



## Psychometric Validation of an Organizational Empathy Scale: A Reliability and Factor Analysis Study in the FMCG Sector

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### ABSTRACT

The study investigates the influence of sustainable compensation practices and empathetic financial leadership on perceptions of organizational empathy in the FMCG sector. As organizations seek to align strategic objectives with core values, empathy has emerged as a critical driver of employee engagement and client satisfaction. Using a psychometric validation methodology, a 15-item Organizational Empathy Scale was tested with a sample of 150 respondents. Reliability was assessed through Cronbach's Alpha, and factor structure was examined using Principal Component Analysis (PCA) with Varimax rotation. The scale demonstrated excellent internal consistency ( $\alpha = 0.957$ ) and revealed two principal factors: ethical leadership practices and organizational culture. Sustainable compensation and empathetic leadership significantly influenced perceptions of organizational empathy, with ethical leadership showing the strongest contribution. The study focused on the FMCG sector and used a referral-based sample, which may limit generalizability. Future research could extend validation across other industries and cultural contexts. This study provides a validated and reliable tool for assessing organizational empathy, offering practical insights for leadership development and compensation design to foster empathy-centered

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organizational cultures.

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## **Introduction:**

Empathy has increasingly been recognized as a cornerstone of organizational success, particularly in sectors where customer engagement and employee satisfaction are critical. In the FMCG sector, where rapid response to market needs is essential, embedding empathy into leadership and compensation structures can significantly impact organizational outcomes. This study aims to explore how sustainable compensation practices and empathetic financial leadership contribute to perceptions of organizational empathy. Furthermore, it presents a validated measurement tool designed for practical application within organizations.

## **Review of Literature**

### **3.1 Organizational Empathy and Leadership**

Empathy has increasingly been recognized as a fundamental attribute for effective leadership within organizations. George (2000) emphasized the role of emotional intelligence, particularly empathy, in shaping leadership effectiveness and fostering positive workplace relationships. Leaders who demonstrate empathy are better able to understand and respond to employee needs, enhancing organizational cohesion and performance. Goleman (1998) further elaborated on the critical role of emotional intelligence, suggesting that empathetic leadership leads to higher levels of employee engagement and trust. These emotional competencies are essential for navigating complex interpersonal dynamics within organizations, particularly in sectors such as FMCG where client and employee satisfaction are pivotal.

### **3.2 Empathetic Leadership and Organizational Outcomes**

Kock et al. (2019) provided empirical evidence supporting the positive impact of empathetic leadership on follower outcomes. Their study demonstrated that leaders who offer emotional support and understanding contribute to improved employee morale, engagement, and organizational citizenship behaviors. This highlights the direct influence of leadership style on organizational empathy perceptions (Podsakoff et al., 2003).



### 3.3 Sustainable Compensation Practices

Compensation practices have long been linked to organizational commitment and performance. Kwon and Hein (2013) reviewed evidence showing that strategic compensation systems significantly impact firm performance. Fair, transparent, and sustainable compensation structures can foster perceptions of organizational support and empathy, leading to greater employee retention and engagement. Bamberger and Levi (2009) similarly highlighted that team-based reward structures promote helping behaviors among employees, suggesting that compensation design not only influences individual motivation but also interpersonal dynamics within teams.

### 3.4 Organizational Culture and Knowledge Transfer

Organizational culture plays a crucial role in shaping employee perceptions and behaviors. Osterloh and Frey (2000) argued that motivational factors, including perceptions of fairness and empathy, significantly influence knowledge transfer and collaboration within firms. A culture that emphasizes ethical leadership and fair compensation fosters an environment conducive to knowledge sharing and collective growth.

Schaufeli et al. (2002) also linked positive organizational environments to higher engagement and lower burnout rates among employees, reinforcing the value of empathy-focused cultural practices.

