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DOES IT MATTER HOW YOU TELL IT? HOW ENTREPRENEURIAL STORYTELLING AFFECTS THE OPPORTUNITY EVALUATIONS OF EARLY-STAGE INVESTORS



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ABSTRACT

In this study, we examine how entrepreneurial storytelling influences early-stage investors' evaluations of venture opportunities, by articulating and testing a theoretical model that specifies a set of intervening mechanisms by which influence is exerted. We test our model with a field experiment involving 188 active business angel investors from different regions in the United States. Results from the experiment suggest that entrepreneurial storytelling affects evaluative judgment in an inconsistent manner. While some hypothesized intervening mechanisms are positively related to investors' evaluations as hypothesized, others have a negative effect. The implication is that entrepreneurs seeking to influence investors' evaluations via the story form will have to find ways of capitalizing on the positive effects of storytelling while avoiding its pitfalls. By showing that entrepreneurial stories can influence the evaluative judgments of early-stage investors, our study opens the door for further research on the role of communication strategies in the entrepreneurial resource acquisition process.

INTRODUCTION

This paper explores the role of storytelling in the resource acquisition process, by examining how entrepreneurial stories (i.e. the stories that entrepreneurs tell about their ventures) affect the evaluative judgments of the attractiveness of entrepreneurial opportunities by early-stage investors. Storytelling has been positively linked to the ability of entrepreneurs to raise capital from investors (Lounsbury & Glynn, 2001; Martens, Jennings & Jennings, 2007). This effect has been attributed to the capability of entrepreneurial stories to influence investors' assessments regarding new venture opportunities and, more specifically, investors' perceptions about a new ventures' legitimacy. Such an attribution makes logical sense. Clearly, the more positively investors evaluate a given new venture opportunity, the more likely they will be to invest in it so, to the extent that they can influence investors' assessments, stories will influence the entrepreneurial resource acquisition process. However, we know very little about how investors actually react to entrepreneurial stories, if at all. Extant empirical research in this area merely suggests that there might be a positive relationship between storytelling and the ability of firms to raise capital (Martens et al., 2007), but it does not examine the mediating role of investors' assessments, or how these might be influenced by stories. Furthermore, extant research neither tests nor articulates the specific mechanisms by which entrepreneurial stories may affect investors' evaluations of a given entrepreneurial opportunity. Our study aims to address this gap.

We articulate and empirically test a number of specific mechanisms by which entrepreneurial stories affect how investors evaluate new venture opportunities. We examine the effects of entre-

preneurial storytelling as a *form* of communication. That is to say, we compare the effects of the same information conveyed in story versus non-story form. We focus on the effects of the two main classic components of a message's style: choice of syntactical structure (taxis) and choice of language (lexis). More specifically, we examine the effects of types of syntactical structure (i.e. narrative vs. non-narrative structure) and of language vividness (i.e. more vivid/intense vs. less vivid/intense language). In order to examine whether investors' evaluations are influenced by entrepreneurial storytelling alone, it would suffice to consider the effects of the narrative structure alone. However, because we are interested in discerning whether entrepreneurs can influence investors' evaluations by the manner in which they communicate their venture opportunities, we also consider language intensity in addition to storytelling.

We posit that the effects of entrepreneurial storytelling on investors' evaluations occur indirectly through intervening mechanisms, or intermediate psychological states, that are both cognitive and affective in nature. To the extent that early-stage investors are intuitive decision makers (Zacharakis & Shepherd, 2007), their evaluations of new ventures are likely to occur via both cognitive and conscious processes automatic and affective ones (Dane & Pratt, 2007). Our premise is that stories influence how investors think and feel about certain aspects of a new venture opportunity. More specifically, we hypothesize that stories positively influence investors' identification with the entrepreneurial team and their assessments of the entrepreneurial teams' competence and motivation; these, in turn, affect their overall evaluation of the opportunity. Furthermore, we hypothesize that the use of intense language will positively influence investors' level of empathy with the target customer, a proxy measure for perceived market need; this empathy, in turn, is posited to positively influence the overall opportunity evaluation.

We test our hypotheses via a field experiment involving 188 angel investors in the United States. The investors are asked to review a randomly assigned description of a new venture opportunity and to make assessments and evaluations. The opportunity is the same for all investors, but the form in which the opportunity is presented varies in terms of narrative structure and language intensity. To analyze the data, we use a multivariate test that involves bootstrapping the sampling distribution of the specific and total indirect effects (Preacher & Hayes, 2008; Hayes, 2009), which allows for reliably testing specific indirect effects together and in isolation.

Our findings indicate that storytelling does affect a number of mechanisms that intervene in the formation of investors' opportunity evaluations, but that it does so in an inconsistent manner. Our results show that when investors are exposed to a narrative version of the new venture opportunity, they tend to show higher levels of identification with the entrepreneurial team and they tend to perceive the entrepreneurial team as more motivated, both of which lead to more positive overall assessments of the opportunity. On the other hand, they also tend to view the entrepreneurial team as less capable, which obviously leads to more negative assessments of the opportunity. In terms of complementary language effects, we find that when an entrepreneurial opportunity is communicated with intense language, investors experience a higher level of empathy with the target customer, but that does not influence their overall opportunity evaluation.

