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CAMPAIGNS OF FOR- PROFIT AND SOCIAL
ENTREPRENEURS

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LANGUAGE OF BUSINESS VERSUS LANGUAGE OF KINDNESS: A COMPARISON OF CROWDFUNDING CAMPAIGNS OF FOR-PROFIT AND SOCIAL ENTREPRENEURS

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Abstract

Many entrepreneurs wonder what they should say in the video pitches designed to raise funds from the crowd-funding platforms such as Kickstarter and Start Some Good. In this study, we focus on the linguistic style of crowdfunding pitches and how such a style relates to the success in raising funds. Based on language expectancy theory we hypothesize that the expectations of the crowd regarding the communication by social and commercial entrepreneurs differ; social campaigns have more complex goals and face a wider variety of expectations, resulting in more limited linguistic bandwidth in the eyes of the funding crowd. Empirical analyses of over 500 Kickstarter (commercial) and Start Some Good (social) campaigns demonstrate that entrepreneurs' linguistic styles that reduce uncertainty and build personal rapport with the crowd are related to funding success among social, but not among commercial campaigns.

Introduction

Crowdfunding through websites such as Kickstarter is becoming an increasingly important source of funds for artists, innovators, and entrepreneurs alike. Extant studies have identified several factors leading to fund-raising success, such as the social networks of the entrepreneur, media coverage, quality of the product and the campaign website, as well as human capital of the entrepreneur (Agrawal, Catalini, & Goldfarb, 2011; B. C. Davis & Webb, 2012; Marom & Sade, 2013; Younkin & Kaskooli, 2013). In addition, we believe that what the entrepreneur(s) actually say on the crowdfunding site matters: the impressions created by entrepreneurs' stories and word choice play a significant role in their efforts to raise crowdfunding. While much of the emerging research on crowdfunding has focused on the non-verbal determinants of favorable impression formation, the role of verbal behaviors has been largely ignored.

According to the research in psycholinguistics, the words that we use reveal a great deal about ourselves. There is even some evidence suggesting that the frequency with which individuals use certain word categories are linked to some performance outcomes, such academic or job performance (Berry, Hiller, Mueller, & Pennebaker, 1997; Robinson, Navea, & Ickes, 2013). Our goal is to determine how linguistic style affects crowd-funding success, and whether the successful linguistic style for for-profit crowdfunding campaigns differs from that of social entrepreneurs. Based on the Language Expectancy theory (Burgoon, 1995; Burgoon, Denning, & Roberts, 2002), we hypothesize that entrepreneurs on social crowd-funding sites have heightened expectations for their language use, and thus, less linguistic freedom. We test our hypotheses in a sample of 540 campaigns on Kickstarter (commercial crowdfunding) and Start Some Good (social crowdfunding) platforms. In line with our hypotheses, we find that linguistic styles that reduce uncertainty around the campaign and build rapport with the target audience boost the fund-raising performance of social ventures, but hardly matter for for-profit entrepreneurs.
Hypotheses Development

Previous research in psychoanalysis, sociolinguistics, narrative and discourse analysis and communication research (Eckert, 1999; Freud, 1901; Lacan, 1968; Schriffin, 1994) suggests that the words people use are indicative of their mental, social and psychological states (Pennebaker, Mehl, & Niederhoffer, 2003). Stated differently, the words that we use reflect our attentional focus, emotionality, social relationships, thinking styles and personal characteristics. There is even some evidence suggesting that the frequency with which we use certain word categories are linked to how we are perceived by others, thus translating into some real world performance outcomes, such academic or job performance (Berry et al., 1997; Robinson et al., 2013).

