6-9-2012

THE INFLUENCE OF SOCIAL MEDIA ON THE INVESTMENT, LEGITIMACY AND REPUTATIONAL ASSESSMENT OF ENTREPRENEURIAL VENTURES (SUMMARY)

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Recommended Citation

Kiefer, Kip (2012) "THE INFLUENCE OF SOCIAL MEDIA ON THE INVESTMENT, LEGITIMACY AND REPUTATIONAL ASSESSMENT OF ENTREPRENEURIAL VENTURES (SUMMARY)," Frontiers of Entrepreneurship Research: Vol. 32: Iss. 9, Article 3.
Available at: http://digitalknowledge.babson.edu/fer/vol32/iss9/3

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Principal Topic

Nearly everyone agrees that social media has become a fixture in society and that it will have an increasingly larger impact on firms’ success in the future (Blanchard, 2011). However, little understanding exists today regarding the exact role and influence of social media on business. This paper begins to fill this literature gap by isolating and examining the specific effect social media has in an entrepreneurial context. Specifically, this paper explores how the inclusion or lack of inclusion of social media in business-generated materials influences potential buyers’ and investors’ investment decisions, perceived level of legitimacy and reputational assessments.

Method

A multi-experiment methodology is used to test hypotheses. Experiment 1 tests whether social media effects investors’ investment decisions and legitimacy and reputational assessments of new ventures. Potential investors are presented with firm marketing material (either with or without references to social media) and asked questions aimed at determining their likelihood to invest, at what level they would invest and their legitimacy and reputational assessments of the firm. Experiment 2 tests the influence of social media on buyer investment decisions and legitimacy and reputational assessments. Similar to Experiment 1, Experiment 2 presents buyers with firm marketing material (either with or without references to social media) and asks them questions aimed at determining their likelihood to buy, at what price they would buy, and their legitimacy and reputational assessments of the firm. Regression analysis is conducted to test the predictive models for each of the hypotheses.

Results and Implications

Nearly everyone believes social media is a critical part of business; however, little research has been done to specify the true influence social media has on potential stakeholders actions and beliefs. This paper advances researchers’ understanding of the role of social media as it pertains to influencing peoples’ actions, particularly in an entrepreneurial context. If it is true that social media influences investment decisions, perceived level of legitimacy, and firm reputation, then every entrepreneurial venture should consider including the appropriate amount of emphasis on social media considerations in their business materials and business plans. Plenty of further entrepreneurship research opportunities exist regarding social media’s value and its ability to influence.

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