Abstract

We show how to estimate a Cronbach's alpha reliability coefficient in Stata after running a principal component or factor analysis. Alpha evaluatesto what extent items measure the same underlying content when the items are combined into a scale or used for latent variable. Stata allows for testing the reliability coefficient (alpha) of a scale only when all items receive homogenous weights. We present a user-written program that computes reliability coefficients when implementation of principal component or factor analysis shows heteroge- neous item loadings. We use data on management practices from Bloom and Van Reenen (2010) to explain how to implement and interpret the adjusted internal consistency measure using afa.