ENTREPRENURIAL LEARNING IN EQUITY CROWDFUNDING: IS GOOD INNOVATION ENOUGH? (INTERACTIVE PAPER)

Samuel L. Clarke  
*Shidler College of Business, University of Hawaii at Mānoa, USA, sclarke7@hawaii.edu*

Thomas H. Allison  
*Carson College of Business, Washington State University, USA*

Aaron Anglin  
*Price College of Business, University of Oklahoma, USA*

Lowell W. Busenitz  
*Price College of Business, University of Oklahoma, USA*

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ENTREPRENEURIAL LEARNING IN EQUITY CROWDFUNDING: IS GOOD INNOVATION ENOUGH?

Samuel L. Clarke, Shidler College of Business, University of Hawaii at Mānoa, USA
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Lowell W. Busenitz, Price College of Business, University of Oklahoma, USA

Principal Topic
An entrepreneur’s ability to raise capital is a critical factor to a new venture’s performance. We adopt an entrepreneurial learning view to study the impacts of exploration and exploitation orientations on a new venture’s capital acquisition performance in equity crowdfunding. The research also begins to analyze the dynamic nature of entrepreneurial learning by capturing the longitudinal changes in orientation made by entrepreneurs during their campaign as they respond to feedback from the crowd.

Method
With data from 77 new ventures participating in Crowdcube, an equity-based crowdfunding platform in the UK, we use logistic regression to analyze the effects of exploration and exploitation orientations on the probability that the entrepreneur will successfully raise capital from the crowd. We employ computer-aided text analysis to measure the orientation found in an entrepreneur’s online pitch. Using the entrepreneur comments and investor feedback, further analysis will study the campaign longitudinally by investigating the changes to exploration and exploitation orientations and their impacts on the amount of capital raised each day.

Results and Implications
Our analysis shows that exploitation orientation within the entrepreneur’s narrative increases the probability that they will successful raise capital through equity crowdfunding. The exploitation orientation allows entrepreneurs to improve performance by demonstrating their ability to execute the current opportunity through language found within their pitch. We also predicted that exploration orientation would increase the probability of success due to the long-term nature of the activities associated with the orientation and the long horizon in new venture investments. However, an exploration orientation was not a significant predictor of successfully raising capital through an equity crowdfunding platform. The findings contribute to our understanding of how exploration and exploitation orientations affects the performance of new ventures seeking to raise early stage capital in an equity crowdfunding context. By looking at entrepreneurs raising capital through equity crowdfunding, we expand the exploration and exploitation perspectives associated with variation in capital acquisition performance to new ventures.

CONTACT: Samuel L Clarke; sclarke7@hawaii.edu; (T): 808-956-7615; (F): 808-956-2774; Shidler College of Business, 2404 Maile Way, Honolulu, HI 96822 USA.