### 3.5 Summary

The reviewed literature consistently indicates that empathetic leadership, supported by sustainable compensation practices and a positive organizational culture, enhances employee perceptions of organizational empathy. Ethical leadership behaviors, strategic compensation designs, and emotionally intelligent management practices emerge as key drivers in fostering an empathetic organizational environment. These insights provide a theoretical foundation for the present study, which aims to validate a scale measuring organizational empathy within the FMCG sector.

### Objectives

- To investigate the influence of sustainable compensation practices on organizational empathy perception in the FMCG sector.



- To assess the role of empathetic financial leadership in shaping organizational empathy within the FMCG sector.

## Methodology

### Sample:

Data were collected using a referral-based sampling method, targeting employees from FMCG companies. The final sample consisted of 150 respondents.

### Instrument

A 15-item Organizational Empathy Scale was employed, covering domains of leadership, compensation, and trust.

### Data Analysis

The data were analyzed using SPSS software. Principal Component Analysis (PCA) with Varimax rotation was used to identify underlying factor structures. Reliability was assessed through Cronbach's Alpha.

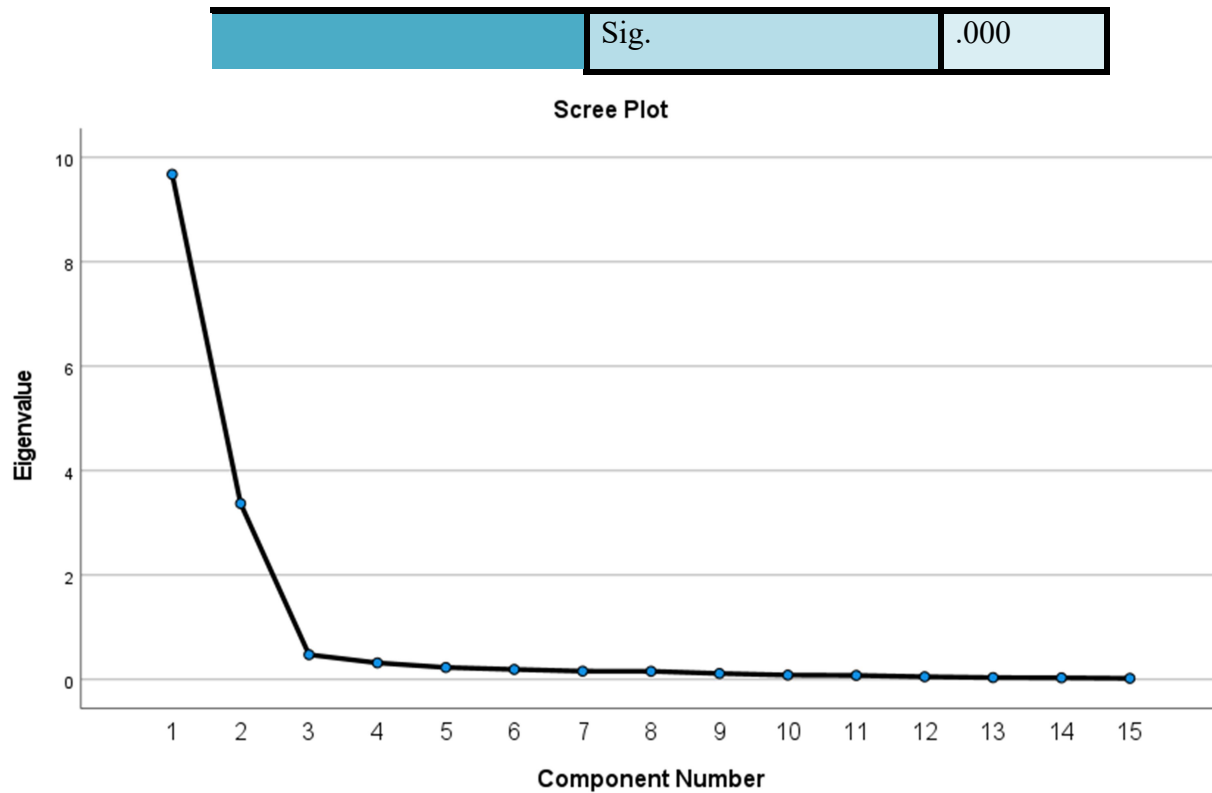
Cronbach's Alpha	N of Items
.957	15

Scale Statistics			
Mean	Variance	Std. Deviation	N of Items
53.77	249.616	15.799	15

