



Linguistic style and crowdfunding success among social and commercial entrepreneurs



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ABSTRACT

Many entrepreneurs are struggling with the question of how to deliver a successful fund-raising pitch on crowdfunding platforms. In this study, we focus on the linguistic style of crowdfunding pitches and how such a style relates to the success in raising funds. Based on the language expectancy theory, we hypothesize that the importance of linguistic style depends on whether an entrepreneur belongs to an emergent category of new ventures (social entrepreneurs) or to an established category (commercial entrepreneurs). In particular, social entrepreneurs need to compensate for their incomplete social categorization and the related ill-formed expectations by relying more extensively on linguistic style to attract funding. Empirical analyses of 656 Kickstarter campaigns demonstrate that linguistic styles that make the campaigns and their founders more understandable and relatable to the crowd boost the success of social campaigns, but hardly matter for commercial campaigns.

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Executive summary

Crowdfunding through websites such as Kickstarter is becoming an increasingly important source of funds for artists, innovators, and entrepreneurs alike. Social entrepreneurs, in particular, are finding crowdfunding to be an important method of funding as the more traditional means of finance have proven to be subpar or inadequate for starting and sustaining growth of the many forms of social enterprise (Boslet, 2015; Lehner, 2013).

A key part of any crowdfunding proposal is a video pitch, in which the entrepreneurs present the project to be funded. These videos are one example of the current entrepreneurship scene, where early stage entrepreneurs are increasingly involved in the theatrical pitching of their projects to various audiences at forums such as accelerator demo days, pitch mixers, competitions, and online crowdfunding sites. Many entrepreneurs are struggling with the question of how to deliver a successful fund-raising pitch on crowdfunding platforms. In this study, we focus on the linguistic style of crowdfunding pitches and how such a style relates to the success in raising funds.

Previous research has demonstrated the importance of communication content (what one communicates) for funding purposes. For instance, social networks of the entrepreneur, quality of the product and the campaign website, as well as human capital of the entrepreneur (Agrawal et al., 2011; Davis and Webb, 2012; Marom and Sade, 2013; Younkin and Kaskooli, 2013) have been studied as signals of underlying project quality that the entrepreneurs can communicate to the potential crowdfunders (Ahlers et al., 2015; Mollick, 2014a). In addition, emerging research on crowdfunding has focused on the signals of reputation and legitimacy (Agrawal

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et al., 2011; Mollick, 2014a; Younkin and Kaskooli, 2013), the non-verbal determinants of favorable impression formation (Duarte et al., 2012; Plummer et al., 2015; Ravina, 2012), and the verbal content of pitches (Allison et al., 2013, 2014).

Yet missing from this body of research is evidence on how the style of verbal communication factors into crowdfunding success. In this study, we explore how the role of linguistic style (how something is said) varies for crowdfunding campaigns launched by an emerging category of new ventures (social entrepreneurs) as opposed to campaigns of an entrenched category (commercial entrepreneurs). By commercial campaigns, we refer to projects seeking to develop new products or services for consumer markets, whereas the primary goal of a social campaign is delivering social good, rather than just personal or shareholder wealth (Dacin et al., 2010; Renko, 2013).

Based on the language expectancy theory (Burgoon et al., 2002; Burgoon and Miller, 1985), we claim that entrepreneurs seeking crowdfunding need to meet the expectations of their target audience to be successful and that these expectations differ for different social groups (Burgoon and Miller, 1985). During the past decade(s), social enterprises—enterprises established primarily to meet social objectives rather than to generate personal financial profit for the entrepreneur—have emerged as an increasingly important type of venture and also a cultural phenomenon (Chliova and Vernis, 2015; Dacin et al., 2011; Dey et al., 2007). It is important to note that social entrepreneurs and their financial backers share many characteristics of emerging social categories (Navis and Glynn, 2011; Wry et al., 2011): there is no definitive consensus on what social entrepreneurship means (Nicholls, 2010b; Weerawardena and Mort, 2006), as the concept refers to a heterogeneous group of individuals and organizations concerned with a range of issues including poverty, social inequality, and the natural environment (Dacin et al., 2011). Therefore, we argue that the expectations for an emergent category (social entrepreneurs) are still ill-informed and difficult to anticipate, whereas the expectations for the commercial entrepreneurs in the more traditional domain have become more explicit and homogeneous.