We contribute to the literature in several ways. It is perhaps the largest experiment to date involving actual angel investors. As such it demonstrates the viability of experimental research in a real world setting. Second, we sought to look at the potential of storytelling for affecting cognitive and emotional factors beyond perceptions of legitimacy. In our setting, the legitimacy-providing facts present were contained both in narrative and in non-narrative descriptions; we demonstrate and analyze the effects *beyond* legitimacy-communicating facts. Third, we contribute at a practical level to demonstrating for entrepreneurs what additional tools they might access in the effort

to gain resources; for investors, we contribute to awareness of how their perceptions and feelings might be shaped through message delivery.

THEORY AND HYPOTHESES

The Power of Narrative Persuasion

Extant research suggests that early-stage investors are intuitive decision makers who at times describe their use of subjective or even unknown evaluation criteria as “gut feel” (Zacharakis & Shepherd, 2007). To the extent that investors’ opportunity evaluations are intuitive, they are susceptible to the influence of peripheral cues (i.e., informational or affective cues that are not directly associated with the central argument under consideration). Intuitive judgments, commonly called “gut feel” (Shirley & Langan-Fox, 1996), are affectively charged judgments that arise through rapid, non-conscious, and holistic associations (Dane & Pratt, 2007). Thus, they are not necessarily related to the substantive information central to an argument. In fact, under conditions of high uncertainty and ambiguous information such as those faced by early-stage investors, the affective and automatic components of the evaluative process play a particularly important role (Finucane, Alhakami, Slovic & Johnson, 2000). Therefore, investors may react differently to the same substantive information if the information is communicated in a different form (e.g. as a story vs. as an expository text), provided that the differences in communication forms provide different cues that affect the formation of intuitive judgments.

There are a number of explanations for the persuasive effects of narrative communications, but two theoretical perspectives stand out in terms of explanatory utility and frequency of use: (1) an extended version of classic dual-models of persuasion – the so-called extended elaboration likelihood (E-ELM) model (Slater & Rouner, 2002), and (2) models derived from the notion of narrative immersion, most notably Green and Brock’s transportation-imagery model of narrative persuasion (Green & Brock, 2000). Although these constitute two different perspectives, stemming from two different theoretical traditions, they share the common characteristic that they are both based on the idea that an audience’s narrative involvement in a story is the driver of the persuasive effect of narrative messages. The basic idea is that an audience, by being primarily engaged in the storyline, experiences vicarious cognitive and emotional responses to the narrative as it unfolds, and that these responses can affect their attitudes and beliefs. The involvement of the audience with the characters in the story plays a prominent role in the overall effect of narrative involvement and on the audience’s cognitive and emotional responses.

We contend that stories affect investors’ considerations regarding the entrepreneur and the entrepreneurial team because stories convey both the experiences of focal actors (i.e. characters in the stories) and the *meaning* of these experiences from the focal actor/s’ perspective (Bruner, 1990). For this reason, a story has the capability of influencing how an audience interprets, or makes sense of, the involvement of one or more characters in the sequence of events that is being presented in the story which, in turn, affects the audience’s emotional response to the characters, as well as the attributions that it makes about them. In other words, a story has the capability of influencing not only investors’ emotional response to, but also its beliefs about, a given focal actor/s. Therefore, we predict that entrepreneurial stories will influence how investors think and feel about the founding entrepreneurs of a new venture. More specifically, we predict that when a new venture opportunity is communicated to potential investors in the form of a story, these investors will experience higher levels of identification with the founding entrepreneur/s, which in turn will lead to a higher overall assessment of the attractiveness of the opportunity. Furthermore, we predict that when a new venture opportunity is communicated to potential investors in

the form of a story, these investors will assess some key personal characteristics of the founding entrepreneurs, such as their level of competence or motivation, more favorably, which in turn will also lead to a higher overall assessment of the attractiveness of the opportunity.

Personal Connection with the Entrepreneurial Team

The personal connection an audience forms with the characters of a story plays a fundamental role in the narrative-based theories of belief change (Green & Brock, 2000; Slater & Rouner, 2002). Most commonly, forming a personal “connection” with the characters of a story has been called “identification” (e.g. Green, 2006; Slater & Rouner, 2002; Hinyard & Kreuter, 2007). “Identification” with the characters of a story refers to an emotional and cognitive process whereby the audience takes on the role of a character in a narrative. In the context of the narrative persuasion literature, the concept of identification with the story characters is composed of at least two distinct, albeit interrelated, dimensions (de Graaf, Hoeken, Sanders & Beentjes, 2011): perspective-adoption, i.e. a largely cognitive process of adopting the character’s perspective and goals; and empathy, i.e. an emotional process of empathetic response to the characters.