The words that we use include both content words and style words (Abe, 2011; Toma & D’Angelo, 2015). The content words (adjectives, substantives and verbs) convey much of the meaning, whereas style words are relatively content-free parts of the sentence, including pronouns, articles, prepositions, and negations. In general, people have less conscious control over how they talk about a topic than what they talk about. Thus, linguistic style, or the use of style words is likely to reveal more about us than the content words (Abe, 2011; Chung & Pennebaker, 2012; Pennebaker, 2011). Also, linguistic style is better suited for the analysis of texts with different content. Therefore, the focus of this paper will be on linguistic style, i.e. the use of style words.

Language expectancy theory assumes that people develop expectations concerning the linguistic style employed by others (Burgoon, 1995; Burgoon et al., 2002; Burgoon & Miller, 1985). It focuses on how message features, such as their length or word choice, positively or negatively violate the expectations of the recipients (Averbeck, 2010). Positive violations, i.e. exceeding the expectations, result in greater attitude change and increase the persuasiveness of the message. Negative violations, the failure to meet the expectations, produce an opposite effect.

The expectations attached to language use are usually not unique to specific communicators, but rather to entire social categories. According to the Language Expectancy Theory, people of high credibility and male speakers have more linguistic freedom (bandwidth) and can select from a number of persuasive strategies without violating present expectations. However, many other groups, such as women or members of different ethnic groups, have constricted bandwidth and very constrained choices relative to their language use.

As a social category, social enterprises represent an increasingly important type of ventures. Their primary goal is the creation of social value, but the sustainability of a social enterprise also depends on its commercial potential and financial performance (Austin, Stevenson, & Wei-Skillern, 2006; Dacin, Dacin, & Matear, 2010; Lehner, 2013). Thus, social entrepreneurs are likely to face the demands of both social and commercial orientation, whereas for-profit entrepreneurs are mostly judged by their commercial orientation only. Furthermore, social campaigns are likely to produce less tangible outcomes (social good vs. a concrete product) the value of which is more difficult to assess by the crowd. Therefore, we expect that social entrepreneurs face greater communication challenges and have less linguistic freedom than for profit-entrepreneurs.

In order to be able to identify the specific expectations that entrepreneurs (social more so than for-profit ones) face regarding their linguistic style, it is important to consider why individuals choose to donate their money on crowd-funding sites in the first place. Unlike equity investors, backers on donation-based crowd-funding platforms are not primarily motivated by return on their investment. Instead, their major goal is to “help” bringing innovative products to the market (for profit crowd-funding platforms, such as Kickstarter) (McCracken, 2012; Ordanini, Miceli, Pizzetti, & Parasuraman, 2011) and potentially receive a product reward (Kuppuswamy & Bayus,
or bring about social good (social crowd-funding platforms). Backers are also motivated by their desire for social participation, i.e. taking part in something that helps a friend or someone else needing money for a social or a personal cause (Belleflamme, Lambert, & Schwienbacher, 2012; Gerber, Hui, & Kuo, 2012; Ordanini et al., 2011; Trump, 2013).

Thus, we expect entrepreneurs pitching their campaigns on crowd-funding portals to face two major expectations regarding their language use: to reduce uncertainty and establish rapport with the target audience (Flanagin, 2007; Larrimore, Jiang, Larrimore, Markowitz, & Gorski, 2011). Uncertainty reduction refers to reassuring the target audience that the entrepreneur is capable and motivated to deliver what her campaign was set up to deliver (Bradshaw, 2012; Highhouse, Brooks, & Gregarus, 2009; Maxwell, Jeffrey, & Levesque, 2011; Reidl, 2013). Linguistically, uncertainty reduction can be achieved through (1) the delivery of extensive amounts of precise information to the target audience through lengthy campaign descriptions including also (2) quantitative information, and using language that is (3) concrete (Larrimore et al., 2011) and (4) sincere (transparent) (Short & Palmer, 2008).

In line with this reasoning, longer and more information-rich messages have been found to be positively associated with uncertainty reduction, eliciting trust in online environments (Flanagin, 2007; Toma & Hancock, 2012; Yang, Hung, Sung, & Farn, 2006). In addition, providing quantitative information, such as financial information, performance forecasts and timetables will boost backers’ confidence of the preparedness and competence of the entrepreneur to carry out the crowd-funded campaign as promised (Larrimore et al., 2011).

