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CROWDFUNDING PERFORMANCE OF USER ENTREPRENEURS: SIGNALING, PASSION, AND SOCIAL IDENTITY THEORIES (SUMMARY)

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CROWDFUNDING PERFORMANCE OF USER ENTREPRENEURS: SIGNALING, PASSION, AND SOCIAL IDENTITY THEORIES

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Principal Topic

User entrepreneurs are individuals who create and commercialize innovative products in response to their own needs (Shah, Smith, & Reedy, 2012). Though both user entrepreneurship and crowdfunding have increasingly gained prominence as drivers of innovations and fund raising for founding new ventures, research has yet to focus on the crowdfunding performance of user entrepreneurs. Further, these areas have largely evolved as two separate streams and there are important gaps in our understanding of: 1) Whether user entrepreneurs are relatively more salient in the eyes of crowd-funders as compared to regular entrepreneurs such that their crowdfunding performance is superior, 2) What are some of the factors that influence crowdfunding performance of user entrepreneurs? Drawing on signaling, passion, and in-group favoritism perspectives, we compare and contrast fundraising performances of user entrepreneurs and other entrepreneurs in the context of crowdfunding. We propose that user entrepreneurs are able to send signals of richer experience, knowledge and quality to potential crowdfunders resulting in positive evaluation and subsequent funding. We then hypothesize that entrepreneurial passion will mediate the relationship between user entrepreneurship and crowdfunding as it signals intense feeling and commitment to project, persistence, potential for commercialization and success to crowdfunding backers. We build on social and shared identity perspectives to propose that shared identity mediates the relationship between user entrepreneurship and crowdfunding success. User entrepreneurs' embeddedness in the community garners potential crowdfunders' support and favor as they share similar interests and values.

Method

We draw 300 random samples from ventures soliciting funding via Kickstarter, consistent with prior crowdfunding studies (Mollick, 2014). We employ content analysis with two independent raters to code our user entrepreneurs, passion, and group membership variables.

Results and Implications

Our results indicate that user entrepreneurs are more likely to succeed in crowdfunding campaigns than other (i.e., non-user) entrepreneurs. We found that both passion and embeddedness-based in-group favoritism mediate the relationship. This study contributes by integrating the insights of user entrepreneurship and crowdfunding literatures to compare crowdfunding performance of user-entrepreneurs vis-à-vis regular entrepreneurs. This study highlights the role of passion and shared identity on the relationship between user entrepreneurship and crowdfunding performance, and contributes to strategic entrepreneurship and behavioral literatures.

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