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Annaleena Parhankangas

*University of Illinois at Chicago*, parhan1@uic.edu

Michael Ehrlich

*New Jersey Institute of Technology*

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# IF YOU DON'T HAVE ANYTHING NICE TO SAY, DON'T SAY ANYTHING AT ALL: HOW BLASTING THE COMPETITION AFFECTS YOUR CHANCES OF RAISING BUSINESS ANGEL FUNDING



*Annaleena Parhankangas, University of Illinois at Chicago, USA*  
*Michael Ehrlich, New Jersey Institute of Technology, USA*

## ABSTRACT

We studied the use of other-focused impression management strategies in the entrepreneurs' business plans submitted to potential investors. Based on the impression management theory and theories of communication, we investigated whether and under which conditions blasting and promotion of competition increase the entrepreneurs' chances of raising business angel funding. The analysis of 231 funding applications from New York Metropolitan area suggests that blasting has an inverted U-shaped relationship with business angel funding. In addition, self-criticism and promotion of competition mitigate the negative implications of blasting. Finally, we found that the promotion of competition enhances the likelihood for raising business angel funding for innovative ventures.

## INTRODUCTION

One of the greatest challenges faced by nascent entrepreneurs is that of presenting their venture in favorable light and developing an engaging, compelling account, one that investors willingly buy into (Barry & Elmes, 1997). Thus, entrepreneurs are likely to resort to a wide variety of impression management strategies to control their image in the eyes of external stakeholders. These impression management strategies include the use of verbal statements, non-verbal or expressive behaviors, or altering one's physical appearance (Ellis, West, Ryan, & DeShon, 2002; Goffman, 1959).

The prior studies have predominantly focused on the organization itself as a target of impression management (Mohamed & Gardner, 2004). That is, they have not recognized that organizations may direct impression management tactics against other organizations to gain competitive advantage. To address this gap in the extant knowledge, we investigate how entrepreneurs' blasting (highlighting the negative traits) and promotion of their competition affect their chances of raising funding. We test our hypotheses on a unique data set of 231 young firms having sought business angel funding in the New York area during the years 2005-2007.

Our study contributes to the organizational impression management literature and entrepreneurship literature in many ways. First, we shed light on the performance implications of other-focused impression management strategies, a topic largely unexplored in the prior literature (Bolino et al., 2008; Stanton et al., 2004; Mohammed et al. 1999). Second, we demonstrate that entrepreneurs may mitigate some of the negative implications of blasting their competition by being more forthcoming on their own weaknesses and the strengths of their competition. Third, we suggest that innovative ventures may benefit from acknowledging the strengths of their competition. Finally, we took a somewhat novel approach to the study of impression management by investigating entrepreneurs' language use in their disclosures of information to potential investors.

## HOW ENTREPRENEURS PROMOTE OWN THEIR VENTURES BY DESCRIBING THEIR COMPETITION: CONTEXT, THEORY AND HYPOTHESES

One of the key tasks of nascent entrepreneurs is to mobilize resources through effective communication. Although previous research recognizes that entrepreneurs use language instrumentally to signal the appropriateness and effectiveness of their ventures to key stakeholders (Elsbach, 1994; Hardy et al., 2000; Pfeffer, 1981; Phillips et al., 2004), little attention has been paid to the role of language and discursive activity in entrepreneurial resource acquisition. In their pioneering study, Martens, Jennings, and Jennings (2007) highlight the importance of narratives in conveying comprehensive identities for entrepreneurial firms, elaborating the logic behind the proposed means of exploiting opportunities, and embedding entrepreneurial endeavors within broader discourses. In a similar vein, Lounsbury and Glynn (2001) and O'Connor (2002) argue that the stories told by entrepreneurs have the potential to make new ventures more attractive and legitimate to key constituencies. Few studies have also drawn attention to entrepreneurs' presentation skills (Clark, 2008; Mason and Harrison, 2003) and style (Baron and Markman, 2003; Cardon et al., 2009; Chen et al., 2009). We add to the existing knowledge by investigating how the entrepreneurs' use of other-focused impression management strategies affect their chances of raising funding.

