UNIVERSITY OF OKLAHOMA

GRADUATE COLLEGE

ENTREPRENEURIAL RESOURCE ACQUISITION AT THE INTERSECTION OF SOCIAL INVESTING AND CROWDFUNDING

A DISSERTATION

SUBMITTED TO THE GRADUATE FACULTY

in partial fulfillment of the requirements for the

Degree of

DOCTOR OF PHILOSOPHY

By

THOMAS H. ALLISON
Norman, Oklahoma
2016

ENTREPRENEURIAL RESOURCE ACQUISITION AT THE INTERSECTION OF SOCIAL INVESTING AND CROWDFUNDING

A DISSERTATION APPROVED FOR THE
MICHAEL F. PRICE COLLEGE OF BUSINESS

BY

_____
Dr. Lowell Busenitz, Chair

_____
Dr. Mark Bolino

_____
Dr. Jeremy Short

_____
Dr. Mark Sharfman

_____
Dr. Laku Chidambaram

For Adrianne.

ACKNOWLEDGEMENTS

Scholarship is a collective enterprise. I thank the many who enabled and shaped this work. I am grateful to my committee, a group chaired by Dr. Lowell Busenitz. Past, present, and future, Lowell is my advocate, compass, and sounding board. Thank you for always standing by me with your unflagging and unconditional support. Thank you for instilling in me values of curiosity, passion, patience, rigor, and humility. My scholarly values have also been shaped by Dr. Jeremy Short, who has made foundational contributions to my scholarly work and identity. Thank you for your candor. Thank you for your selfless devotion to your students' best interests. These values are the fundament upon which this research is built.

The monograph itself builds from the research tradition of my chair, and from the knowledge and skills imparted to me by my committee. Dr. Mark Bolino – thank you for helping to shape the theory underlying this work, and for shepherding me in your role as doctoral coordinator. Dr. Mark Sharfman – thank you for instilling in me a craving to understand theory better, and for all the support you gave me as division director. Dr. Laku Chidambaram – thank you for a brilliant first exposure to statistical tests, and for your selfless service as outside member. One final debt – Dr. Gaylen Chandler, who gave me my first research job as an undergraduate.

I thank my family: my wife Adrianne, son Rowan, and daughter Penelope, for the support that their great love has provided. So too with my parents, Daniel, Linda, and Sheila Allison, for their sacrifices and love, and my brother, Maj. Joseph Allison, and my stepsister Megan for their help on this path. Thank you also to Lt. Col. James Wohlwend, Matt Whitfield, Zach Brown, and Pedro Garcia. The lessons I learned

from each of you have shaped this dissertation. Finally, thank you to my coauthors, collaborators, and fellow students, in particular, Aaron McKenny, Blakely Davis, Chris Broberg, Larry Plummer, David Townsend, Justin Webb, Matt Grimes, Aaron Anglin, and John Baur. In our shared work, I have learned much from each of you. I assume sole responsibility for errors and omissions.

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ABSTRACT

Crowdfunding – an open call on an internet platform for money – is becoming an important source of financial capital for entrepreneurs. Compared to traditional sources of financial capital, the phenomenon of crowdfunding has several unusual properties. Among the most unusual is the violation of the norm of reciprocity between entrepreneur and capital provider on some crowdfunding platforms (cf. Gouldner, 1960). These crowdfunding platforms offer potential funding providers nothing in return - no financial return on investment. Yet because crowdfunded ventures are very early-stage, the risk level is quite high. In one of the most common forms of crowdfunding, all a funder gets in return for their capital is repayment – without interest – of their loaned funds. These deal terms are unattractive; thus it would be surprising if there were much interest in participating from potential funders. Yet, there is no shortage of people willing to provide funds on these terms. This mismatch between what the entrepreneurial finance literature predicts and observations of the phenomenon suggests that when we examine crowdfunding as a financial transaction alone, we may be missing a material element of the phenomenon. Prior work has suggested a prosocial component to crowdfunding. Yet this work has stopped short of explaining how a firm's choices can influence crowdfunding performance through a prosocial mechanism. Accordingly, I draw from research on prosocial behavior to develop cross-level theory on the means by which entrepreneurial rhetoric in the form of prosocial cues and trust cues influence prosocial funding behavior by investors providing capital to investors through crowdfunding. I examine whether entrepreneurs who display these cues in