As a result, the expectations faced by commercial entrepreneurs can be more easily addressed via various product, entrepreneur and firm related signals (Agrawal et al., 2011; Ahlers et al., 2015; Mollick, 2014b). However, entrepreneurs in emerging categories (such as social entrepreneurs) have to compensate for the ambiguity regarding these expectations by relying on communication tools the effectiveness of which does not depend on their ability to predict the expectations projected by their emerging audiences. We suggest that social entrepreneurs may achieve this goal by adopting linguistic styles that make their campaigns more comprehensible to their target audiences and establish a personal relationship with the crowd.

We test our hypotheses in a sample of 656 commercial and social campaigns on the Kickstarter platform. In line with our predictions, our results suggest that linguistic style is an important predictor of crowdfunding success for social entrepreneurs (an emerging category of new ventures). To be more specific, concreteness, preciseness and interactivity boost the success of social campaigns, whereas psychological distancing hurts their fundraising efforts. However, these four linguistic styles hardly matter for commercial entrepreneurs.

Our study contributes to the entrepreneurship and entrepreneurial finance literature in three major ways. First, by emphasizing how social entrepreneurs may compensate for their tentative, incomplete social categorization via linguistic style, we are building on the emerging view of entrepreneurship as a process of social interaction between a community and the entrepreneur (Shepherd, 2015). Previous research has implicitly assumed that signaling is largely self-determined by the entrepreneur and exerts a uniform impact regardless of the communication context (Chen et al., 2009; Plummer et al., 2015). Here we advance an alternative argument, where the persuasiveness of entrepreneurs' stylistic expressions is dependent on their category membership.

Second, the role of linguistic style has been largely ignored in entrepreneurial finance, probably due to the fact that much of the literature focuses on the fundraising efforts of relatively entrenched categories of entrepreneurs. We contribute to the literature by theorizing that when categories are established, relatively tangible product, firm and entrepreneur-related signals are very effective and may be enough to attract funding (Agrawal et al., 2011; Ahlers et al., 2015; Mollick, 2014b). However, during an emergence of a new category, linguistic style may help communicators appeal to an audience.

Third, prior research has paid some attention to the role of language in the legitimization of new fields, focusing mainly on stories and narratives (Aldrich and Fiol, 1994; Downing, 2005; Lounsbury and Glynn, 2001; Martens et al., 2007; O'Connor, 2002; Wry et al., 2011). Some scholars also discuss identity codes, metaphors and linguistic frames (Benford and Snow, 2000; Glaser et al., 2011; Hargadon and Douglas, 2001; Hsu and Hannan, 2005; Navis and Glynn, 2010). Our study departs from these earlier studies by i) investigating more micro-level linguistic elements, i.e. linguistic styles and ii) comparing their differing role in emergent and entrenched categories. In here, we shed light on which linguistic styles matter before and after category formation.

Our findings also have important implications for practicing entrepreneurs, particularly social entrepreneurs. The subtle nuances in how social entrepreneurs pitch to the crowd are critical for their fundraising success. Even though people are generally less aware of their linguistic style than content in their everyday unscripted communications, we believe that short crowdfunding pitches, which are often carefully planned and rehearsed, provide a context where entrepreneurs are more capable of adapting their style according to the expectations of their audiences.

1. Introduction

Crowdfunding through websites such as Kickstarter is becoming an increasingly important source of funds for artists, innovators, and entrepreneurs alike. According to Boslet (2015), who references the Massolution 2015 Crowdfunding Industry Report, there were about 1250 crowdfunding platforms worldwide that helped raise \$16.2 billion for companies, causes and individuals in 2014. Social entrepreneurs, in particular, are finding crowdfunding to be an important method of funding as the more traditional means of finance have proven to be subpar or inadequate for starting and sustaining growth of the many forms of social enterprise (Boslet, 2015; Lehner, 2013).

A key part of any crowdfunding proposal is a video pitch, in which the entrepreneurs present the project to be funded. These videos are one example of the current entrepreneurship scene, where early stage entrepreneurs are increasingly involved in the theatrical pitching of their projects to various audiences at forums such as accelerator demo days, pitch mixers, competitions, and online

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