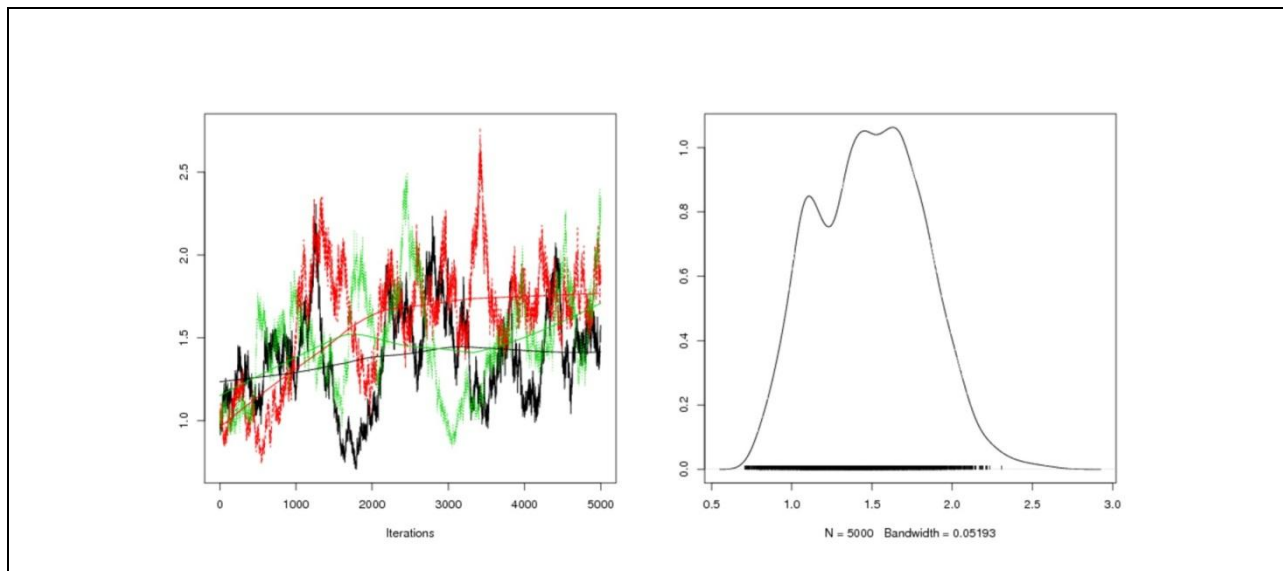
The second issue is the convergence of each individual chain around a stable mean. Figure 4 below shows a trace plot and density plot for a situation where the individual chains did not converge. We can clearly see that the sampled values fluctuate wildly around their sliding-window average (solid lines in the trace plot). In this example, the problem resulted from specifying too little precision together with an under-identified structural equation model. As the model definition in Appendix A shows, loadings, errors, and latent variances are all free parameters, leading to an under-identified model. While in ML-based SEM, model identification can be achieved either by constraining loadings or by constraining the latent variances, this choice is not provided in BUGS. The BUGS variance/covariance matrix for the prior probabilities of the latent variables can either be entirely stochastic or entirely deterministic, but not a mixture of both. In other words, we would have to specify not only the variances, but also the covariance, which is not common practice and for which little theoretical justification exists in the TAM literature. Alternatively, we would have to constrain a factor loading. However, in our example, we wished to compare loadings and standard errors for all indicators.



In Bayesian SEM, the sampling of even an under-identified model will converge, when the estimates are strongly “guided” by a large precision for the prior probabilities. However, when little precision is specified and the model is under-identified, the estimation cannot converge, just like in traditional ML-based SEM. We emphasize that the same model identification criteria apply in Bayesian SEM as they do in covariance analysis.



