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Configurational paths to sponsor satisfaction in crowdfunding

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ABSTRACT

Crowdfunding is a new financing channel for small- and medium-sized enterprises and individual entrepreneurs to raise funds for innovation projects online. Different from business research based upon the conventional symmetric thinking, this paper investigates sponsor satisfaction in crowdfunding using asymmetric analytics. Cross-tabular and qualitative comparative analysis (QCA) were conducted for the antecedent factors, including delivery timeliness, product quality, project novelty, sponsor participation and entrepreneur activeness, and sponsor demographics. The results show that cases contrary to their main effects occur, and configurational models with high predictive validity are sufficient for predicting sponsor satisfaction or dissatisfaction in crowdfunding projects. This paper supports the complexity theory and deepens crowdfunding research by providing insights into sponsor satisfaction from asymmetrical perspective. It also makes practical implications for crowdfunding platforms and entrepreneurs.

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1. Introduction

Capital raising for innovation projects is a big challenge for small- and medium-sized enterprises and individual entrepreneurs (Bradford, 2012; Kortum & Lerner, 2000). Crowdfunding is a novel financing channel based on the Internet for entrepreneurs to raise money for their innovation projects online (Lawton & Marom, 2012). Reward-based crowdfunding is a major type of crowdfunding in which the sponsors receive a non-financial return for their investments, such as products, services, or even a thank you letter from the entrepreneurs (Ahlers, Cumming, Gunther, & Schweizer, 2012).

Reward-based crowdfunding is currently a popular practice in some industries. For example, music artists raise money from their fans on crowdfunding platforms, such as SellaBand and MyMajorCompany, to produce an album (Belleflamme, Lambert, & Schwienbacher, 2010). Sponsors of these songs are rewarded by gaining access to the latest album (Belleflamme et al., 2010). Reward-based crowdfunding is also extensively used as a financing channel for business and entrepreneurship projects (Massolution.Com, 2013). On Kickstarter.com, one of the most popular crowdfunding websites, since its 2009 launch more than 5 million people have pledged over \$843 million to fund 50,000 projects. These projects cover a wide range of fields, from film, video, games, food, fashion, and photography to design, technology, and publishing.

The rapid development of crowdfunding has attracted much research interest from academics. Currently, research on crowdfunding focuses on the motivations of sponsors and entrepreneurs (Barabas, 2012; Gerber, Hui, & Kuo, 2012; Ordanini, Miceli, & Parasuraman, 2011), and factors affecting crowdfunding performance in capital raising (Lambert & Schwienbacher, 2010; Mollick, 2014; Zheng, Li, Wu, & Xu, 2014), that is how to attract sponsors to invest money. Few studies have explored the crowdfunding project implementation process to understand sponsors' feelings and experiences (Mollick, 2014). Similar to consumer satisfaction in online shopping (Deng, Turner, Gehling, & Prince, 2010; Gelderman, 1998, 2002), sponsor satisfaction is a key construct because it is an important factor in measuring crowdfunding project implementation success, and positively affects sponsors' reinvestment and "word-of-mouth" behavior (Yoon 2010). Thus it is critical to the success of crowdfunding projects and crowdfunding platforms. In this study we choose sponsor satisfaction as the focus for research.

Currently, research on satisfaction has largely adopted the symmetric methods of multiple regression analysis (MRA) and structural equation modeling (SEM) (e.g., Gelderman, 2002; Kim, Galliers, Shin, Ryoo, & Kim, 2012; Lam, Shankar, Erramilli, & Murthy, 2004). Symmetric methods such as MRA/SEM report on the "net effects" of variables on a dependent variable with a set of independent variables, which considers the accuracy in high values of X (an antecedent condition) indicating high values of Y (an outcome condition) and low values of X indicating low values of Y (Woodside, 2013). However, most advanced research in marketing and management indicated that symmetric methods exhibit severe limitations, and that current symmetric-based research is less informative and less theoretically useful than the alternative study of asymmetric testing (McClelland, 1998; Woodside, 2013, 2014). It has been concluded that the focus on net effects may

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be misleading because cases counter to the observed net effects nearly always occur, not all the cases in the data support a negative or positive relationship between the independent and dependent variables. Thus, it is necessary to show the combinatory conditions for which X is a positive influence on Y as well as the combinatory conditions when X is a negative influence on Y (Woodside, 2013).