Identification: a sense of identification can emerge as an audience constructs representations of the character’s experiences that share elements of their own experience and attitudes (Bortolussi & Dixon, 2003). Because a narrative conveys rich information about the experiences, beliefs, and behaviors of the entrepreneur and/or the entrepreneurial team, an entrepreneurial story is more likely to elicit identification with the entrepreneur and/or the entrepreneurial team than an expository presentation of the new venture opportunity. Listeners to a story (e.g., angel investors) are likely to project their own experiences into the characters of the story. Thus, it can be expected that investors are more likely to adopt the perspective of the founding team when the opportunity is presented in the form of a story than when it is not. Emotional responses to the characters in a story, and more specifically empathetic responses, constitute the other key dimensions of the concept of identification (Slater & Rouner, 2002; Green, 2006). Stories are more likely to produce empathetic responses in an audience than non-narrative forms of communication because individuals “involved” in the narrative are more likely to develop affective bonds with the characters of a story (Moyer-Gusé, 2008; Busselle & Bilandzic, 2009).

Thus, when an audience gets “involved” in a story, they vicariously experience the events that happen to the story characters, reproducing them in their own imagination. Because the audience projects their own experiences into the events of the story, they understand what it is like to experience the described events, and their own attitudes become more consistent with those in the vicarious experience (de Graaf et al., 2011). Furthermore, the story evokes an empathic response to the characters, causing further identification with the characters. In short, the experience of identification involves cognitive (understanding and relating to what characters think) and affective (feeling and experiencing what characters feel) components that translate into distinct but complementary narrative persuasion mechanisms. For these reasons, we hypothesize that the degree of identification that investors experience with the entrepreneurial team is one of the intervening mechanisms by which entrepreneurial stories influence investors’ overall intuitive evaluations of a given opportunity.

H1: Communication of opportunities in story form positively affects investors’ opportunity evaluations through the positive effect of stories on identification.

Person-Specific Assessments

Empirical research on the investment criteria of business angels indicates that the “quality” of the people associated with the new venture (this usually refers to characteristics of the founding entrepreneur, or team of entrepreneurs) is the single most important issue driving the evaluations of business angel investors (Mason & Stark, 2004). We propose that entrepreneurial stories affect two categories of assessments about the entrepreneurial founding team and, in turn, that these assessments will affect investors’ evaluations. First is the skill set of the founding team, encompassing traditional measures of human capital such skills and prior experience. Second is the character of the team, encompassing such qualities and attitudinal dispositions as enthusiasm, commitment, and passion. The first category, which we label *competence*, involves whether the entrepreneurial team will be able (i.e. will have the necessary skills and background) to carry out the new venture project successfully. The second category, which we label *motivation*, involves whether the entrepreneurial team will be willing (i.e. have the necessary motivation, work ethic and enthusiasm) to carry out the new venture project successfully.

Competence: The literature suggests that for investors, expertise that has been accumulated through prior entrepreneurial experience is highly valued; important types include prior startup experience (Hsu, 2007), prior management experience, and prior experience in a specific industry or vertical market (Hisrich & Jankowicz, 1990). Investors value expertise in a given industry or product-market domain and general management skills, particularly in the context of running a startup. We argue that storytelling influences investors’ assessments of experience in these domains via at least two mechanisms. First, stories play an epistemological role in helping people makes sense of available information. A story imbues the experiences of its characters with meaning, thus aiding the interpretation of the relevance of the entrepreneurial team’s prior experience for the future success of the venture. A second argument is that affect and cognition interact in the formation of evaluative judgments, such as in the Affect Infusion Model – AIM (Forgas, 1995). To the extent that storytelling generates emotional responses in an audience (e.g., identification or empathetic response), it increases the likelihood that the beliefs of the audience are infused emotional responses congruent with those of the characters. In other words, the beliefs of the audience are influenced by what they feel as the story develops. This idea is also consistent with the notion that individuals align their beliefs to their attitudinal inclinations to seek psychological balance (Festinger, 1957). Especially in the context of early-stage investors, actors are highly motivated to rationalize their choices. In this type of situation, individuals have a tendency to rationalize beliefs to make them congruent with their attitudes and evaluative judgments. To put it in simpler terms, if investors feel an empathetic response to the plight of the founding team, they may adjust their beliefs about objective criteria (such as signals of competence) to match their positive feelings about the entrepreneurial team. For these reasons, we hypothesize that the level of competence of the entrepreneurial team, as assessed by investors, is one of the intervening mechanisms by which entrepreneurial stories influence investors’ overall intuitive evaluations of a given opportunity.

H2: Communication of opportunities in story form positively affects investors’ opportunity evaluations through positive effects of stories on competence assessments.