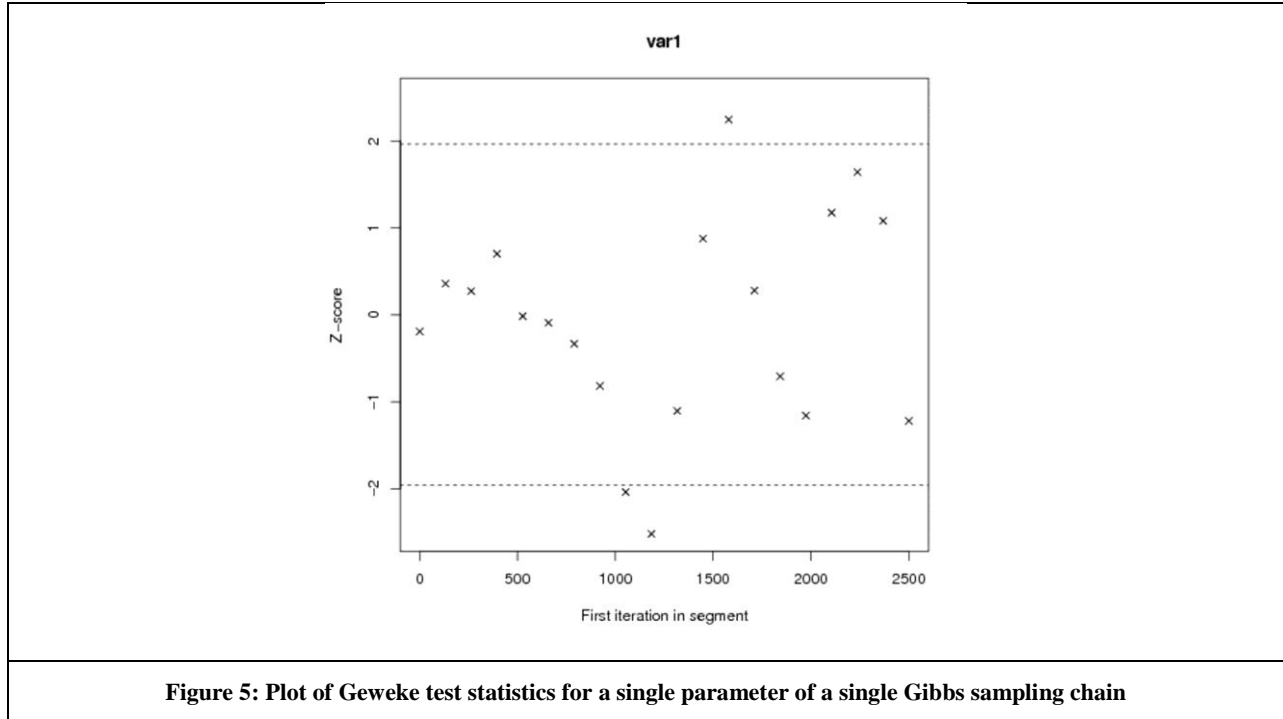
**Figure 3: Trace plot and density plot for one parameter of the Bayesian CFA model showing non-convergence**



**Figure 4: Trace plot and density plot for one parameter of the Bayesian CFA model showing non-convergence of the individual sampling chains.**

More formally, a number of statistics can be computed to help identify convergence problems. For example, Geweke (1992) suggested testing the equality of means of the first 10% and the last 50% of the values in the sampling chain to assess the stability of the estimates. The test statistic is normally distributed and can be used for a z-test. Figure 5 shows an excerpt of these test statistics, and the 95% confidence interval, for the different parameter estimates. For this plot, the first half of the Markov chain is divided into 20 segments, then Geweke’s z-score is repeatedly calculated. The first z-score is calculated with all iterations in the chain, the second after discarding the first segment, the third after discarding the first two segments, and so on. The last z-score is calculated using only the samples in the second half of the chain. This diagnostic tool can show which part of the chain is different from the final part. Another test statistic has been proposed by Heidelberger and Welch

(1983). This test statistics uses the Cramer-von-Mises test to assess whether the samples values come from a stationary distribution. As with Geweke’s test, this test is also successively applied, first to the entire chain, then after discarding the first 10%, 20%, etc. of the chain. In our example, the generated samples passed these tests. If these tests are not passed, they can give an indication of what proportion of the sampling chain to discard. In many cases, researchers may discard the initial 10% or 20% or even half of the chain. This initial part of the chain where the sampled estimates are still converging is called the “burn-in” period.



Model fit, which in ML-based SEM is expressed using the  $\chi^2$  test statistic, is assessed using the DIC (deviance information criterion) (Spiegelhalter et al., 2002). The DIC is defined as

$$DIC = -2 \text{LogLik} = -2 \log p(x | \theta)$$

The DIC, similar to the better known AIC and BIC information criteria, does not provide an absolute criterion of model fit, but is used to compare competing models. It can be used for hypothesis testing by comparing (nested or non-nested) models that embody the Null and alternate hypotheses. The DIC for our example model was 7130.0, but to make this meaningful, it needs to be compared to an alternative model.

**DISCUSSION AND CONCLUSION**

In this paper we set out to introduce Bayesian structural equation modeling as a statistically sound way of reconciling different parameter estimates that occur when our theoretical and measurement models are reused and consequently re-estimated. From this perspective, Bayesian estimation is a tool to integrate our existing knowledge into the estimation and provide updated knowledge, in effect keeping a “running tally”.

