CROWDFUNDING: A MORAL LEGITIMACY VIEW OF THE IMPACT OF FOUNDER AND PROJECT CHARACTERISTICS ON FUNDING PERFORMANCE (SUMMARY)

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SUMMARY

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Principal Topic

This study examines how project founder characteristics and social identity impact crowdfunding performance. In addition, we investigate the role of legitimacy within these relationships. Suchman (1995) proposes that legitimacy can be grouped into three distinctive subsets: pragmatic, moral, and cognitive. In applying this theory to crowdfunding, we expect moral legitimacy to have the greatest impact on fundraising outcomes. We hypothesize that project founder characteristics and social identity are crucial to funding performance. In addition, we posit that well known founders, such as celebrities, attract more media attention to their campaigns than founders who are less renowned. As a result, and because moral legitimacy involves people's evaluations of entrepreneurial founders, celebrities are likely to receive increased moral scrutiny, both positive and negative.

Method

To empirically test our hypotheses, we use a content analysis of articles written during the campaign periods of the top-20 Kickstarter crowdfunded projects of all time. The sample includes 235 articles. Within the articles, every sentence is coded to be pragmatic, moral, cognitive, or non-legitimizing. Each sentence is also determined to either support or challenge the project's legitimacy. A total of 4377 sentences are analyzed. Next, this sample is compared to a second (random) sample, which includes failed campaigns, to provide insight into why some projects are funded while others are not. Lastly, each project's Kickstarter page is analyzed to determine project founder characteristics and social identity, as well as to gather control variables.

Results and Implications

First, as we predicted, we find that project founder characteristics (prior knowledge and prior hardships) significantly impact crowdfunding performance. While we do not find social identity to be a significant predictor of crowdfunding performance, it is found to significantly impact media visibility. Second, we find celebrities to receive significantly more media visibility than non-celebrities, as expected. While we observe no significant difference between celebrities and non-celebrities in pragmatic or cognitive legitimacy levels, celebrities did receive significantly higher levels of moral legitimacy. Our results suggest that famous project founders are more likely to successfully raise capital via crowdfunding.

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