To understand sponsors' satisfaction in crowdfunding we investigate the issue through asymmetric thinking. Antecedents to sponsor satisfaction in crowdfunding are chosen based on crowdfunding and satisfaction research, which include project implementation performance (award delivery timeliness, product quality), project novelty, sponsor participation and entrepreneur activeness. These factors are explored and analyzed for their effects using asymmetric analytics. Specifically, we conduct contrarian case analyses to show that there are cases in which effects run counter to the main effects. To explore what configurations of delivery timeliness, product quality, project novelty, sponsor participation, entrepreneur activeness, and sponsor demographics (age, gender) lead to sponsor satisfaction, we use qualitative comparative analysis (QCA), a set-membership analytical technique appropriate for complex configuration analyses (Ragin, 2000). Set theory methods such as QCA assume that the influence of attributes (in this case, delivery timeliness, product quality, project novelty, sponsor participation, entrepreneur activeness, sponsor age and gender) on a specific outcome (sponsor satisfaction) depends on how the attributes are combined, rather than on the levels of the individual attributes per se. It uses Boolean algebra to identify which of the attribute combinations, if any, act as sufficient or necessary conditions for the outcome (Fiss, 2011). The configural models are also tested for predictive validity by dividing the data set into a modeling sample and a holdout sample.

The findings of this study confirm that certain combinations of delivery timeliness, product quality, project novelty, sponsor participation, entrepreneur activeness, and sponsor demographics such as age and gender, act as sufficient conditions for sponsor satisfaction in crowdfunding. Moreover, sponsor dissatisfaction is decided by different combinations, which are not simply mirror opposites of the combinations for satisfaction. The findings show that asymmetric analyses

offer richer insights about sponsor satisfaction than do conventional techniques such as multiple regression analyses.

The remainder of this paper is organized as follows. First, we review the literature on crowdfunding. Second, the model for sponsor satisfaction is presented, followed by an explanation of the survey method used to collect data. We then present the results of cross-tabular analyses, QCA and predictive validity tests. Finally, we conclude with a discussion of the findings and their theoretical and practical implications.

2. Crowdfunding

Crowdfunding is a new financing channel through which firms or entrepreneurs can obtain capital from crowd online (Howe, 2008). Crowdfunding includes diverse models, such as debt-based crowdfunding and equity-based crowdfunding (Ahlers et al., 2012). Among the crowdfunding models, reward-based crowdfunding is the most popular. It is defined as an "open call, essentially through the Internet, for the provision of financial resources either in the form of a donation or in exchange for some form of reward and/or voting rights in order to support initiatives for specific purposes" (Lambert & Schwiendbacher, 2010).

Reward-based crowdfunding is often regarded as active crowdfunding, since sponsors may actively participate in the process of product/service development besides the investment (Lehner, 2012). Their participation takes various forms, such as contributing ideas, testing early prototypes and viral marketing (Lehner, 2012). Most crowdfunding platforms, including Kickstarter and Demohour, have developed online virtual communities for entrepreneurs and sponsors to share ideas with each other to support their co-production behavior (Yi & Gong, 2013). Sponsor participation is important for crowdfunding projects. Sponsor contributions can help entrepreneurs to improve their projects (Schwiendbacher & Larralde, 2012), while active participation in projects enables sponsors to enjoy the fun of belonging to a crowdfunding community (Gerber et al., 2012), called community benefit in Belleflamme, Lambert, and Schwiendbacher (2014).

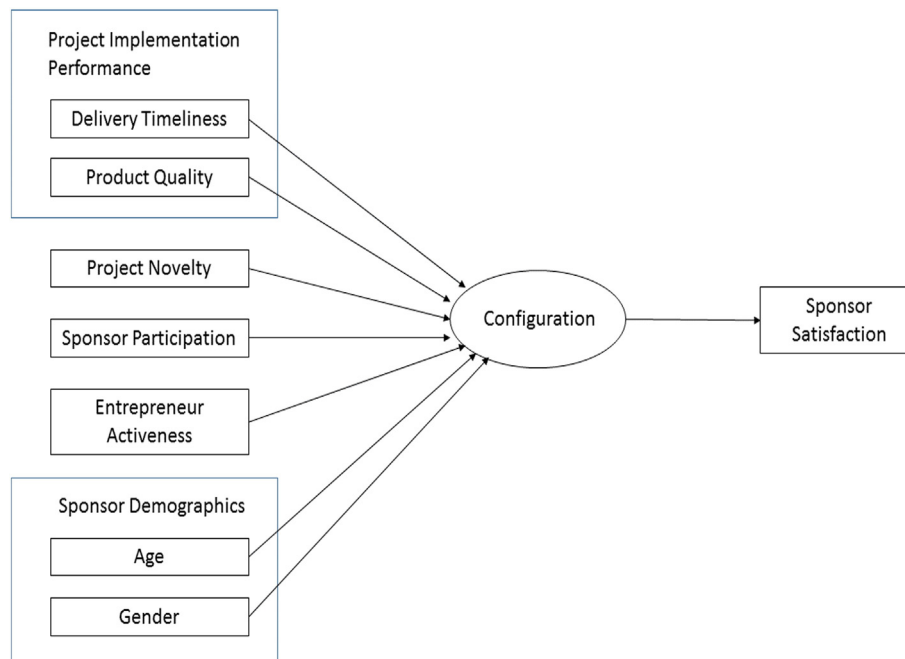


Fig. 1. Configuration model.

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