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OFFLINE SOCIAL NETWORKS AND ONLINE CROWDFUNDING PERFORMANCE (INTERACTIVE PAPER)

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≈ INTERACTIVE PAPER ≈

**OFFLINE SOCIAL NETWORKS AND ONLINE
CROWDFUNDING PERFORMANCE**

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Principal Topic

Prior research has shown the financial importance of friends and family in new venture creation (e.g., Bates, 1996; Gartner, Frid, & Alexander 2012). Building on the premise that crowdfunding success is more likely when projects attract substantial amounts of money in the early days of a campaign (Agrawal et al., 2014), we turn to the question of whether friends and family are pivotal to acquiring capital through crowdfunding campaigns. Drawing on social network theory, we start by suggesting that because crowdfunding project founders are generally not allowed to back their own campaigns, initial spikes in funding likely originate from the founder's family and friends. We then propose a moral-licensing explanation for the phenomenon of entrepreneurs' inflation of the perceived popularity of their crowdfunding projects via (disapproved) self-backing. Thus, we offer a distinction between campaigns which are bolstered through offline networks and those which are supported entirely by the online crowd.

Method

Internal social capital positively affects both the number of early backers and the amount of early funds raised (Columbo, Franzoni, & Rossi-Lamastra, 2015). We extend social network research by examining the importance of offline friends and family. We use a longitudinal, mixed archival/survey research design consisting of a random sample of 1,500 Kickstarter projects, combined with a survey of project founders. Our independent variables are the funding contributions made by the founders themselves or by members of their offline social networks. Dependent variables include both the number of early backers and the amount of early funds raised.

Results and Implications

Data collection for our study is still in progress. While some crowdfunding campaigns appear to gain backing quickly, we expect that these spikes may stem from a founder's offline network rather than from the online crowd. As one of the first empirical papers evaluating the roles of family and friends in a crowdfunding context, this study extends both crowdfunding and social network literature. Furthermore, we contribute to practice by helping entrepreneurs understand the importance and potential origin of spikes in their campaign funding.

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