### Introduction to Impression Management Theory

Impression management is a process through which people seek to influence the image others have of them in order to attain a specific goal (Bolino & Turnley, 1999; Goffman, 1959). Impression management manifests itself in a wide variety of behaviors, such as the use of verbal statements, or non-verbal or expressive behaviors (Ellis, West, Ryan, & DeShon, 2002; Goffman, 1959). The prior literature mainly focuses on the context of job interviews (Ellis et al., 2002; Kristof-Brown, Barrick, & Franke, 2002) and performance appraisal situations (Judge & Bretz, 1994; Wayne & Ferris, 1990).

Although previous studies mainly discuss impression management as a means of personal influence, it often occurs in situations in which an organization's representatives act as gatekeepers for organization-specific information and thus affect the target audience's attitudes and behaviors (Bolino, Kacmar, Turnley, & Gilstrap, 2008; Mohamed, Gardner, & Paolillo, 1999; Stanton, Stanton, & Pires, 2004). Impression management is likely to be particularly crucial for young ventures, which remain highly dependent on external parties for access to critical resources (MacMillan & Subba Narasimha, 1987; Wright and Robbie, 1998).

Impression management techniques can be divided into direct techniques, which involve "techniques presenting information about one's own traits, abilities and accomplishments" (Cialdini, 1989: 45), and indirect techniques, which are undertaken to "enhance or protect one's image by managing information about the people and things with which one is associated" (Cialdini, 1989: 46). The focus of the prior literature has mostly been on the direct techniques, such as self-promotion, integration, exemplification, intimidation, or supplication (Mohamed et al., 1999; Bolino & Turnley, 1999; Jones & Pittman, 1982). In the context of entrepreneurial finance, Parhankangas & Ehrlich (2012) demonstrate that entrepreneurs resorting to moderate levels of organizational promotion and promotion of innovativeness are more likely to secure business angel funding.

Indirect impression management techniques include i) so-called connection-focused

techniques that attempt to either associate the organization with a favorable viewed entity or disassociate it from an unfavorably viewed entity and ii) other-focused techniques that are applied to either increase or decrease the favorability of observers' perception of that entity (Mohamed et al., 1999). While some empirical evidence exists suggesting that young ventures may benefit from being forthcoming on their linkages to successful and prestigious alliance partners, financiers and customers (Dacin, Oliver, & Roy, 2007; Stam & Elfring, 2008; Stuart, Hoang & Hybels, 1999), little is known on highlighting the undesirable traits (blasting) or emphasizing the favorable traits of negatively associated others, such as the rivals (Cialdini & Richardson, 1980). To our knowledge, the only study focusing on negative, other-focused organizational impression management techniques is the study of Mohamed and Gardner (2004) exploring the modes of inter-organizational defamation and their implementation. The failure of this topic area to attract more scholarly attention is surprising, given the fact that organizations typically define their strengths by comparing themselves to their rivals. In addition, for new ventures seeking external funding, a thorough description of the competition is an integral part of a business plan submitted to potential investors. Therefore, we believe that other-focused impression management strategies are both widely used by young ventures and are likely to matter in entrepreneurial fund raising.

## Hypotheses

Our paper adds to the existing knowledge by investigating whether entrepreneurs' blasting of their competition affects their chances of raising business angel funding. In addition, we are interested in identifying some conditions under which entrepreneurs blasting or promotion their competition are most likely to succeed. Our research framework is presented in Figure 1 and discussed more in detail below.

Previous research on persuasion and strategic management suggests that it is vitally important for an organization to communicate its distinctive competence, namely its ability to perform a kind of work that its rivals cannot do (see, for instance, Barney, 1991; Gardner & Martinko, 1988; Lounsbury & Glynn, 2001; Martin, Feldman, Hatch, & Sitkin, 1983). Thus, besides promoting their own strengths, entrepreneurs may try to elevate themselves above the competition by bringing some negative aspects of their rivals to the attention of the target audience (Mohammed et al. 1999). For instance, a biotechnology start-up may point out that its rival's products are unhealthy because of their side-effects. Blasting may also portray the competitor as possessing unattractive characteristics such financial insolvency or inexperience. Entrepreneurs' ability to clearly articulate the weaknesses of their competition is likely to appeal to potential investors, by demonstrating that the entrepreneur understands how his or her venture differs from the competition and showing that the entrepreneur is assertive and confident enough to persuade and win over customers, employees, suppliers and other critical stakeholders.

