DOES IMPROBABILITY MAKE FUNDING A POSSIBILITY? EXPLORING UNIQUENESS AND CROWDFUNDING OUTCOMES USING STATISTICALLY IMPOSSIBLE PHRASES (SUMMARY)

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SUMMARY

DOES IMPROBABILITY MAKE FUNDING A POSSIBILITY? EXPLORING UNIQUENESS AND CROWDFUNDING OUTCOMES USING STATISTICALLY IMPROBABLE PHRASES

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Principal Topic

Acquiring financial capital is an important topic in entrepreneurship. With adequate financial resources, entrepreneurs can jumpstart their venture ideas (Brush et al., 2001). Convincing potential resource providers to invest in their ventures is challenging for entrepreneurs because of the uncertainty involved in opportunity valuation (Hitt et al., 2001). Numerous ideas of nascent entrepreneurs fizzle out due to the lack of financial resources (Aldrich & Martinez, 2001). Uncovering why some ventures are able to secure funding while others are unable to do so is critical to address.

Language, communication, and stories play crucial roles in resource acquisition (Lounsbury & Glynn, 2001). “Stories help generate interest and commitment among potential resource providers by connecting to broader contextual narratives in such a way that the proposed endeavor appears original and distinctive” (italics added, Martens et al., 2007, p. 1108). We used the crowdfunding context to address how originality/novelty impacts resource acquisition. We anchor on Schumpeter’s theorizing (Schumpeter, 1934) which considers novelty as a foundation of value creation (Amit & Zott, 2001) to hypothesize that projects which are unique relative to past projects will be successfully funded. We explore different degrees of uniqueness to identify the boundary conditions of our general hypothesis.

Methods

We will use the Statistically Improbable Phrases (SIP) technique in analyzing Kickstarter (a type of crowdfunding platform) project-pages. SIP was pioneered by Amazon for their “Search Inside!” program which compares all Amazon-indexed books. We followed the recommendations in matpalm.com/sip. Our dataset consists of over 64,000 Kickstarter project-pages starting from the oldest archived project until October 2013.

Implications

Our study has implications for entrepreneurship research and practice. We extend previous resource acquisition literature by examining to what extent uniqueness matters in funding acquisition in a context where the nature of how entrepreneurs signal quality and preparedness is unclear (Mollick, 2013). We also contribute to the crowdfunding literature, which still has very few published studies to date (e.g., Belleflamme et al., 2013; Mollick, 2013). From a practical standpoint, our findings will be useful for project creators (mostly nascent and early-stage entrepreneurs), as well as policy makers, development banks, and similar institutions that have been leveraging on crowdfunding for economic development.

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