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ARE FRIENDS WORTH MORE THAN MONEY? SOCIAL CAPITAL AS A PERFORMANCE FACTOR IN CROWDFUNDING (SUMMARY)

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ARE FRIENDS WORTH MORE THAN MONEY? SOCIAL CAPITAL AS A PERFORMANCE FACTOR IN CROWDFUNDING

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Principal Topic
The importance of social capital reach has been extensively demonstrated in several areas of entrepreneurship research such as startup performance and venture capital attraction. The present study draws on these findings by investigating the effect of social capital on the crowdfunding campaign performance. Online crowdfunding platforms provide features that can transfer previously unavailable social information between project creators and backers. This social information helps to offset the information asymmetry, which is one of the key challenges for crowdfunding platforms (Agrawal et al. 2015). However, recent research has produced inconsistent results regarding the effects of social capital on crowdfunding campaign performance: while Mollick (2014) and Colombo et al. (2015) report positive effects, Ahlers et al. (2015) find no evidence of social capital’s impact on campaign performance. Moreover, fundamental questions remain unanswered: what role does the composition of social capital play for campaign performance and what is the underlying mechanism of this effect? Drawing on the information signaling theory (Spence 1973), we analyze the effects of internal and external social capital and investigate the role of project popularity indicators as mediating factors in the causal chain between social capital and campaign performance.

Method
Our empirical analysis is based on longitudinal data sample of 14,382 crowdfunding campaigns from a leading international crowdfunding platform. Information from the platform provides necessary data points regarding social capital of project creators and further measures relevant for our model.

Results and Implications
Our study advances the emerging literature on crowdfunding by exploring the effects of social capital and its composition on campaign performance. At the same time, campaign popularity has largely been omitted in the crowdfunding research despite being one of the central success factors for campaigns (Burtch et al. 2013). We close this gap by including campaign popularity indicators as mediating factors in the causal chain between social capital and campaign performance. Moreover, our findings broaden the current understanding of the role of social capital in entrepreneurship by shedding light on the underlying influence mechanism of social capital on crowdfunding campaign performance. Finally, this study contributes to the information signaling theory by addressing a number of research calls regarding the social information signals’ effects in the crowdfunding context (Burtch et al. 2013).

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