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FUNDER DECISION-MAKING: THE ROLE OF PRODUCT CREATIVITY, ENTREPRENEURIAL PASSION, AND POSITIVE AFFECT (SUMMARY)

Blakley C. Davis  
*Oklahoma State University, blakley.davis@okstate.edu*

Justin W. Webb  
*Oklahoma State University, USA*

Joseph E. Coombs  
*Virginia Commonwealth University, USA*

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SUMMARY

FUNDER DECISION-MAKING: THE ROLE OF PRODUCT CREATIVITY, ENTREPRENEURIAL PASSION, AND POSITIVE AFFECT

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Principal Topic

The ability to understand both the decision-making process of funders and the way in which entrepreneurs might appeal to that process have long represented key points of scholarly interest. In attempt to gain insight into these phenomena, extent research has generally been premised on the assumption that funder's decisions to provide capital are driven by their economically rational responses to entrepreneurs' communicated pitches. Alternatively, relatively little scholarly effort has been dedicated to understanding whether the decision-making process of funders might be influenced by emotion-based responses, such as state-based positive affect. This article suggests that the decision of funders (in the crowd-funding context) to provide capital is influenced both by economically rational criteria and emotional considerations. In doing so, we provide insight into the way in which funders make capital allocation decisions when faced with relatively lower levels of objective, concrete information than is generally available in traditional investment contexts.

Method

Drawing on theories of positive affect, and arguments pertaining to traditional investment criteria, we develop and test a moderated mediation model of funder decision-making. Data was gathered from 102 participants that viewed and evaluated ten different entrepreneurial funding pitches drawn from the crowd-funding platform Kickstarter. After viewing each pitch, participants responded to measures related to the creativity of the product being pitched, the visible passion of the entrepreneur, their own affective response to the pitch, and, ultimately, their funding decision. Data analysis was performed using the PROCESS macro for SPSS.

Results and Implications

The results suggest that funder positive affect partially mediates the relationship between product creativity and the decision to provide capital. Furthermore, our results also suggest that entrepreneurial passion (both affective and cognitive dimensions) positively moderate this indirect relationship. These findings not only provide open up a new area of scholarly research for affect within the area of entrepreneurial finance, but may also help to clarify mixed findings of past research examining the relationship between entrepreneurs’ outwardly visible indicators of passion and funding outcomes.

CONTACT: Blakley Davis; blakley.davis@okstate.edu; (T) 405-744-3325; (F) 405-744-8956; School of Entrepreneurship, 104A Business Building, Spears School of Business, Oklahoma State University, Stillwater, Oklahoma, 74048-4011.