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IS PROJECT FAILURE PERMANENT: ENTREPRENEURIAL RESPONSES TO CROWDFUNDING FAILURE (INTERACTIVE PAPER)

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≈ INTERACTIVE PAPER ≈

**IS PROJECT FAILURE PERMANENT: ENTREPRENEURIAL
RESPONSES TO CROWDFUNDING FAILURE**

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Importance of Study

Entrepreneurial scholars have explored in detail how entrepreneurs respond, cope, and rebound from firm failure (Eggers & Song, 2015; Shepherd, Patzelt, & Wolfe, 2011, Shepherd, 2003). Indeed, as part of the day to day business struggles, entrepreneurs need to make sense of and overcome numerous discrete event/project failures (Shepherd & Cardon, 2009). Our study contributes to the entrepreneurship literature by quantifying the extent to which an entrepreneur's response to discrete project failure can be explained uniquely by two dominant psychological theories; Mindset theory (Dweck, 1999), and Attribution theory (Kelley, 1967).

Principle Topic

While there are multiple theories which seek to explain individual responses to failure, our theoretical model combines Mindset (Dweck, 1999), and Attribution (Kelley, 1967) theories. Dweck's (1999) work on mindsets illustrated that those who believe that personal attributes (e.g. intelligence) can be improved tend to outperform those who believe that personal attributes cannot be improved (Dweck, 1999, 2007). Dweck refers to these two different beliefs as "fixed" and "growth" mindsets and has shown in several studies the implications these mindsets have on responses to failure. Growth mindsets have been shown to promote challenge-seeking and a mastery-oriented response to failure, whereas Fixed Mindsets have been shown to produce challenge-avoidance and a learned helplessness response to failure (Elliot & Dweck, 1988). While these two theories have been tested in psychological studies, they have yet to be applied to entrepreneurial responses to discrete project failures. Specifically, our study examines the role mindsets play in accounting for attributional responses to failure. Our model contributes to the entrepreneurial literature by comparing and contrasting these two related yet distinct explanations for failure response in order to determine the effects of each in the entrepreneurial setting.

Methods/Results

To test our hypotheses, we use a random set of 1600 discrete project failures by operationalizing failed crowdfunding campaigns that were created between 2009 and 2012. To operationalize entrepreneur-level characteristics we rely on computer aided textual analysis (CATA). We then combine these data with additional publicly available databases that identify subsequent commercial activity of each failed project. We test our hypotheses using OLS regression. We discuss the distinct theoretical influence of Mindsets (Dweck, 1999) and Attribution Theory (Kelley, 1967) on entrepreneur response to discrete failures.

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