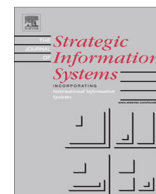




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Not just an ego-trip: Exploring backers' motivation for funding in incentive-based crowdfunding

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ABSTRACT

Incentive-based forms of crowdfunding – such as reward-, equity- and lending-based crowdfunding – are becoming increasingly popular. However, research that studies backers' motivations for funding in these environments is still in an embryonic state, revealing an inconsistent and narrow picture. The few existing studies are largely guided by the idea that backers are mainly egoistically motivated and do not have prosocial motives. We developed a research model that describes backers' motivation and conducted an empirical study to examine this model. Results indicate that backers indeed have several self-interest motivations for funding: prospect of a reward; expectation of recognition from others; to lobby a certain project in the hopes of its fruition; and to develop their image. However, some backers are also prosocially motivated in that they develop feelings of liking for a certain venture and/or project team. Furthermore, we found evidence that herding has a significant moderating effect on backers' reward motivation. Strategic IS researchers as well as crowdfunding practitioners can draw on our findings to systematically design, implement, and evaluate potential incentive systems that respond to reward-, recognition-, lobbying-, image- and liking-motives and thereby attract the crowd more effectively to invest in ventures presented on incentive-based crowdfunding systems.

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Introduction

Crowdfunding is increasingly popular. Today, crowdfunding typically happens on the Internet with the help of what we refer to as crowdfunding systems. These strategic information systems are socio-technical systems that support interaction and connectivity between project creators, who launch certain projects and place open calls for funding these projects, and project backers, who want to financially support these ventures. The core elements of such systems are IT-based platforms that constitute the vital link between project creators and project backers.

One very young stream of crowdfunding research is focusing on investigating backers' motivation for funding. Insights on backers' motivation are highly relevant for information systems (IS) research, since it informs the design of web-based crowdfunding systems. Backers may be driven by several different motivations. By knowing which motivation leads to an investment, this information could help to systematically design tailored incentive systems that will stimulate these motivations and consequently lead to a funding.

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When studying the motivation of backers, one has to take into account that crowdfunding encompasses four types of fundraising that range from collecting donations to selling equity stakes (Ahlers et al., 2012). In donation-based crowdfunding, backers donate money without expecting monetary compensation (Ahlers et al., 2012). In reward-based, lending-based, and equity-based crowdfunding, backers receive various forms of compensation. That is why we refer to these three forms as “incentive-based” crowdfunding. In this study we focus on the motivation of backers in incentive based crowdfunding.

Scholars examining backers' motivation in incentive-based crowdfunding are guided by the idea that backers seem to be mainly egoistically motivated and do not have prosocial motives. In their empirical work, Berglin and Strandberg (2013), Gerber and Hui (2013), as well as Ryu and Kim (2014) reported the following motives: “having fun”, “Receiving a product or service”, “being part of the community”, “Interest”, “Playfulness” and “Relationships to other people” (Berglin and Strandberg, 2013; Gerber and Hui, 2013; Ryu and Kim, 2014). These studies leave out considering prosocial motives, such as helping other, since it is believed that prosocial and self-interested motives involve mutually exclusive or opposing desire (Batson, 1998; Meglino and Korsgaard, 2004; Schwartz and Bardi, 2001). These ideological blinkers lead to an extremely narrow body of knowledge.

Another shortcoming of extant literature on this topic is that it presents motives that are already known from other domains, such as open source software communities. Therefore, these studies are criticized for having a too simple and generic perspective (Gierczak et al., 2015) as well as for lacking a more customized and focused view on the phenomenon of crowdfunding, thereby offering no new insights.

In summary, despite extant literature and even ongoing calls to investigate a crowd's motivation for participation in crowdfunding (Gierczak et al., 2015; Lehner, 2013; Moritz and Block, 2013), to date, a clear and consistent understanding of what motivates the crowd to invest in incentive-based projects is lacking.

Against this backdrop, this research aims to empirically investigate the crowd's motivation to fund incentive-based crowdfunding initiatives. We build a theoretical motivation model that considers both self-interested and prosocial motivation, allows for a more customized view on backers' motivation in incentive-based crowdfunding environments, and even proposes herding as a moderating effect that strengthens backers' reward motivation. To test our theory, we use a sample of over 300 backers on the incentive-based crowdfunding platform “Innvestment.”

Our study offers a deeper and more precise understanding of the crowd's motivation for funding in the various forms of incentive-based crowdfunding and thereby contributes significantly to the currently sparse body of knowledge on this phenomenon. Furthermore, our results make major contributions to that stream of IS research that seeks to examine how human behaviors inform the design and use of web-based information systems. In the future, this stream of IS research may draw on our findings to systematically design, implement, and evaluate potential incentive systems that attract the crowd more effectively to invest in certain ventures.

Extant literature

Though the crowdfunding model in practice has achieved remarkable success and has emerged as a viable method of funding new ventures, to date, there has been very little scientific research on backers' motivation to fund projects in incentive-based crowdfunding. It is thus not surprising that the related literature on this topic is nascent and embryonic.

In their non-peer-reviewed working paper, Berglin and Strandberg (2013) conducted an online survey of 765 backers of three reward-based crowdfunding platforms. By using a small set of questions with each question representing one possible motive, they identified seven basic motives whose relevance was concluded from descriptive statistics. Based on the frequency of responses, they identified the most relevant backers' motivations as: “novelty”, “fun”, “being part of making it happen”, “I am a fan of the project”, “I fund for a good cause”, “I have a personal connection to the project”, and “receiving a product or service seems like a good deal”. In their qualitative research, Gerber and Hui (2013) interviewed ten backers from three reward-based crowdfunding platforms. They identified motives such as “collect reward”, “having fun”, “be part of a community” (Gerber and Hui, 2013). Another study looked at motivations of backers' on a pure theoretical level. Ryu and Kim (2014) derived possible motives from prior literature on Internet-based communities and networks in which individuals produce a common creation, such as open source software communities. This work yielded only a few, non-validated motives: “having interest in the topic of crowdfunding”, “playfulness”, “receiving a reward”, and “searching for social relationships”.

It can be criticized that these motives are too general in nature and therefore could also be applied for studying motivations of participants from related domains, such as different forms of crowdsourcing initiatives or Internet communities. The same criticism also applies to most of the motives identified by the other two studies. Motives such as “I am a fan of the project” or “having fun” (Berglin and Strandberg, 2013; Gerber and Hui, 2013) seem to be justified in their respective studies, but they are too mundane, obvious, and generic and obviously are not derived from the specifics and characteristics of incentive-based crowdfunding. Therefore, they do not allow for a very customized and focused view on the phenomenon of motivation in incentive-based crowdfunding.

The list of motives introduced by the works of Berglin and Strandberg (2013), Gerber and Hui (2013), and Ryu and Kim (2014) have a further shortcoming: they suggest that backers in incentive-based crowdfunding initiatives are mainly egoistically motivated and do not show a tendency of having prosocial motives. Scholars currently assume that the two

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