Motivation: Business angels at times emphasize the personal qualities and attitudinal dispositions of entrepreneurs. They have been noted to value perseverance and hard work (Haines, Madill & Riding, 2003) as well as enthusiasm and passion (Mason & Harrison, 1996; Mitteness, Sudek & Cardon, 2012). Early-stage investors seem to appreciate entrepreneurs who are highly motivated and enthusiastic (even passionate) about what they are doing, as well as committed to the success

of the new venture. We argue that storytelling has the capability of influencing investor assessments about a founding team's level of motivation. Social psychological theories of how people perceive others suggest that audience may attribute traits and dispositions to the characters in a story based on their interpretation of these characters' behavior. Narrative processing and literary interpretation theories suggest that the involvement of an audience with the characters in a story through the story itself (i.e. through narrative involvement) is sufficient, in terms of interaction, to provide an audience with the capability of "observing" the behavior of the characters in a story and to make attributions about their traits and dispositions (Bortolussi & Dixon, 2003). Given that it is reasonable to expect that higher assessments of entrepreneurial team's level of motivation will lead to higher opportunity evaluations, we therefore hypothesize that the level of motivation of the entrepreneurial team, as assessed by investors, is one of the intervening mechanisms by which entrepreneurial stories influence investors' overall intuitive evaluations of a given opportunity.

H2: Communication of opportunities in story form positively affects investors' opportunity evaluations through positive effects of stories on investors' assessments of the entrepreneurial team's level of motivation.

Intense Language

We argue that intense language, which is a type of language that is high in both emotionality and specificity (Perloff, 2003), has the capability of affecting investors' considerations regarding the situation of the target customer addressed by a new venture. Intense language can induce people to pay more attention to a given situation. It also provides affective cues that evoke mental imagery; mental imagery allows people to "see" or imagine experiencing a given situation (Andersen & Blackburn, 2004). Hence, we predict that the more intense the language in describing customer pain points, the more the focal investor will visualize or "feel" the pain; conversely, the more pallid the language, the less the investor will feel the pain. In a context in which investors are exposed to very little market information, we focus on their empathetic response to the potential target customer of the new venture, as a proxy for investors' perceptions of the market pain being addressed. In other words, we predict that intense language causes investors to pay attention to and to be empathetic with the current customer; the investor thus gains an appreciation for the market need that the new venture is addressing. Thus, we hypothesize that the degree of empathy that investors experience with the potential target customer, is an intervening mechanism by which the use of intense language influences investors' overall intuitive evaluations of a given opportunity.

H4: Communication of opportunities via intense language positively affects investors' opportunity evaluations, through the positive effect of intense language on the degree of empathy that investors experience with the target customer.

METHOD

We conducted a field experiment with 188 business angels in different regions of the United States. The angels read a description of a new venture opportunity and made assessments by answering a questionnaire. All angel investors were presented with the same new venture opportunity, but the form in which the opportunity was communicated was manipulated and randomly assigned across investors. There were four variations of the form in which the opportunity was communicated, involving manipulations at the narrative (story) and lexical (language intensity) levels. To test the proposed multiple indirect effects model, we used a multiple mediation test with bootstrapping of indirect effects (Preacher & Hayes, 2008; Hayes, 2009), which allows for testing specific indirect effects in the most reliable manner.

Sample and Data Collection

The majority (123) of the investors belonged to California or Midwestern angel investment networks; remaining 65 participants were distributed across the rest of the US. The data were collected during a 6-month period (November 2009 to May 2010). Overall, we estimate that about 850 business angels were solicited to participate in the experiment. After discarding the responses that were incomplete or invalid, the sample was reduced to 188 participants. This constitutes a response rate of approximately 22%, which is similar to that of prior work investigating business angels and venture capital investors (Wiltbank, Reid, Dew & Sarasvathy, 2009).

Experimental Procedure and Manipulations

Participants were asked to read a one page description of an opportunity and then to make a series of assessments. There were four versions of the description, and each participant was randomly assigned only one of the versions. The substantive information about the opportunity (e.g., market size and track record of the entrepreneurial team) was the same in each of the four versions. Essentially the four versions were as follows: story form with intense language; story form with non-intense language; non-story form with intense language; and, non-story form with non-intense language. Our conceptualization of what constitutes a story form (i.e., narrative structure) was derived from a thorough review of the literature on storytelling across a wide span of disciplines: a story is a form of communication that, at a minimum, includes the following components: (1) a sequence of events that unfold over time and are caused and experienced by (2) a focal actor/s and which are propelled by (3) a plot line that is projected in a specific (4) narrative voice (Pentland, 1999; Polkinghorne, 1988; Bortolussi & Dixon, 2003; Gabriel, 2004).

The lexical manipulation involved using language high in emotionality and specificity (Hamilton, Hunter & Burgoon, 1990; Andersen & Blackburn, 2004) versus language low in emotionality and specificity. Language intensity is conceptualized as an intrinsic feature of the message (and thus does not require manipulation checks) that includes emotion-laden words (e.g. horrible, freedom, beauty, grotesque, death, or suffering) and specific graphic language (Hosman, 2002; Perloff, 2003).

Two dummy variables were thence used to indicate non-story versus story (0,1) and non-intense versus intense language (0,1) versions. If the respondent was exposed to a version that was constructed as a *story*, this variable took a value of 1. If not, it took a value of 0. If the respondent was exposed to one of the versions that were constructed with *intense language*, this variable took a value of 1. If not, it took a value of 0.

