KICKSTART YOUR BUSINESS – THE USE OF IMPRESSION MANAGEMENT IN REWARD-BASED CROWDFUNDING (SUMMARY)

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Principle Topic
Writing a compelling pitch is of paramount importance in reward-based crowdfunding. For this reason, it is crucial to capture how the impressions created in a crowdfunding pitch affect funding success. Considering the distinct funder composition in reward-based crowdfunding setting, which constitutes a disparate crowd of stakeholders, philanthropists and community members, we focus on entrepreneurs’ efforts to project optimism, certainty and commonality as impression management (IM) tactics that help to align campaign’s perceived features with funders’ motivations. The study also differentiates between the IM tactics employed in the project description section of the pitch and those in the risks and challenges section. As such, we are able to explore the impact of consistency between impressions of project features and impressions of project feasibility.

Method
We use an extensive database of over 70,000 Kickstarter campaigns from April, 2009 to March, 2014. We analyze impression management tactics focusing on the different tonal features in the crowdfunding pitches. We therefore use computer-aided textual analysis tools, namely DICTION 7.0 and Loughran and McDonald (LM) wordlists. The former is a software used to assess linguistic features for the purpose of strategic management research, whereas, the latter was developed for the specific purpose of analyzing tone in financial communication. Using the two separate protocols, we not only test the robustness of the results, but also look into the contingent nature of successful IM tactics, which varies with the context in hand, in our case-- providing description and while communicating risks.

Results and Implications
The findings of the study provide strong evidence for effectiveness of IM tactics employed by entrepreneurs on funding success in a reward-based crowdfunding setting. The results also indicate that funders react positively to consistency in tone within the pitch, however, while communicating risk, the use of finance-specific positive words was found to have a favorable impact on funding outcome. As such, our study extends existing knowledge on the realm of textual features as determinants of crowdfunding campaign success and secondly, it increases our understanding on impact of impression management employed by entrepreneurs that seek to obtain financial resources.

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