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Narcissistic rhetoric and crowdfunding performance: A social role theory perspective

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ABSTRACT

Drawing from clinical and organizational narcissism research, we develop a novel measure of narcissistic rhetoric, investigating its prevalence in a sample of 1863 crowdfunding campaigns. An experiment using 1800 observations further validates our measure and confirms our hypothesized inverted-U relationship between narcissistic rhetoric and crowdfunding performance. Leveraging social role theory, we explore sex, sexual orientation, and race as potential moderators of this relationship. Moderation tests reveal LGBTQ entrepreneurs generally yield greater performance when using narcissistic rhetoric than heterosexuals while racial minorities underperform Caucasians using narcissistic rhetoric. Our findings suggest successful crowdfunding campaigns must balance narcissistic rhetoric with entrepreneurs' perceived social roles.

1. Executive summary

Narcissism is defined as an exaggerated — albeit fragile — sense of one's self-importance or influence, characterized by a persistent preoccupation with success, a need for authority, competitiveness, and pervasive patterns of grandiose thinking (Chatterjee and Hambrick, 2007; Wales et al., 2013). Although entrepreneurship scholars have called for more investigation into the role of narcissism in new venture processes, a dearth of work currently exists (e.g., Miller, 2015; Navis and Ozbek, 2016). We begin to answer these calls by exploring how use of narcissistic rhetoric impacts the fundraising process in crowdfunding. Specifically, we seek to answer two research questions: 1) *To what extent, if any, does the use of narcissistic rhetoric — language reflective of narcissistic characteristics — influence the ability to raise funds via crowdfunding?* 2) *How does one's sex, sexual orientation, and race alter the influence of narcissistic rhetoric on crowdfunding performance?*

We draw from social role theory to address these research questions. Social role theory suggests that individuals are cast into certain 'roles' (e.g., gender roles or career roles) that are associated with specific expectations, stereotypes, and permitted forms of behavior (Biddle, 1986; Eagly and Wood, 2011). We contend that use of moderate amounts of narcissistic rhetoric is expected in the

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role of a successful entrepreneur given that it conveys characteristics such as confidence and strength (e.g., Grijalva and Harms, 2014). However, high levels of narcissistic rhetoric convey characteristics such as instability and untrustworthiness, which are inconsistent with successful entrepreneurs. Therefore, use of narcissistic rhetoric should have a curvilinear, inverted-U relationship with crowdfunding performance. Social role theory also argues that individual characteristics, such as narcissism, are viewed differently depending on how one conforms (or not) to prevailing stereotypes of social groups (e.g., Gupta et al., 2009; Rosette et al., 2008). Failure to conform may carry ‘social sanctions’ against an individual. Assignment to a social group is often based on demographic or surface-level characteristics (e.g., sex or race) (Levine et al., 1993). Accordingly, we build from social role theory to examine how the relationship between narcissistic rhetoric and crowdfunding performance may vary when considering an entrepreneur’s sex, sexual orientation, and race.

We investigate our research questions by examining 1863 crowdfunding campaigns from Kickstarter. To do so, we develop and validate a novel measure of narcissistic rhetoric using content analysis drawing from the seven dimensions of the narcissistic personality inventory (NPI; Raskin and Terry, 1988). Our results indicate an inverted-U relationship between narcissistic rhetoric and crowdfunding performance. LGBTQ entrepreneurs generally outperform heterosexual entrepreneurs when using narcissistic rhetoric and racial minority entrepreneurs underperform Caucasian entrepreneurs when using narcissistic rhetoric. Next, we seek to replicate these results in an experimental setting using 1800 observations. The results of our experiment further validate our measure and confirm an inverted-U relationship between narcissistic rhetoric and crowdfunding performance. We then create a narcissism index, incorporating other potential indicators of narcissism in crowdfunding campaigns. The results using the index are generally consistent with our original findings. Finally, we explore combinations of moderators (e.g., racial minority and female) on the narcissistic rhetoric-performance relationship, demonstrating that multiple entrepreneur characteristics simultaneously shape the influence of narcissistic rhetoric on crowdfunding performance.