While we believe that new ventures will benefit from revealing the weaknesses of their rivals, the positive effect of this "blasting" is likely to be present only up to a point. Extremely negative descriptions of the rivals are likely to alienate the potential investors, leaving them to doubt the likability, and civility of the founders, deemed of utmost importance for successful persuasion (Perloff, 2008). A mechanism through which blasting of the competition might negatively affect one's own image has been described in the social psychology literature: a communicator's evaluations of other individuals can recursively transfer to the communicator (Gawronski & Walther, 2008). This transfer of attitudes recursively (TAR) effect or "the perceived likability

hypothesis” (Carlston & Skowronski, 2005) refers to the presumed effect that people tend to like individuals that compliment others and dislike individuals who criticize others. In line of this reasoning, prior entrepreneurship literature suggests that the success of a new venture depends highly on entrepreneurs’ ability to appear likable (i.e., warm, pleasant, polite and friendly (Reysen, 2005; Lott et al. 1970) and being able to build collaborative relationships with key external stakeholders (Baron & Markham, 2003, 2000).

Therefore, even though nascent entrepreneurs are expected to show a certain degree of aggressiveness, assertiveness and competitiveness vis a vis their rivals, they should refrain themselves from exaggeration or outright defamation. By resorting to moderate levels of blasting, entrepreneurs may manage their image in an especially adroit fashion and set themselves apart from their rivals without hurting their likability in the eyes of the target audience.

*Hypothesis 1: Entrepreneurs’ blasting of their competition has a curvilinear relationship with the likelihood of raising business angel funding, with both high and low levels of blasting being associated with a lower likelihood of business angel funding.*

However, we believe that there are ways with which entrepreneurs may mitigate some of the negative implications associated with blasting. First, the prior communications literature maintains that two-sided messages, i.e. the ones that describe both the positive and negative aspects of the competition are more effective than those focusing only on the negative (Allen, 1998; O’Keefe, 1999). The power of the two-sided messages stems from the fact that the target audience expects entrepreneurs to focus only on the weaknesses, and not on the strengths of their rivals. When an entrepreneur deviates from this expectation, he or she is viewed exceptionally honest and trustworthy, which is a key to successful persuasion (see, for instance, Crowley & Hoyer, 1994; O’Keefe, 1999). In addition, by being forthcoming on the strengths of their rivals, an entrepreneur may be able to convince the potential investors that all relevant information (also the information that is less than flattering from the entrepreneur’s point of view) is included in the investment application. As the concerns over possibly missing information can be put aside, the potential investors can feel more knowledgeable and certain in the evaluation they form. Positive attitudes will be held with greater certainty when the investors can infer that their decision is based on not only on entrepreneurs’ expectedly negative evaluation of their rivals, but also on some unexpected strengths of their competition (Rucker et al., 2008).

Furthermore, the two-sided messages are found to be more effective among more knowledgeable audiences (Hovland et al., 1949; Petty & Cacioppo, 1996: 74) and among audiences that initially disagreed with the content of the message (Lumsdaine & Janis, 1953; Crowley & Hoyer, 1994). Therefore, we believe that business angels, who due to their profound entrepreneurial experience and tendency to reject the majority of investment proposals (Freear, Sohl, & Wetzel, 2002; Harrison & Mason, 1992; Wetzel, 1987), would prefer two-sided to one-sided messages. Interestingly enough, a related expectancy disconfirmation effect has been observed in studies of advertisements for consumer products: advertisements that acknowledges some ways in which competing products are as good as the advertised product are more effective than ads claiming superiority on every product feature that is mentioned (O’Keefe, 2002; Pechmann, 1992). Thus, based on the communication and marketing literature, we propose that

*Hypothesis 2: Entrepreneurs’ promotion of their competition positively moderates the relationship between blasting and business angel funding.*

