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MIXED MESSAGES: HOW SIGNAL INCONGRUITY INFLUENCES INVESTOR DECISION MAKING (SUMMARY)

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≈ SUMMARY ≈

**MIXED MESSAGES: HOW SIGNAL INCONGRUITY
INFLUENCES INVESTOR DECISION MAKING**

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Principal Topic

Investor decision making in entrepreneurship often relies on signaling theory to explain how signals flow between ventures prospective investors. Extant research, though, focuses on the effects of a single signal in isolation or multiple signals in the same direction. This overlooks the occurrence of *incongruent signals*—multiple positive and negative signals. At present, there is no explanation regarding how individuals respond to multiple, simultaneous signals that send competing messages. We address this gap by conceptualizing and testing a model of multiple signal sets that include both congruent and incongruent signals.

Methods

We conducted a between-subjects scenario experiment with a sample of 224 crowdfunding investors, fully replicated with an additional 216 investors. The experiment reflects four treatment conditions: positive signal congruence, negative signal congruence, positive-negative incongruence and negative-positive incongruence. Signals used to create these treatment conditions were randomly selected from a population of 10 commonly studied signals (5 positive and 5 negative). Following exposure to the investment opportunity and manipulated signals, participants indicated their assessments of the attractiveness of the investment opportunity via a three-item scale from prior research ($\alpha = .94$). Univariate linear modeling was used to analyze the data.

Results and Implications

We find a significant main effect across signal set conditions ($F=17.58, p<.001$) on investor's assessments, such that we find evidence of a cancelation effect. We also find a temporal effect such that the negative signal exhibited stronger downward pressure when it was temporally closer to the evaluation. Contrasts analysis revealed that the two incongruent signal conditions were significantly different from each other [$\mu = 4.82 (-+)$ vs. $3.86 (+-)$] and from the positive congruence condition ($\mu = 5.47$). However, only the negative-positive (-+) incongruent signal condition was significantly different from the negative congruence condition [$\mu = 3.86$]. We also find that the temporal effect is mitigated for those who have made prior crowd investments where positive followed by temporally closer negative signal is weaker for those who have not made prior reward investments ($\mu = 4.81$) than those who have ($\mu = 3.47$).

Our findings contribute to the investor decision-making literature by exploring how investors respond to incongruent signals. This opens an avenue for future research that extends the use of incongruent signals in investor evaluations.

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