In the larger picture, we hope that researchers will begin to pay increasing attention to the parameter estimates produced by their models. They are, after all, part of the theory that is being proposed. Thus, a literature review should not only cover the theoretical concepts, their definitions and causal relations, but also prior parameter estimates for structural and measurement model parameters, as we have collected for this illustration. Researchers might then assess whether their estimates really differ from published estimates using well-established methods for factorial invariance testing (Byrne, 2004; French and Finch, 2006). When differences arise, we recommend the use of Bayesian estimation as illustrated here. Only by paying such attention to parameter estimates can we successfully refine our theories and build truly cumulative knowledge.

While it shares the model identification requirements with traditional ML-based SEM, and lacks an overall absolute test of model fit, Bayesian estimation has other advantages over traditional ML-based SEM that, for reasons of space, we have not

illustrated here (Lee, 2007). For example, by treating missing values in the same way as factor scores or parameter values and estimating them in the same way as part of the overall model estimation, Bayesian statistics provides an integrated way of dealing with them, superior to listwise or pairwise deletion. Further, Bayesian SEM has been extended to allow it to include dichotomous and categorical variables (Lee et al., 2010), nonlinear models (Lee et al., 2007), multi-level models (Song and Lee, 2008) and finite mixtures within SEM (Lee, 2007), all of which are problematic in traditional ML based SEM.

From a pragmatic perspective, Bayesian SEM are easy to apply, as the model definition in Appendix A shows. It is easy to see, for example, how such a model might be extended to deal with multi-level, i.e. nested, data and different level-1 and level-2 predictors. The explicit specification of the model makes it easy to understand and easy to diagnose. Combined with the wide availability in commercial software such as AMOS or MPlus and open source software such as OpenBUGS and R, and with increasingly powerful personal computers, Bayesian estimation is rapidly becoming an easy-to-use tool.

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**APPENDIX A: BUGS MODELS FOR USE WITH WINBUGS OR OPENBUGS**

The following table shows a commented BUGS model that was used for the analyses in this paper. One noteworthy feature is the use of inverse variances (i.e. precisions) in BUGS models, as is common in the Bayesian literature. Thus, larger values indicate higher degrees of certainty. This model definition works with both the WinBUGS and the OpenBUGS software. For this study, we used OpenBUGS version 3.2.1 rev 781 on a Linux operating system.

<pre> 1 model { 2   for(i in 1:N){ 3     #measurement equation model 4     for(j in 1:P){ 5       y[i,j]~dnorm(mu[i,j],psi[j]) 6       ephat[i,j]&lt;-y[i,j]-mu[i,j] 7     } 8     mu[i,1]&lt;-lam[1]*xi[i,1] 9     mu[i,2]&lt;-lam[2]*xi[i,1] 10    mu[i,3]&lt;-lam[3]*xi[i,1] 11    mu[i,4]&lt;-lam[4]*xi[i,1] 12    mu[i,5]&lt;-lam[5]*xi[i,1] 13    mu[i,6]&lt;-lam[6]*xi[i,1] 14    mu[i,7]&lt;-lam[7]*xi[i,2] 15    mu[i,8]&lt;-lam[8]*xi[i,2] 16    mu[i,9]&lt;-lam[9]*xi[i,2] 17    mu[i,10]&lt;-lam[10]*xi[i,2] 18    mu[i,11]&lt;-lam[11]*xi[i,2] 19    mu[i,12]&lt;-lam[12]*xi[i,2] 20    #structural equation model 21    xi[i,1:2]~dmnorm(u[1:2],phi[1:2,1:2]) 22  } #end of i 23  #priors on loadings 24  lam[1]~dnorm(0.8432,105) 25  lam[2]~dnorm(0.8202,64) 26  lam[3]~dnorm(0.8327,74) 27  lam[4]~dnorm(0.8217,47) 28  lam[5]~dnorm(0.8344,63) 29  lam[6]~dnorm(0.8682,108) 30  lam[7]~dnorm(0.8199,78) 31  lam[8]~dnorm(0.8652,95) 32  lam[9]~dnorm(0.8724,114) 33  lam[10]~dnorm(0.8728,80) 34  lam[11]~dnorm(0.8309,80) 35  lam[12]~dnorm(0.8429,100) 36  #priors on errors 37  for(j in 1:P){ 38    psi[j]~dgamma(9.0, 4.0) 39  } 40  #priors on latent (co-)variances 41  phi[1:2,1:2] ~ dwish(R[1:2,1:2], 5) 42 } #end of model </pre>	<p>The model is set up for each of the N observations</p> <p>Specify a normal distribution of the observed values y with means mu and inverse covariance (precision) psi The error ephat is observed y minus explained part mu</p> <p>The explained part of each variable as a product of loading lam and factor score xi[i, 1]</p> <p>The second seven items load on the other factor with Factor scores xi[i, 2]</p> <p>The factors are multivariate normally distributed with means u and inverse covariance (precision) phi.</p> <p>Specify a normal distribution of the loadings with means and inverse variances (precision) taken from prior literature</p> <p>Specify a gamma distribution for the error variances (the random part of y)</p> <p>Specify a Wishart distribution for the covariances of the factors</p>
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While we did not have sufficient data on the TAM outcome variables and estimates for the structural coefficients of the TAM model, the above BUGS model is easily extended to a full SEM model. For example, an endogenous latent variable could be introduced by adding the following definitions.