Second, entrepreneurs who reveal some less than flattering aspects of their own venture are more likely to get some leeway, when blasting their competition. The underpinnings of this phenomenon lie in the attribution theory (Kelley, 1972; 1973), according to which the recipient's explanations regarding why a communicator advocates a particular position affect the persuasiveness of the message (Eagly et al., 1978). In this context, it is helpful to distinguish between two types of communicator bias inferred by the message recipients: knowledge bias and reporting bias (Perloff, 2008: 226; Eagly et al., 1981). A knowledge bias is a presumption that a communicator has a biased view of the issue at hand and his or her knowledge about external reality is non-veridical. In the case of a nascent entrepreneur seeking business angel funding, he or she is often viewed as over-optimistic and overconfident, not able to accurately perceive and communicate the risks associated to his or her entrepreneurial endeavor (see, for instance, Busenitz & Barney, 1997; Hayward et al., 2010; Trevelyan, 2008; Koellinger, Minnitti & Schade, 2007).

A reporting bias suggests that a communicator is taking the position merely to make points with the audience and might not accurately convey all the relevant information to the target audience. For instance, an entrepreneur is expected to withhold any negative information about his or her venture, while blasting the competition. The existence of a knowledge bias makes the entrepreneur look incompetent and naïve in the eyes of the potential investors, whereas the reporting bias undermines his or her trustworthiness. Therefore, the perception of knowledge and reporting biases lessens the persuasiveness of entrepreneurs' message. However, advocating a position that violates this expectancy (for instance, an entrepreneur being open about the weaknesses of his or her product) is likely to lead the receiver to perceive the communicator as especially trustworthy and expert (Eagly & Chaiken, 1975; Peters, Covallo & McCallum, 1997). This emerging perception of trustworthiness is likely to make everything that the entrepreneur claims more believable and accurate, including his or her criticism of the competition. In other words, by being open about their own weaknesses, the entrepreneurs also gain more credibility when criticizing the competition. Thus,

*Hypothesis 3: Entrepreneurs' self-criticism positively moderates the relationship between blasting and business angel funding.*

Earlier in this paper we claimed that that the two-sided messages, i.e. messages that emphasize both the strengths and weaknesses of the competition, are more likely to succeed. Next, we would like to identify an additional set of circumstances under which the promotion of the competition is likely to make the new venture look more attractive in the eyes of the potential investors. Novelty of the product concept increases the perception of risk and illegitimacy in the eyes of the potential investors because of related challenges of commercialization and profit appropriation (Branscomb and Auerswald, 2002; Dimov and Murray, 2006). At least anecdotally, innovative firms that enter the industry at a very early stage have been said to have been "first to market, first to fail" (Robinson & Min, 2002), "too fast to market" (Tellis & Golder, 1996) and to have suffered "a first mover disadvantage" (Lieberman & Montgomery, 1998; Dobrev & Gotsopoulos, 2010). Thus, it is instrumental for innovative firms to downplay their "legitimacy vacuum" and emphasize their credibility. Paradoxically, innovative ventures may increase their own credibility by promoting their competition: by demonstrating that successful firms do exist in their emerging industry, they may increase their pragmatic or exchange legitimacy based on the venture's expected value to the investors (Suchman, 1995). In other words, the success enjoyed by the new venture's competition may alleviate some of the investors' concerns related to long lead times, undeveloped markets and the questionable chances for a timely and profitable exit. Looking at the situation from an

opposite angle, the absence of (other) successful firms in a novel industry may signal the absence of market demand and highlight the costs and risks associated to being a first mover. In more mature industries, entrepreneurs have less to gain from the promotion of their competition: as the legitimacy of the industry has already been established, the major task of the entrepreneur is to demonstrate his or her competitive advantage over the competition. Therefore, we hypothesize

*Hypothesis 4: Innovativeness positively moderates the relationship between the promotion of competition and business angel funding.*

## METHODS

### Sample

We tested our hypotheses on a unique data set of 231 young firms that have sought business angel funding from a business angel network in the New York metropolitan area and submitted their business plan to the business angel website. We considered the time period between 2005 and 2007 to be optimal for our analysis, as the markets had normalized after the crash following the dot com boom of the early 2000s, but had not yet entered the turmoil of the financial meltdown of 2008. The investment portfolio of this business angel network is representative of typical angel investments in the United States in terms of the age and industry profiles of the investment targets (see, for instance, Center for Venture Research, 2008).