Dependent Variable

An investor's intuitive evaluation of the new venture opportunity is the outcome variable of interest. This measure intends to capture how investors initially evaluate the opportunity from a "gut feel" perspective. Or, in other words, the extent to which their holistic initial impressions are favorable. This measure can thus be conceptualized in terms of an intuitive judgment, in the sense that is holistic and that it includes both cognitive and affective or nonconscious components (Dane & Pratt, 2007). The measure is intended to capture both what angel investors broadly think and feel about the opportunity in evaluative terms (i.e. good-bad). The measure also captures what in essence is a rapid assessment, since investors were asked to provide their evaluative judgments immediately after reading the opportunity description. Given that multiple-item scales have greater reliability than single-item scales for constructs that are multidimensional, we created this variable from 4 responses in the questionnaire that related to the overall impression of angel investors in

regards to the opportunity. The scale was constructed by averaging the scores of 4 items that could take the possible value of any integer between 1 and 5 (1=strongly disagree, 2=somewhat disagree, 3=neither agree nor disagree, 4=somewhat agree, 5=strongly agree). Specifically, these are the 4 items included in the scale: "Overall, this seems to be a good investment opportunity," "Overall, I have a good impression of this new venture," "I feel that this opportunity could become a good business" and "I have a positive gut feeling about this opportunity." The scale is internally consistent, as suggested by very good estimated measures of reliability (Cronbach's Alpha = .90).

Intervening Variables

We articulate three types of intervening mechanisms: (1) how angel investors personally connect with the entrepreneurial team, through their level of *identification*, (2) the assessments that angel investors make about certain characteristics of the entrepreneurial team, such as its level of *competence* and *motivation*, and (3) the level of *empathy* angel investors have with the target customer, which is a proxy measure for their perception of the degree of market need (commonly known as market "pain") that the new venture addresses with its products or services. Given the multidimensional nature of these constructs, we developed a series of multi-item measures (3 to 4 items each), to make the variables in question more meaningful and reliable. For each variable, a scale was constructed by averaging the scores of the items in question which, in all cases, could take the possible value of any integer between 1 and 5 (1=strongly disagree, 2=somewhat disagree, 3=neither agree nor disagree, 4=somewhat agree, 5=strongly agree).

Identification: Investors answered four questions intended to capture how much they personally identified (both cognitively and emotionally) with the members of the entrepreneurial team. A scale was constructed by averaging the scores of the following 4 items: "I feel affinity with this group of entrepreneurs," "I am like this group of entrepreneurs in some ways," "I appreciate what the entrepreneurs are trying to accomplish" and "I understand how the founding team feels about its endeavors." The reliability of this scale is acceptable (Cronbach's alpha=.70).

Competence: Investors conveyed their attributions of the level of competence of the entrepreneurial teams by indicating their level of agreement with three statements regarding general and startup experience and know-how: "The entrepreneurial team seems competent," "The entrepreneurial team has a proven track record" and "The entrepreneurial team has the necessary expertise." This scale shows a good level of reliability (Cronbach's Alpha=.77), suggesting that the items are internally consistent.

Motivation: Investors' perceptions of the level of motivation of the entrepreneurial team was assessed via their indicating their level of agreement with three statements: "The entrepreneurial team seems motivated to succeed," "The entrepreneurial team is committed to the new venture" and "The entrepreneur seems passionate about the business." The scale shows a good level of reliability (Cronbach's Alpha=.78).

Empathy with target customer: Investors' empathy with the target customer was assessed via their indicating their level of agreement with three statements regarding their ability to feel or see things as customers do: "I understand how patients must feel about current treatments," "I can see the problem from the perspective of the patient" and "Current treatments put patients through a terrible ordeal." The reliability of this measure is borderline acceptable (Cronbach's Alpha=.68), but it has enough internal consistency to use it as intended.

Statistical Procedure

The hypothesized model was estimated using a multiple mediation test involving bootstrapping of indirect effects (Preacher & Hayes, 2008; Hayes 2009), which allows for simultaneously testing each specific indirect effect and the total sum of indirect effect, as well as the direct effect and total effect of the independent variable on the outcome variable. Extensive simulation results provide empirical evidence that bootstrapping constitutes the most powerful and reasonable method of obtaining confidence limits for specific indirect effects under most conditions (MacKinnon, Lockwood & Williams, J. 2004). We test our model with a well-known bootstrapping methodology, specifically with the aid of macros for SPSS developed and provided by Preacher and Hayes (2008). These SPSS macros, which have been used across a wide range of disciplines, allow us to test for total and specific indirect effects by bootstrapping confidence intervals, while also permitting us to statistically control for the effect of one or more covariates. The recommended procedure for testing a model that includes more than one independent variable (in our case story and language) is to run the test once for each independent variable specifying the other independent variables as covariates. Covariates are mathematically treated exactly like independent variables in the estimation with paths to all mediators and to the outcome, so that their effect will be captured. The researcher will not get a single estimate of the total indirect effect across all independent variables, but will get estimates for each independent variable controlling for the effects of the others.