We offer three key contributions. First, scholars have given limited attention to the conditions under which narcissism may be beneficial or detrimental to important entrepreneurial outcomes (Navis and Ozbek, 2016). We take a valuable step forward by illustrating how narcissistic rhetoric shapes funding performance in crowdfunding. Second, we integrate insights from social role theory and narcissism to show how use of narcissistic rhetoric can be more or less beneficial depending on how use of such rhetoric complies with stereotypes reflecting social norms. Third, we develop a novel measure of narcissistic rhetoric using content analysis rooted in the narcissistic personality inventory (NPI; Raskin and Terry, 1988) – the standard in psychological self-assessment research. In sum, our study provides the first investigation into the role of narcissistic rhetoric in raising critical funding for new ventures, while also exploring how demographic factors further shape this relationship and leveraging a novel, comprehensive measure of narcissistic rhetoric.

2. Introduction

The concept of narcissism dates to the mythical Greek hunter Narcissus, who became so enamored with his own reflection that he was unable to leave his beauty, ultimately abandoning his will to live. Narcissism today is broadly defined as an exaggerated — albeit fragile — sense of one’s self-importance or influence that is characterized by a persistent preoccupation with success, a need for authority, competitiveness, and pervasive patterns of grandiose thinking (Chatterjee and Hambrick, 2007; Wales et al., 2013). Investigations into narcissism have shown that increased narcissism leads to more volatile financial performance (Chatterjee and Hambrick, 2007), a greater likelihood of pursuing of novel innovations (Navis and Ozbek, 2016), and increased entrepreneurial intentions (Hmieleski and Lerner, 2016).

Although scholars have called for more investigation into the role of narcissism in new venture development (e.g., Miller, 2015; Navis and Ozbek, 2016), scholarly inquiry has yet to examine the role of narcissism in the critical process of obtaining new venture funding. This is a significant omission because exhibiting narcissistic characteristics, qualities or behaviors associated with narcissism (e.g., high self-confidence or boastfulness; Wink, 1991), can have a profound impact on how one party is perceived by another (Back et al., 2010; Malkin et al., 2013). Coupled with the knowledge that investors often base their investment decision, in part, on their subjective positive or negative perceptions of an entrepreneur (Davis et al., 2017; Parhankangas and Ehrlich, 2014), an entrepreneur’s display of narcissistic characteristics may be an important factor in shaping investor perceptions, ultimately impacting whether or not funding is obtained.

Narcissism among entrepreneurs is particularly intriguing because it presents a theoretical conundrum regarding whether narcissistic characteristics are viewed positively or negatively by others (Campbell and Campbell, 2009). Individuals exhibiting narcissistic characteristics may be viewed as charismatic, strong, creative, and likable – particularly in short-term, low acquaintance interactions (Galvin et al., 2010; Rosenthal and Pittinsky, 2006). However, at extreme levels these individuals may be viewed as arrogant, off-putting, unstable, or less competent (e.g., Judge et al., 2006). As such, our first research question asks: *To what extent, if any, does the use of narcissistic rhetoric — language reflective of narcissistic characteristics — influence the ability to raise funds via crowdfunding?*

To answer this question, we draw from social role theory, which suggests that individuals are cast into certain ‘roles’ (e.g., cultural roles, gender roles, or career roles) that carry specific expectations, stereotypes, and permitted forms of behavior (Biddle, 1986; Eagly and Wood, 2011; Koenig and Eagly, 2014). We contend that use of some narcissistic rhetoric is expected and consistent with the role of a successful entrepreneur and conveys qualities associated with successful entrepreneurs, such as confidence, assertiveness, and strength (e.g., Grijalva and Harms, 2014). This is particularly true in fundraising situations where entrepreneurs are expected to self-promote in order to convince others of their worth. However, a high level of narcissistic rhetoric may convey instability and untrustworthiness – characteristics inconsistent with the role of a successful entrepreneur. Thus, use of narcissistic rhetoric should have

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