Our typical sample firm is three years old, employs six people, has raised 880,000 USD, and is seeking to raise an additional 1.4 million USD. The majority of firms are active in business products and services (31 percent),<sup>1</sup> and media and entertainment (18 percent). Six percent of the firms received funding.

### Measures

Our dependent variable, business angels' investment decision, was captured by a binary variable indicating whether the business angels invested in the venture or not.

To analyze the impression management strategies used by entrepreneurs, the whole business plan was read into the DICTION program (Diction, 2000). DICTION was designed to measure tone by counting words assigned to theoretically based linguistic categories (Hart, 1984; Short & Palmer, 2008). Even though the DICTION program was originally developed for analyzing political discourse, it is now widely used in management research in areas such as the study of leadership (Bligh, Kohles, & Meindl, 2004), image management (Rogers, Dillard, & Yuthas, 2005), business communication (Ober, Zhao, Davis, & Alexander, 1999; Yuthas, Rogers, & Dillard, 2002), and predicting stock market reactions (Davis, Piger, & Sedor, 2008). We believe that the DICTION software is well suited to analyzing information disclosures by entrepreneurs to investors, as it offers the potential to gain key insights into the thinking of entrepreneurs in a non-intrusive way, and contains dictionaries well suited to analyzing their goals and plans (Davis et al., 2008).

We measured entrepreneurs' blasting of their competition by calculating the number of negative words used to describe their competition. The negativity word list encompasses words such as negative, failure, hurdle, disappointment, less, shrink, and unfavorable (Henry, 2008). Entrepreneurs' promotion of their competition was measured by calculating the number of

positive words used to describe the competition. This positivity word list includes words such as positive, success, accomplish, strong, progress, leading, improve, high, great, and expansion (Henry, 2008). We used the number of negative words the entrepreneurs used to describe their own venture as a proxy for self-criticism.

The promotion of innovativeness was operationalized based on Michalisin (2001). This measure counts the occurrence of words used to describe the innovativeness, novelty, and creativity of the venture. Such word combinations include, but are not limited to, new products, significant progress, and dramatic improvement. The following sentences exemplify language that scores high on the promotion of innovativeness: "We revolutionize the search engine industry by launching a new model for identifying relevant results. Our founders are young visionaries who understand the need for innovation in this industry."

We used several control variables. First, we controlled for the company age, the entrepreneurs' start-up experience and the amount of prior capital raised, as we have reason to believe that these factors increase the credibility of the venture in the eyes of external investors (O'Keefe, 2002). In a similar vein, we controlled for the major industry sectors present in our sample, and the extent to which entrepreneurs resorted to organizational promotion, i.e. used positive words and statements to describe their ventures. Finally, we controlled for entrepreneurs' performance projections that were measured by calculating a mean of entrepreneurs' predictions for their net revenues for three consecutive years after the investment.

## RESULTS

In order to test Hypotheses 1–4, we constructed a series of logistic regression models with business angel funding as dependent variable. To detect potential multicollinearity problems, we calculated the intercorrelations among all variables. As shown in Table 1, the correlations among the independent and control variables are generally moderate or low. Extraordinarily large estimated standard errors and sometimes large estimated coefficients are signs of multicollinearity problems (Hosmer and Lemeshow, 2000). To minimize these problems, we examined our results carefully for evidence of multicollinearity throughout the model-building process. Multicollinearity appeared to be a problem when all squared terms and interaction (moderating) effects were added to the binary logistic regression equation simultaneously. Therefore, each moderating interaction term was added to the binary logistic regression equation separately.

The logistic regression tests the probability of a dichotomous event: in this case, a business angel investing in a nascent venture or not. First, we ran a base model including only the control variables. This model suggests that older and more innovative ventures face fewer difficulties when raising business angel funding. In a similar vein, organizational promotion has an inverted U-shaped relationship with business angel funding. Self-criticism decreased, whereas the promotion of competition increased the chances of raising business angel funding. In the second step, we added the independent variables to the logistic regression equation, as shown in Models 3 to 6 in Table 2. These models with a Nagelkerke R<sup>2</sup> ranging from 0.80 to 0.84 represent a statistically significant improvement over the base model (R<sup>2</sup> = 0.39).