RESULTS

To test our hypotheses, we ran the bootstrapping procedure twice, first to test the effects of story controlling for the effects of language and then to test the effects of language controlling for the effects of story. In addition to the results of the bootstrap analysis (which represents the formal test of our hypotheses), the software implementation of the procedures with Preacher and Hayes' (2008) SPSS macro, also reports the results of regressing the mediators on the independent variables (a-paths), of regressing the outcome variable on the mediators (b-paths), as well as the results of regressing the outcome variable on the independent variable (what is known as the total effect of the independent variable on the outcome variable, or c-path). These additional analysis of the a-, b- and c-paths do not constitute a formal statistical test for our hypotheses, but do provide some interesting insights about the relationships at play.

Table 1 shows the results of bootstrapping for the indirect effects of the first (using story as independent variable and language as control) and second estimations (using language as independent variable and story as control), and displays the point estimates and the bias corrected and accelerated confidence intervals. An indirect effect is considered significant if its 95% confidence interval from the 5,000 bootstrapped samples does not include the value of zero. The results of the first estimation, with story as independent variable, show that the three specific indirect effects that we hypothesize are significant. Two of them, are positive as expected (identification and motivation), whereas one of them is negative (competence). The point estimate for the specific indirect effect of experiencing identification is .0490, with a 95% confidence interval of .0028 to .1416. Given that zero is not a value within the confidence interval, the results are consistent with the claim that entrepreneurial storytelling has an indirect influence on the intuitive assessments of investors that goes through their experience of identification with the entrepreneurial team. Furthermore, it can be concluded that this indirect influence is positive, since the values in the confidence interval are greater than zero. H_1 is thus supported. Table 1 also shows that the point estimate for the specific indirect effect of the assessment of the level of motivation of the entrepreneurial team is .0752, with a 95% confidence interval ranging from .0186 to .1674. Given that zero

is not in the confidence interval and that this is also above zero, the results were consistent with the claim that storytelling has positive indirect influence on the intuitive assessments of investors that goes through their assessments of the quality of the entrepreneurial team in terms of motivational disposition. H_3 is thus supported. However, the point estimate for the specific indirect effect of the assessment of the level of competence of the entrepreneurial team is $-.1848$, with a 95% confidence interval ranging from $-.3242$ to $-.0788$. As zero is not a value in the confidence interval, the results are in this case also consistent with the claim that storytelling has an indirect influence on the intuitive assessments of investors that goes through their assessments of the entrepreneurial team's level of competence. Because this interval is negative, however, H_2 not only is not supported, but empirical results show in fact the opposite effect as the one hypothesized. The results of bootstrapping for the indirect effects for the second estimation, using language as independent variable and story as control, show that investors' empathy with the target customer is not significant as intervening variable. Results show a point estimate of $-.0263$, with a 95% confidence interval ranging from $-.1011$ to $.0071$. With zero in the interval, the claim that intense language has an indirect influence on investors' assessments that goes through empathy with the target customer is not supported. H_4 must, therefore, be rejected.

Table 2 shows a series of interesting relationships that are worth paying some attention to as they shed some light into the nature of the relationships implicit in the indirect effect tests. For example, being presented with a narrative version of the opportunity description is positively related (as seen in the tests of the a-paths) to the experience of identification ($\beta=.1701$, $p=.045$) and to favorable assessment of the level of motivation of the entrepreneurial team ($\beta=.3733$, $p=.000$), while it is negatively related to the assessment of entrepreneurial team competence ($\beta=-.3992$, $p=.000$). In turn, all of the proposed intervening variables are shown to be positively related to the outcome variable (as seen in the tests of the b-paths). Assessments about both the competence ($\beta=.4628$, $p=.000$) and motivation ($\beta=.2014$, $p=.025$) of the entrepreneurial team are positively related to investors' overall evaluations, as is the experience of identification with the entrepreneurial team ($\beta=.2878$, $p=.013$). Another interesting relationship, is that investors who were presented with a version of the opportunity description crafted with intense language were more likely to experience a moderately higher level of empathy for the target customer ($\beta=.2087$, $p=.052$), which suggests that the lexical manipulation was moderately effective.

DISCUSSION

We set out to examine how entrepreneurial storytelling affects the evaluations of early-stage investors regarding new venture opportunities. We started with the premise that early-stage investors conduct their initial evaluations in a rather intuitive manner (Zacharakis & Shepherd, 20017), which means that the formation of their initial impressions of a new venture opportunity is likely to be influenced by affective and nonconscious inputs. We argued that entrepreneurial stories have the ability to convey more than mere factual information. They can, for example, also convey meaning (Bruner, 1990), get people personally involved with the story characters and change their attitudes and beliefs (Green & Brock, 2000). For these and other reasons, we theorized that entrepreneurial storytelling has the capability of influencing investors' evaluative judgments. We tested these ideas in an experiment involving 188 active business angels and found out that storytelling can indeed affect a number of mechanisms that intervene in the formation of investors' opportunity evaluations, but not always in the direction that we predicted.