Another linguistic feature that enhances uncertainty reduction is the use of concrete language (Larrimore et al., 2011; Toma & D’Angelo, 2015). Concrete language refers to a linguistic style representing contextualized and detailed representations of objects (Doest, Semin, & Sherman, 2002). Extant research has identified two linguistic cues to concreteness: articles (i.e., “a,” “an,” and “the”) and quantifiers (e.g., “many,” “few,” “a lot”). Concrete language allows faster and deeper processing of information and is more easily remembered (Marcshark & Surian, 1992; Paivio, 1991; Schwanenflug & Stowe, 1989), whereas abstract language can be difficult-to-follow.

Sincerity is often measured using linguistic variety (Johnson’s type-token ratio). This measure divides the number of different words in a passage by the passage’s total words (Johnson, 1946; Short & Palmer, 2008). A wealth of linguistic and psychological research reports high scores of this construct to be associated with deception and overstatement, whereas a lower score indicates truthfulness and transparency (Colwell, Hiscock, & Memon, 2002; Knapp, Hart, & Dennis, 1974). In other words, individuals known for their integrity use a more homogeneous word choice, thus scoring low on this index. The individuals known to be less truthful, in their turn, tend to use different terms throughout the text for the same concept (Geppert & Lawrence, 2008).

In addition to uncertainty reduction, building personal rapport with the target audience is critical for entrepreneurs seeking funding on crowd-funding platforms (Gerber et al., 2012; Huili & Zhang, 2014). Linguistic styles that promote building personal rapport are characterized with (1) low levels of psychological distancing and (2) high levels of interaction with the target audience (Abe, 2011; Toma & D’Angelo, 2015). Psychological distancing refers to the extent to which an individual distances or removes himself or herself from the present circumstances or the topic being discussed. While experts are expected to conduct themselves in an objective, detached, and unbiased manner, it is more likely that potential backers on the crowd-funding platforms are attracted to pitches where the entrepreneur connects to her audience on an emotional level by sharing her personal experiences. This can be achieved through the increased use of first-person
pronouns (I) and negative emotionality words (D. Davis & Brock, 1975; Toma & D’Angelo, 2015).
Finally, an increased use of questions indicates greater interactivity and receptivity to the needs of
the target audience (Sexton & Helmreich, 2000; Tausczik & Pennebaker, 2010).

To sum up the discussion above, we propose that the primary expectations related to
entrepreneurs’ language use on crowd-funding platforms center around uncertainty reduction
and building rapport with the target audience. However, due to social campaigns 1) facing more
complex expectations (both social and commercial orientation) and 2) producing less tangible
outcomes (social good vs. a concrete product), we expect that the entrepreneur’s linguistic style is a
particularly important predictor of the success of social entrepreneurs’ crowdfunding campaigns.
Reducing uncertainty through sincere, concrete, quantifiable, and precise language helps social
entrepreneurs manage the complex expectations that the crowd has of them as both do-gooders as
well as financially responsible entrepreneurs. Building rapport with the potential funders through
connecting on an emotional level and demonstrating interactivity with them can help social
campaigns overcome the limitations presented by the lack of tangible outcomes that can be shared
with the crowd. Thus,

\textit{H1a: Linguistic styles reducing uncertainty are more important for the crowd-funding
success of social ventures than for profit ventures.}

\textit{H1b: Linguistic styles building rapport with the target audience are more important for the
crowd-funding success of social ventures than for profit ventures.}