The percentage of cases predicted correctly by our models was high (97.9 < % < 90.0). We assessed the goodness of fit using the likelihood ratio, Pearson chi-square, and Hosmer–Lemeshow

tests. For all models, the likelihood test statistics are statistically significant. All Hosmer–Lemeshow test values are insignificant, indicating that the models seem to fit well.

Relative to Hypothesis 1, we employed a two-stage approach in which we first tested the first-order linear effect before the full analysis to test for the hypothesized curvilinear effect. An examination of the estimates of blasting of competition in Table 2 (model 2) shows no significant linear effect between blasting and business angel funding. In the second step (shown in model 3), we entered the squared form of blasting. In line with Hypothesis 1, we observe a positive coefficient for the linear term and a negative coefficient for the squared term of blasting, suggesting that entrepreneurs' blasting of their competition increases their chances of raising funding up to a point; however, beyond an optimal point further increases in blasting diminishes entrepreneurs' likelihood of receiving funding. With regard to Hypotheses 2, we observe a statistically significant linear interaction term between blasting and the promotion of competition (model 4). Thus, our results suggest that the negative effects of blasting might be mitigated by the promotion of competition. In a similar vein, a statistically significant linear interaction term between self-criticism and blasting gives us a reason to believe that those entrepreneurs who are forthcoming about their own weaknesses may avoid some of the negative implications associated with blasting (model 5). Finally, a statistically significant co-efficient for the interaction term between the promotion of competition and innovativeness suggests that innovative ventures may benefit more from the promotion of their competition (Model 6).<sup>2</sup>

## CONCLUSIONS AND CONTRIBUTIONS

This paper adds to our knowledge how entrepreneur's language use in their voluntary disclosures of information to potential investors affects their chances of raising business angel funding. In particular, we focus on how entrepreneurs' description of their competition affects the impressions the third-parties form of the focal firm. Our results suggest that entrepreneurs should exercise caution when criticizing their competition: even though blasting may initially help entrepreneurs set themselves apart from the competition and increase their chances of raising funding, beyond an optimal point further increases in blasting turns against their users making them look less likable – and thus less fundable- in the eyes of the potential investors. However, the negative effect of blasting can be mitigated by self-criticism and recognizing the strengths of the competition. In a similar vein, we suggest that innovative ventures may benefit more from acknowledging the strengths of their competition.

Our study contributes to the impression management literature in many ways. First, we shed light on the performance implications of other-focused impression management strategies, a topic largely unexplored in previous studies (Bolino et al., 2008; Stanton et al., 2004). Even though intense competition for funding, customers' attention and market dominance sets a perfect stage for blasting the competition, we are aware of only one empirical study focusing on negative, other-focused organizational impression management techniques (Mohamed & Gardner, 2004). By entering to this large unexplored terrain, we were able to demonstrate that assuming a linear relationship between performance outcomes and blasting might be too simplistic: it seems that both high and low levels of inter-organizational blasting are counter-productive and moderate levels produce optimal results. Second, we demonstrated that by combining various impression management strategies, entrepreneurs might fine-tune their message to the target audience. For example, the potentially alienating impact of blasting might be offset by adjusting the degree of self-

criticism in the message content. Third, we demonstrated that the success of a particular impression management strategy may depend on the characteristics of its adopter. Our results suggest that more innovative ventures benefit more from the promotion of their competition. This finding is in line with the impression management and communication literature, maintaining that certain source characteristics impact efficiency of various impression management strategies (Gardner and Martinko, 1998; O'Keefe, 2002; Perloff, 2008; Rudman, 1998). While the earlier studies have mainly focused on the demographic characteristics of an individual, we extend this line of reasoning to an organizational setting. Fourth, the prior literature has identified four other –focused impression management techniques: i) enhancing the favorable features and ii) minimizing the unfavorable features of positively linked others, as well as iii) exaggerating the unfavorable features and iv) minimizing the favorable features of negatively-linked others (Mohamed et al. 1999; Cialdini, 1989; Bolino & Turnley, 1999). In this paper, we propose a new category of other-focused impression management technique – enhancing the favorable features of negatively linked others and suggest that this technique might be most useful for organizations operating in novel industries. Finally, we took a somewhat novel approach to the study of impression management by investigating entrepreneurs' language use. Traditionally, the impression management literature has been less specific on how spokespersons achieve desired outcomes by using specific arguments (Elsbach, 1994). In a similar vein, the literature on the narratives used by entrepreneurs for fundraising focus more on the content, not on the language used by entrepreneurs (Martens et al., 2007; Lounsbury & Glynn, 2001; O'Connor, 2002). By analyzing verbal accounts and extracting linguistic elements representing blasting and organizational promotion, we take one of the first steps in this direction.

