6-7-2014

KEEPING UP WITH THE JONESES INVESTMENT PORTFOLIO: WHEN PREVENTION FOCUS DRIVES WILLINGNESS TO INVEST (SUMMARY)

Regan M. Stevenson
University of Central Florida, USA, stevenson@ucf.edu

Michael P. Ciuchta
University of Central Florida, USA

Recommended Citation
Stevenson, Regan M. and Ciuchta, Michael P. (2014) "KEEPING UP WITH THE JONESES INVESTMENT PORTFOLIO: WHEN PREVENTION FOCUS DRIVES WILLINGNESS TO INVEST (SUMMARY)," Frontiers of Entrepreneurship Research: Vol. 34 : Iss. 3 , Article 5.
Available at: https://digitalknowledge.babson.edu/fer/vol34/iss3/5

This Summary is brought to you for free and open access by the Entrepreneurship at Babson at Digital Knowledge at Babson. It has been accepted for inclusion in Frontiers of Entrepreneurship Research by an authorized editor of Digital Knowledge at Babson. For more information, please contact digitalknowledge@babson.edu.
SUMMARY

KEEPING UP WITH THE JONESES INVESTMENT PORTFOLIO: WHEN PREVENTION FOCUS DRIVES WILLINGNESS TO INVEST

Regan M. Stevenson, University of Central Florida, USA
Michael P. Ciuchta, University of Central Florida, USA

Principal Topic

Recent legislative changes (e.g. Title II of the JOBS Act) and technological advances (e.g. crowdfunding) are creating new opportunities for non-sophisticated investors to participate in private equity investments. Nonprofessional investor participation on a mass scale may have several implications for entrepreneurial finance. Using regulatory focus theory (Higgins, 1997; Lockwood, 2002), we explore individual psychological foundations that underlie nonprofessional crowdfunding investment decisions to enhance our understanding of this nascent private equity landscape.

Regulatory focus theory is a widely cited psychological theory which explains goal pursuit, motivation, and individual decision making processes. Individuals operate in two distinct orthogonal modes known as promotion focus or prevention focus. Prevention focused individuals have been shown to be more likely to avoid acts of commission and inherently risky investments (Bryant & Dunford, 2008; Burmeister-Lamp, Lévesque, & Schade, 2012; Higgins, Shah, & Friedman, 1997). However, by conceptualizing a new dimension within the regulatory focus framework (i.e., absolute/relative focus) our study hypothesizes that certain prevention-focused individuals are more willing to invest in risky ventures. We explore this dimension in an equity crowdfunding setting.

Method

We undertake a series of experimental studies using a sample of working adults (nonprofessional investors) and a between-participants design. Participants were directed to what they believed was a beta version of an equity crowdfunding web site where they reviewed entrepreneurial pitches and peer-relative social information. Data was collected on nonprofessional investor regulatory focus, willingness to invest, and individual difference variables.

Results and Implications

The results reveal significant heterogeneity along the prevention focus dimension. Interestingly, our findings demonstrate that certain types of information flips investment behaviors from acts of omission to acts of commission for relativistic prevention-focused individuals but not for absolute prevention-focused individuals. We posit that the fear of missing out drives this paradoxical behavior. We develop theory which outlines a novel focus dimension, known as absolute/relative focus. We conclude that an “absolute focus” is distinct from a “relativistic focus” and discuss how the inclusion of absolute/relative focus as a variable of interest may enhance regulatory focus theory.

CONTACT: Regan M. Stevenson; Stevenson@ucf.edu; (T): 1 407 375 6527; Department of Management; University of Central Florida, P.O. Box 161400, Orlando FL 32816 USA.