\textbf{Method}

Our sample includes 540 crowd-funding campaigns listed on Kickstarter (n=411) and Start
Some Good (n=129) platforms in 2013-2014. Only campaigns with videos containing verbal
communication were included in the study. For commercial ventures, we used Kickstarter
campaigns in the following Kickstarter product categories: hardware, software and technology,
computer (video) games, and product design. The reason for choosing these sectors was that
projects in these product categories most closely resemble conventional start-up companies and
serve as a basis for continued commercial activity. In fact, according to some estimations, over
90 percent of successful projects in these sectors remain ongoing ventures, and 32 percent report
yearly revenues of over $100,000 one year after the Kickstarter campaign and add an average of
2.2 employees per successful project (Mollick, 2014a, 2014b). The Start Some Good website was
founded to be “the Kickstarter of social ventures” and it caters for social change initiatives, whether
non-profit, for-profit or unincorporated (Pollock, 2011; Valuenzuela, 2011).

We used transcribed video pitches to analyze the linguistic content of the crowdfunding
campaigns. The linguistic content of crowdfunding campaign materials was analyzed using
DICTION and LIWC (Linguistic Inquiry and Word Count) software packages. The DICTION
software is widely used in management research (Rogers, Dillard, & Yuthas, 2005; Short & Palmer,
2008), whereas LIWC is the most commonly used language analysis tool for investigating the
relation between word use and psychological variables (Malal, 2014).

We operationalized crowd-funding success as a binary variable indicating whether the
campaign received funding or not. On both Kickstarter and SSG platforms the receipt of funding
depends on whether the tipping point (minimum funding goal) set by the entrepreneur is met.
Linguistic styles reducing uncertainty were operationalized as 1) the length of the pitch (number
of words), 2) number of numerical terms, 3) the number of articles (i.e., “a,” “an,” and “the”) and
quantifiers (e.g., “many,” “few,” “a lot”) indicating concrete language (Larrimore et al., 2011) and
4) linguistic variety referring to transparency or sincerity (Johnson, 1946; Short & Palmer, 2008). The linguistic styles building rapport with the target audience were operationalized as 1) the use of first-person pronouns (I) and negative emotionality words indicating psychological distancing (Toma & D’Angelo, 2015) and 2) the use of questions in pitches referring to more interactive style (Tausczik & Pennebaker, 2010).

We included several control variables in our analyses, such as campaign country, investor comments, media, Facebook shares, entrepreneur’s gender, and the number of his/her previous successful campaigns. In addition, we controlled for the entrepreneurs’ use of many content word categories. These include the use of collective language (DICTION variable cooperation), language describing humanizing details (Larrimore et al., 2011) and social problems (DICTION variable exclusion), as well as language describing innovativeness (Michalisin, 2001) and commercial orientation (Zachary, McKenny, Short, & Payne, 2011).

**Results and Implications**

On average, our sample ventures raised $53,471 from 1916 backers. The corresponding figures were $68,668 from 2500 backers for Kickstarter ventures and $4,900 from 50 backers for Start Some Good Ventures. However, the averages are impacted by the presence of a small number of campaigns (particularly on Kickstarter) that received a very high amount of funding; four Kickstarter projects received over a million dollars. The median amount of funds raised in the sample is $3,111 ($4,251 on Kickstarter and $2,105 on SSG), and median number of backers per campaign is 45 (70 on Kickstarter and 22 on SSG). Thirty-three per cent of the sample campaigns met or exceeded their funding goal, and were consequently coded positive for our binary dependent variable (received funding).

To test hypotheses 1a and 1b, we ran Binary Logistic Regressions separately for the Kickstarter (for profit ventures) and Start Some Good (social ventures) samples. The linguistic style has a significant impact on the success of social crowdfunding campaigns (on SSG) but has no impact on the success of Kickstarter campaigns (commercial campaigns). More specifically, we find that the uncertainty reducing techniques of using numerical terms and concrete language positively relate to social campaign success \( (p<.01) \), whereas linguistic variety, denoting manipulation and dishonesty, was negatively associated with crowd-funding success. Also, the two linguistic styles that promote building personal rapport with the crowd (low levels of psychological distancing and high levels of interaction with the target audience) are positively related to social campaign funding success \( (p<.05) \). None of these factors are significant predictors of funding success on Kickstarter. A Z-test indicates these differences are statistically significant \( (p<.01) \).