Previous entrepreneurship studies have produced an impressive list of variables that are likely to affect investors' funding decisions. These variables include the characteristics of the product, market, entrepreneur, investment, and financial performance (Maxwell et al., 2011; Sudek, 2007). Some studies have also drawn attention to entrepreneurs' presentation skills (Clark, 2008; Mason & Harrison, 2003) and style (Baron & Markman, 2003; Cardon et al., 2009; Chen, Yao, & Kotha, 2009). Our novel contribution is to investigate the role of impression management strategies in attracting funding. Impression management strategies gain more importance and often become more exaggerated in situations in which the stakes are high (Judge & Bretz, 1994). As securing funding is critical to the survival of new ventures, it is hard to imagine a situation in which the importance of impression management strategies would be more pronounced. Furthermore, impression management matters, because nascent entrepreneurs often have nothing or very little tangible to show to potential investors. In fact, our greatest criticism of previous studies focusing on investors' decision criteria is that much attention is paid to "objective" market- and product-related data and forecasts even though such information is rarely in existence at the time of the funding decision. Thus, in the absence of more tangible evidence on a new venture's potential, the impressions created by entrepreneurs might provide the only available account of the new venture and its quality.

**CONTACT:** Annaleena Parhankangas; parhan1@uic.edu; (T): 312-996-6233; (F): 312-996-3559; University of Illinois at Chicago, Chicago, IL 60607-7122.

## NOTES

1. Business products and services include items such as digital media marketing vehicles, database management tools, strategic consulting services, document management solutions, customer service management tools, online social networks, and booking and distribution services.
2. The graphs visualizing the interaction effects are available upon the request from the authors.

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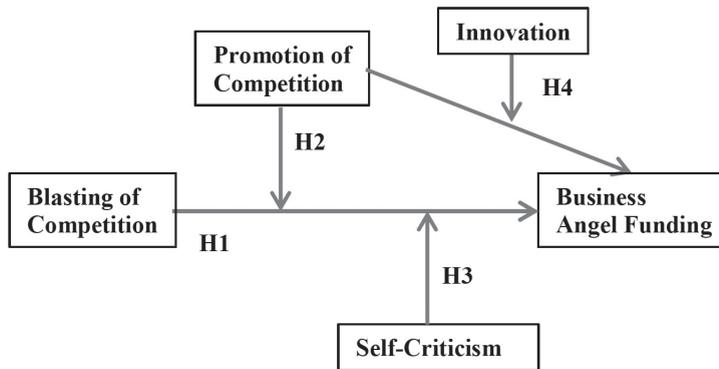
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**Figure 1: Research Framework**