21a	<code>eta[i]~dnorm(nu[i],psd)</code>	Latent variable $\eta$ is defined as normally distributed with mean $\nu$ and precision $\text{psd}$ .
21b	<code>nu[i]&lt;-gam[1]*xi[i,1]+gam[2]*xi[i,2]</code>	This is the core structural model: the mean $\nu$ of $\eta$ (i.e. the explained part) is defined as the weighted product of the two exogenous latent variables $\xi$
21c	<code>dthat[i]&lt;-eta[i]-nu[i]</code>	The random part (disturbance) of $\eta$ is $\eta$ minus the explained part $\nu$ .
35a	<code>for(j in 1:2){gam[j]~dnorm(0.5, psd)}</code>	Specify normal distributions on the $\text{gam}$ structural coefficients with a given mean and precision $\text{psd}$
35b	<code>psd~dgamma(9.0, 4.0)</code>	Specify a gamma distribution with given hyper-parameters for $\text{psd}$

Means models can be added easily by adding variable means and their prior probability distributions, as in the following example, which also introduces model identification by scaling one of the indicator loadings.

8	<code>mu[i,1]&lt;-xi[i, 1]+alp[1]</code>	Add an intercept $\text{alp}$ to the explained part $\mu$ of $y$ . Note also that in this example, the loading for this variable is fixed (i.e. there is no $\text{lam}$ in this equation) for model identification.
8b	<code>for(j in 1:9){alp[j]~dnorm(0.0, 1.0)}</code>	Specify a normal distribution with given hyper-parameters for each of the intercepts.

**APPENDIX B: BUGS SCRIPT FOR USE WITH OPENBUGS**

The following table contains the OpenBUGS script used to run the analyses in this paper. OpenBUGS and WinBUGS on some operating systems provide a point-and-click user interface that does not need to be scripted. The commands to be used are essentially the same as those in the following script.

1	<code>modelSetWD('/home/joerg/OpenBUGSExample')</code>	Specify the working directory
2	<code>modelCheck('modell.txt')</code>	Load and check the model syntax
3	<code>modelData('data1.txt')</code>	Load the data file. This file also includes values for all constants in the model, e.g. N and P
4	<code>modelCompile(3)</code>	Compile the model for three sampling chains
5	<code>modelInits('init1.txt',1)</code>	Load initial values for chain one
6	<code>modelInits('init2.txt',2)</code>	
7	<code>modelInits('init3.txt',3)</code>	
8	<code>modelGenInits()</code>	Generate the initial values for the compiled model
9	<code>samplesSet('lam')</code>	Set the variable $\text{lam}$ as one whose values are sampled
10	<code>samplesSet('phi')</code>	Set the variable $\text{phi}$ as one whose values are sampled
11	<code>dicSet()</code>	Set up computation of the DIC statistic
12	<code>modelUpdate(5000, 1, 1, 'F')</code>	Run the model for 5000 iterations
13	<code>samplesCoda('*', 'coda.output.1')</code>	Write the samples in CODA format to a file
14	<code>samplesStats('*')</code>	Print summary statistics for sampled variables
15	<code>dicStats()</code>	Print summary fit statistics (DIC)

**APPENDIX C: R SCRIPT TO ANALYZE BUGS OUTPUT**

The following table contains the R commands to analyze the data produced by OpenBUGS. These functions are provided by the coda package.

1	<code>mcmc.list&lt;-read.openbugs('coda.output.1')</code>	Read the data files produced by OpenBUGS
2	<code>for (i in 1:16) { plot(mcmc.list[,i]) }</code>	Trace and density plots for each of the 16 model parameters to check for convergence
3	<code>geweke.diag(mcmc.list)</code>	Geweke diagnostic
4	<code>heidel.diag(mcmc.list)</code>	Heidelberger and Welch diagnostic
5	<code>summary(window(mcmc.list, 1000, 5000))</code>	Print a summary, i.e. means and standard errors, of a window of the last 4000 samples in the chains.