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BEYOND CREDIBILITY: THE ROLE OF STORIES IN ENTREPRENEURIAL RESOURCE ACQUISITION (INTERACTIVE PAPER)

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INTERACTIVE PAPER

BEYOND CREDIBILITY: THE ROLE OF STORIES IN ENTREPRENEURIAL RESOURCE ACQUISITION

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Principal Topic

Entrepreneurial stories are useful resource acquisition tools (Martens, Jennings & Jennings, 2007). Current literature, however, only partially articulates the mechanisms by which stories affect investors' decisions. Stories have typically been portrayed as instruments to demonstrate the credibility of the venture idea and the entrepreneurial team itself. We argue that stories have some non-rational functions as well. Our idea is that stories invoke additional motivations that may make the investment attractive. Furthermore, we believe that stories also invoke in investors positive affect that renders them more likely to positively assess the investment opportunity; we infer that this assessment is often experienced by investors as "gut feel" (Zacharakis & Shepherd, 2007). In short, we propose that investor decision making is much more than a cognitively rational process, and we seek to examine how stories help create impressions that translate into investment decisions.

Method

To investigate how investors make decisions, we propose to conduct both a field study and an experiment. Interviews with investors will help us to create realistic instruments for our experiment as well as to collect some of the experimental data. We will also conduct experiments with business students in order to allow us to have a large enough sample to test nuances of our theory. We proposed that stories work, in part, by evoking motives in addition to economic self-interest. In order to examine this claim, we created two sets of stories, one set that contains evidence of satisfying "other-regarding" motives, and one that does not. We also argue that the vividness of images in the stories themselves matter to how deeply the listener responds to the stories. Therefore, we create a 2X2 experiment in which the investor responds to other-regarding stories (with and without vivid imagery), and to stories lacking appeals other-regarding motives (with and without vivid imagery).

Results and Implications

If our predictions are supported, the implication is that entrepreneurs should consider how their pitches affect their ability to obtain needed resources. The strength of different elements of our predictions should provide guidance to where effort should be placed and would suggest that this entire area of work deserves further research attention.

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