**Table 1: Means, Standard Deviations, and Correlations<sup>a</sup>**

	1	2	3	4	5	6	7	8	9	10	11	12
Age	1.00											
Capital Raised <sup>b</sup>	0.40**	1.00										
Business Products and Services	0.15*	0.09	1.00									
Media and Entertainment	-0.06	-0.14	-0.31**	1.00								
Start-Up Experience	-0.08	-0.01	-0.18**	-0.13	1.00							
Performance Predictions	0.02	0.01	-0.01	-0.06	-0.08	1.00						
Innovativeness	0.07	0.04	0.01	-0.03	-0.08	0.13	1.00					
Organizational Promotion	-0.06	0.02	0.07	-0.01	-0.02	0.07	0.36*	1.00				
Self-Criticism	-0.14*	-0.04	0.02	0.01	-0.06	0.11	0.34*	0.42**	1.00			
Promotion of Competition	-0.02	-0.04	0.1	0.03	-0.03	-0.08	-0.06	-0.30**	-0.08	1.00		
Blasting	-0.01	-0.02	0.06	0.09	-0.07	-0.04	0.03	-0.11	-0.07	0.38**	1.00	
Business Angel Funding	0.09	0.13	-0.01	0.02	0.002	-0.09	0.01	0.04	-0.17*	0.13	0.05	1.00
Mean	3.0	0.88	0.31	0.18	0.24	5.57E7	60.15	17.19	13.17	7.00	5.34	0.06
Standard Deviation	2.8	3.10	0.46	0.38	0.42	6.41E8	57.03	33.30	13.05	8.76	5.57	0.24

<sup>a</sup>+ \*p < 0.05; \*\*p < 0.001, two-tailed test; b in million USD;

**Table 2. Results of Logistic Regression Analysis** <sup>a,b</sup>

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Age	0.02* (0.01)	0.02+ (0.01)	0.02 (0.03)	0.02 (0.03)	0.04+ (0.03)	0.03 (0.03)
Capital Raised	-3.54E-7 (5.30E-7)	-3.05E-7 (5.28E-7)	4.32E-8 (1.22E-6)	-3.00E-7 (1.31E-6)	-1.76E-6 (1.58E-6)	-1.19E-6 (1.63E-6)
Business Products and Services	-0.95 (1.06)	-0.92 (1.06)	-2.23 (2.43)	-2.61 (2.70)	-4.64+ (3.14)	-3.34* (3.14)
Media and Entertainment	-0.11 (0.99)	-0.08 (1.00)	-1.57 (2.16)	-2.45 (3.13)	-1.37 (2.69)	-3.02* (3.21)
Start-Up Experience	-0.25 (1.34)	-0.25 (1.34)	0.34 (3.56)	0.70 (3.10)	-3.69 (4.98)	0.77 (3.53)
Performance projections	-3.00E-8 (4.02E-8)	-3.70E-8 (4.32E-8)	-4.22E-8 (8.00E-8)	-7.21E-8 (1.09E-7)	-6.67E-8 (1.13E-7)	-6.18E-8 (9.17E-8)
Innovativeness	0.02* (0.01)	0.02* (0.01)	-0.02 (0.02)	-0.01 (0.02)	-0.02 (0.03)	-0.10+ (0.07)
Organizational Promotion (Own)	0.12* (0.04)	0.10* (0.04)	0.16* (0.09)	0.21* (0.10)	0.29* (0.15)	0.22* (0.12)
Organizational Promotion (Own) <sup>2</sup>	-0.01+ (0.01)	-0.01+ (0.01)	-0.01+ (0.01)	-0.02* (0.01)	-0.02* (0.01)	-0.02* (0.01)
Self-Criticism	-0.28* (0.10)	-0.27* (0.10)	-0.22+ (0.17)	-0.24 (0.19)	0.29 (0.23)	-0.33+ (0.17)
Promotion of Competition	0.15* (0.07)	0.16* (0.08)	0.22+ (0.17)	-0.33 (0.22)	0.36+ (0.23)	-0.02 (0.23)
Blasting		-0.07 (0.09)	5.60* (2.12)	5.61* (2.09)	9.78* (4.17)	6.34* (2.63)
Blasting <sup>2</sup>			-0.54* (0.21)	-0.62 (0.23)	-0.86* (0.37)	-0.62* (0.27)
Blasting * Promotion of Competition				0.08* (0.04)		
Blasting * Self-Criticism					0.19* (0.14)	
Promotion of Competition * Innovativeness						0.01* (0.01)
-2 Log Likelihood	55.68	55.02	20.01	17.32	16.11	17.21
Chi-Square Statistics	28.28**	29.48*	65.49**	67.19**	68.39**	67.30**
Nagelkerke R Square	0.39	0.40	0.80	0.83	0.84	0.83

<sup>a,b</sup> Dependent Variable Business Angel Funding: + p < 0.1; \*p < 0.05; \*\*p < 0.001; one-tailed test