### Factor Analysis

### KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.889
Bartlett's Test of Sphericity	Approx. Chi-Square	3713.144
	df	105



Extraction Method: Principal Component Analysis.

#### Rotated Component Matrix<sup>a</sup>

	Component	
	1	2
My FMCG company provides fair and transparent compensation that aligns with long-term business goals.	.928	.219
The compensation plan in my company encourages ethical and client-centered decision-making.	.935	.123
Leadership bonuses and incentives in my company are designed to prioritize customer satisfaction and brand loyalty.	.917	.168
Sustainable compensation plans in my company help in fostering a positive organizational culture.	.057	.908
The compensation structure is aligned with the company's ethical values and customer-focused strategies.	.215	.900
Financial leaders in my FMCG company are role models for ethical behavior	.942	.022



and empathy in client relationships.		
Leadership in my FMCG company considers both financial outcomes and customer trust when making decisions.	.103	.929
My financial leader prioritizes the development of long-term relationships with clients rather than short-term gains.	.938	.210
Leaders in my FMCG company make decisions that reflect the organization's values of empathy and integrity.	.964	-.029
Leadership in my FMCG company supports the emotional and professional development of employees and clients alike.	.711	.632
I understand and acknowledge clients' emotions during interactions in my FMCG company.	.239	.777
I adjust my communication based on clients' emotional states to foster positive relationships.	.751	.537
I actively listen to others (clients or colleagues) and respond with genuine concern for their needs.	.077	.932
Empathy-driven decision-making is encouraged at the leadership level in my FMCG organization.	.707	.619
My leadership team fosters an environment where clients feel valued and understood.	.800	.513
Extraction Method: Principal Component Analysis.		
Rotation Method: Varimax with Kaiser Normalization.		
a. Rotation converged in 3 iterations.		

Component Transformation Matrix		
Component	1	2
1	.820	.573
2	-.573	.820
Extraction Method: Principal Component Analysis.		
Rotation Method: Varimax with		

## Kaiser Normalization.

## Results

### Reliability Analysis

The Organizational Empathy Scale demonstrated a high level of internal consistency, with a Cronbach's Alpha of 0.957. Most item-total correlations exceeded 0.75, and ethical leadership items showed the highest correlations ( $>0.90$ ). Compensation and trust-related items exhibited moderate correlations (0.5–0.6). Descriptive statistics indicated a mean score of 53.77 and a standard deviation of 15.799.

### Factor Analysis

The Kaiser-Meyer-Olkin measure (0.889) and Bartlett's Test of Sphericity ( $p < 0.000$ ) confirmed data suitability. Two principal factors were identified, explaining 86.99% of the variance: Factor 1 (Ethical Leadership Practices) and Factor 2 (Organizational Culture).

## Discussion

The findings of the study reinforce the vital role of sustainable compensation practices and empathetic leadership in fostering organizational empathy. Ethical leadership emerged as the most influential factor, emphasizing the importance of leaders demonstrating fairness, transparency, and care towards employees. Compensation strategies also impact empathy, although to a lesser degree, suggesting that while financial structures matter, leadership behaviors are more pivotal.

## Conclusion

This study confirms that organizational empathy in the FMCG sector is significantly shaped by sustainable compensation and empathetic financial leadership. The validated 15-item scale demonstrates strong psychometric properties, providing a robust foundation for future research and organizational interventions aimed at enhancing empathy within business practices.



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