Overall, these results confirm the prediction formed based on the language expectancy theory: social crowdfunding campaigns’ linguistic bandwidth seems to be more limited. Deviations from the norm have a greater impact on their fund-raising success. In other words, different rules govern the language use of social and for-profit entrepreneurs.

This study contributes to the growing literature on crowd-funding success factors. While most of the current literature focuses on relatively tangible product and entrepreneur related factors (Kuppuswamy & Bayus, 2013; Marom & Sade, 2013; Mollick, 2014b), this study draws our attention to communication strategies that make fund-raising campaigns successful. While some studies have covered non-verbal communication (including physical appearance) (Cardon, Wincent, Singh, & Drnovsek, 2009; Chen, Yao, & Kotha, 2009; Duarte, Siegel, & Young, 2012; Ravina, 2012) and the content of communication (Allison, Davis, Short, & Webb, 2014; Cornelissen & Clarke,
2010; Lounsbury & Glynn, 2001; O’Connor, 2002), this study taps into the hitherto omitted role of linguistic style in attracting funding. From a theoretical point of view, this is one of the first studies drawing on the psycholinguistics and language expectancy theory in the context of entrepreneurial finance. As such, our study demonstrates that expectations regarding entrepreneurs’ language use differ based on their social category.

Our results suggest that social entrepreneurs are held to higher standards when it comes to their communication strategies than for profit entrepreneurs. In addition to being required to emphasize pro-social content in their campaign pitches (Allison et al., 2014), social entrepreneurs should pay attention to their linguistic style when appealing to the crowd for resources. Even though social entrepreneurs typically raise relatively small sums of money, it is particularly important for them to provide concrete information and appear transparent, as well as build rapport with the audience. While emotional appeal and interaction with the audience often naturally become integrated parts of social entrepreneurs’ narratives, the goal of communicating through concrete, quantifiable, and precise language to reduce uncertainty may be more of a challenge. Especially early stage social entrepreneurs, many of whom look to raise funds from the crowd, face challenges in clearly communicating and quantifying the social impact they are seeking to have. Our study is yet another reminder of the importance of making the social impact clear from the beginning on. From a practical point of view, and moving beyond social campaigns, we hope that this study helps us better understand that entrepreneurs raising funding are evaluated differently based on the category of their belonging and this should be taken into account when designing effective crowd-funding campaigns. Besides the social vs. commercial division studied here, it is likely that language use expectations differ for other groups too (such as technology ventures, entrepreneurs in culture and arts, minority entrepreneurs, etc.).

Despite its merits, this study leaves us with many unanswered questions. First, crowd-funding platforms are popular among micro-entrepreneurs and they resemble online angel group platforms and elevator pitch competitions in that most applications are rejected based on a very brief exposure to the application material (Parhankangas & Ehrlich, 2014). Yet most backers on crowd-funding platforms do not represent professional investors. Thus, an interesting avenue for future research would be to investigate professional investors’ (both traditional equity investors as well as impact investors in social ventures) sensitivity to linguistic styles. Second, we only compare entrepreneurs representing two social categories (for profit entrepreneurs and social entrepreneurs). Thus we call for future studies exploring a wider variety of social categories within the entrepreneurial community. In addition, we suspect that the differing expectations regarding the language use of social entrepreneurs and for profit entrepreneurs might partly stem from the fact that the outcomes of the social campaigns are often less concrete, and thus more difficult to convey than the outcomes of for profit campaigns. It is also possible that social entrepreneurs are still met with some skepticism regarding their managerial capabilities (Lehner, 2013), which may reduce their legitimacy as “real players” in the entrepreneurial scene. Hence, we encourage future studies comparing the importance of linguistic style for campaigns with varying levels of abstractness and for entrepreneurs with varying levels of legitimacy.

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