Our findings indicate that when an entrepreneurial opportunity is presented in the form of a story, potential investors report a higher degree of identification with the entrepreneurial team, and they also tend to provide higher assessments regarding the motivational disposition of the

entrepreneurial team, which leads them to provide a more favorable evaluation of the overall opportunity. However, opposite of what we predicted we found that investors tend to provide lower assessments regarding the competence of the entrepreneurial team when the opportunity is presented in the form of a story. In sum, the results of our field experiment indicate that investors' evaluative judgments can be indirectly influenced by entrepreneurial storytelling, but that these influences can counterbalance each other. The results also show that embellishing the communication of an entrepreneurial opportunity of an opportunity with intense language does not influence investors' evaluations.

The findings regarding the indirect effect of investors identification with the entrepreneurial team validate the main idea underling theories of narrative persuasion, which posit that stories have the capability to persuade, and thus to influence the formation of evaluative judgments, through the mechanism of creating a connection of the audience with the characters in a story, a connection that can be both cognitive and affective in nature (Green & Brock, 2000). They also validate our theoretical arguments suggesting that investors' evaluations, because they include significant intuitive and/or unconscious components, are susceptible to be influenced by peripheral elements, or at least by reasons that are not directly related to the central, substantive arguments at hand. These findings are thus also consistent with dual-process theories of persuasion, and more specifically with the Extended ELM model (Slater & Rouner, 2002) and, more broadly, with theories of affect infusion, such as the Affect Infusion Model (Forgas, 1995), which suggest that affect facilitates the development of thoughts and beliefs in contexts of high ambiguity or complexity.

Our findings regarding the indirect effect of investors' assessments of the entrepreneurial team's level of motivation provides empirical evidence to the notion that investors do not assess a founding entrepreneurial team merely on the grounds of its task-related competence, but that there are many other qualities that they also consider; qualities such as traits and dispositions that can be more subjective and hard to assess than traditional measures of human capital, such as motivation, passion or work ethic (Haines et al., 2003). This finding suggests that the "quality" of the people involved in a given new venture, broadly defined, it is an important factor in how early-stage investors evaluate opportunities, which is a claim that has been hotly debated in the literature on investors' investment criteria.

To fully understand the implications of our findings regarding the negative indirect effect of investors' assessments of the entrepreneurial team's level of competence on their overall evaluative judgments it is necessary to examine the relationships inherent in the ab-paths (see Table 2). The b-path shows that, as expected, investors' assessments of the entrepreneurial team's level of competence are actually positively related to investors' overall evaluations, which makes logical sense (investors should prefer a more competent team) and supports theoretical argument suggesting that investors' intuitive evaluations, in addition to affective and nonconscious elements, also include conscious and rational considerations. The negative effect occurs (as seen in the a-path) because, in our experiment, communicating the opportunity in a story form led to lower ratings of the entrepreneurial team's level of competence. In this case, thus, the narrative manipulation not only did not work, but had the exact opposite effect than the one that was anticipated. There are two potential explanations that may account for this unexpected effect. One is related to alternative theoretical explanations and the other one relates to the design of our instrument.

In terms of alternative theoretical explanation reasons, interestingly, these could be related precisely to the power that stories had in increasing investors' level of personal connection with the entrepreneurial team and in increasing their assessments on the passion and the motivation experienced by the founders. The entrepreneurial story, with its power to convey meaning, its ca-

pability to aid investors in understanding what the team of founders is experiencing through the process of new venture creation, and its ability to help investors make attributions of founders' intentions, motives or affective states, seems to have been very helpful in increasing the personal connection, both cognitive and affective, of investors with founders, and to have helped investors' understand the motives and passions driving the entrepreneurial team. Thus, when the opportunity was conveyed in a narrative form, investors were able to experience a higher level of identification with the entrepreneurial team, and to better grasp the entrepreneurial team's level of motivation, commitment and passion for pursuing the opportunity. Ironically, these may have been the very same reasons why investors gaged the level of competence of the founding team to be lower when they were presented with the entrepreneurial story. One of the main tenets of early-stage investors is that one should be wary of founders that are not interested in making money as their primary objective. The common wisdom among business angels, perhaps due to the natural isomorphic institutional forces at play in a given field of action (and in the particular field of private equity investing, professional venture capitalists have traditionally been referents) is also that one should stay away from "inventors," "technology enthusiasts," or "world savers," whose primary goal may be not to obtain a financial return for the venture, but rather, for instance, to introduce a new technology in the marketplace, to generate a breakthrough innovation, to bring to fruition some personal pet project, or to "save the world" from some particular problem that might be very meaningful to them. A category of founders that one should be especially weary of are precisely those who have personal reasons to pursue a given opportunity, i.e. those who have personal reasons based on some aspect of their vital experience or their personal engagement in a given cause, rather than financial motives. Investors tend to favor teams of founders who adopt a more "professional" approach to pursuing a given opportunity. While investors appreciate founders' passion and commitment for their new ventures (indeed these are some of their main espoused evaluation criteria), they also expect founders to adopt a financially instrumental approach to the pursuit of the business opportunity, understanding that the return of investment (ROI) is not only one of the main criteria for investors, but that it should also be one of the main criteria for founders. Because the story in our experiment seemed to convey the lead founders' personal experiences, potential motives, as well as his drives and passions, one could very well conclude that there is likely more at stake than simply seizing on a lucrative business opportunity, or even more than satisfying his ego through the creation of a successful business. Our story might suggest that there are very personal reasons for wanting to pursue this opportunity, reasons that could get in the way of the entrepreneurs potentially making the "right" decisions in the future, making instead decisions that that might not be aligned with what a more "professionally" oriented entrepreneur (and especially investors) would be interested in doing. This could possible raise a "red flag" for investors about the entrepreneur being a man on a personal mission rather than a "competent" entrepreneur.

In terms of experimental design, one of the most plausible explanations of why investors reacted negatively, in terms of competence assessments, to the narrative versions of the opportunity description is that a written presentation of a new venture opportunity in the form of a story might have violated standard conventions of how this type of documents look like and may thus have signaled to investors that the entrepreneurial team did not know how the process of communicating new venture opportunity in a professional manner. In that case, investors could have drawn negative inferences about overall competence of the entrepreneurial team based on this perceived lack of understanding of the process of communicating the opportunity. Therefore, investors faced with such an "unusual" document (i.e. a narrative version of the opportunity description) could have concluded that the entrepreneurial team did not follow standard convention and thus inferred a lack of competence on the part of the entrepreneurial team (i.e. a kind of "halo" effect). Perhaps it could have been different if the opportunity had been communicated in

the form of an oral presentation, rather than in a written communication, as telling a story in an oral medium may not have violated the expectations of investors in the same way. In any case, this (the effect of the medium in which the story is communicated) is an issue of potential interest for further research

Overall, the main implication of this study is that storytelling, as a form of communication, can actually exert an indirect effect on investors' evaluative judgments, which is something that is neither obvious, nor has been empirically demonstrated before. Going forward, it would be of great interest, to both researchers and practitioners, to be able to gain a better understanding of whether the positive effects of entrepreneurial storytelling on investors' evaluations could be isolated from the negative ones. More specifically in the context of our study, to better understand whether engaging in entrepreneurial storytelling must necessarily imply a tradeoff between the benefits of generating identification and more positive dispositional assessments from investors, while avoiding the disadvantages of generating more negative assessments of competence. On the answer to this question should depend, to a large extent, whether entrepreneurial storytelling could be a viable entrepreneurial communication strategy available to entrepreneurs seeking to acquire external resources. Gaining a better understanding of whether this is the case is relevant for both theory and practice, given that resource acquisition is one of the most important and difficult entrepreneurial endeavors, and entrepreneurs have a limited arsenal of resource acquisition strategies at their disposal. From the perspective of early-stage investors, the main implication may not be so much that the formation of their evaluative judgments about the attractiveness of a given opportunity can be influenced by subjective factors such as "gut feels" or "personal chemistry" (something both practitioners and researchers have already some awareness of), but that these intuitions can be affected by something so seemingly peripheral as a mere form of communication.

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TABLE ONE
Bootstrapping test for indirect effects

Bias Corrected Confidence Intervals - Story as IV		
	Lower	Upper
TOTAL	-.2538	.1061
Identification	.0028	.1416
Competence	-.3242	-.0788
Motivation	.0186	.1674
Empathy target	-.0860	.0081

Bias Corrected Confidence Intervals - Language as IV		
	Lower	Upper
TOTAL	-.1204	.1786
Identification	-.0433	.0609
Competence	-.0552	.1568
Motivation	-.0212	.0662
Empathy target	-.1011	.0071

Level of Confidence for Confidence Intervals:
 95
 Number of Bootstrap Resamples:
 5000

TABLE TWO
Multiple mediator model paths

IV to Mediators (a paths) - Story as IV				
	Coeff	se	t	p
Identification	.1701	.0841	2.0227	.0447
Competence	-.3992	.1106	-3.6106	.0004
Motivation	.3733	.0922	4.0505	.0001
Empathy target	.1063	.1066	.9966	.3204

IV to Mediators (a paths) - Language as IV				
	Coeff	se	t	p
Identification	.0220	.0841	.2619	.7937
Competence	.0910	.1106	.8229	.4117
Motivation	.0499	.0922	.5409	.5893
Empathy target	.2087	.1067	1.9568	.0520

Direct Effects of Mediators on DV (b paths)				
	Coeff	se	t	p
Identification	.2878	.1145	2.5127	.0129
Competence	.4628	.0749	6.1808	.0000
Motivation	.2014	.0892	2.2572	.0253
Empathy target	-.1258	.0798	-1.5771	.1166

Total Effect of IV on DV (c path)				
	Coeff	se	t	p
Story	-.1099	.1171	-.9383	.3494
Language	-.1485	.1172	-1.2678	.2066

Direct Effect of IV on DV (c' path)				
	Coeff	se	t	p
Story	-.0359	.1072	-.3346	.7383
Language	-.1808	.0947	-1.9099	.0578