crowdfunded microlending requests experience different resource acquisition performance. The findings indicate that prosocial and trust cues have a significant impact on resource acquisition performance in crowdfunding. Moreover, the findings suggest that investors' perceptions of prosocial impact, their affective commitment, and their prosocial motivation convey the effect of prosocial cues onto fundraising performance.

CHAPTER ONE: INTRODUCTION

In entrepreneurship, resources are the bridge between idea and enterprise that enable a firm to be founded, survive, and grow (Cassar, 2004; Newbert & Tornikoski, 2013; Sirmon, Hitt, Ireland, & Gilbert, 2011). Financial resources are of particular importance to new ventures. Inadequate capital can have debilitating effects on growth and survival (Townsend & Busenitz, 2009). Financial capital is widely recognized as important in the early stages of a venture (Cooper, Gimeno-Gascon, & Woo, 1994). While non-financial resources are important as well, financial capital is often viewed as the key limiting factor in firm founding and growth (e.g., Townsend & Busenitz, 2009). Thus, whether entrepreneurs are able to get the resources to start and grow their ventures is an important aspect of entrepreneurial performance.

Because of the importance of financial resources to the creation and growth of new ventures, researchers are increasingly interested in crowdfunding. Crowdfunding is an open call on an internet platform for money (Mollick, 2014). This emerging phenomenon is becoming the subject of ongoing exploratory and descriptive study (Belleflamme, Lambert, & Schwienbacher, 2014; Mollick, 2014). Crowdfunding has also been the subject of significant theory-driven research, including signaling theory, and motivation-based approaches (Ahlers, Cumming, Guenther, & Schweizer, 2015; Allison, Davis, Short, & Webb, 2015). Overall, much of the importance of crowdfunding as a new phenomenon stems from the fact that it opens up new channels for entrepreneurs to garner financial capital, particularly in the earliest stages. This represents a significant change in venture finance, because initial financial resources have historically come from a very close and limited set of people.

External Sources of Capital

Initial financial resources in new ventures typically come from the founders' assets, or those of their friends and family. Indeed, research suggests that entrepreneurs often put all of their personal financial capital into a new venture (Chandler & Hanks, 1998). As a result, many ventures exhaust the capital that can be provided by internal sources (founders, their friends, and family). They must turn to external sources of capital, or suffer the negative consequences of undercapitalization (cf. Townsend & Busenitz, 2009).

Prior to the advent of crowdfunding, external sources of capital primarily included banks and finance companies, angel investor groups, and venture capitalists. Research has indicated that banks and finance companies, because of their need for collateral, only become materially important post-startup (e.g., Berger & Udell, 1998, 2002). Thus, the external sources of capital that are of the greatest historical importance are angel investors and venture capitalists. Angel investors are often entrepreneurs themselves – whether current or former – or are serial investors in early stage firms (Steier & Greenwood, 2000). Angel investors typically invest in the range of $10,000-$500,000 (Freear, Sohl, & Wetzel, 1994). Angels provide capital to very early stage businesses on the basis of an evaluation of the entrepreneurs and their venture concept or technology.

Venture capitalists are professional investors, often organized in a limited partnership, who invest money entrusted to them by pension funds, mutual funds, hedge funds, non-profit and educational endowments/trusts, and high-net-worth individuals/families (Bygrave, 1987). As they primarily invest other people's money,

they tend to evaluate entrepreneurs in a relatively professionalized, formalized, and institutionalized fashion with an emphasis on due diligence as well as overseeing the ongoing strategy and governance of the venture (e.g., Sapienza, 1992; Sapienza, Manigart, & Vermeir, 1996). Because of the costs of due diligence, most venture capitalists have an investment emphasis on deals in the $5-$100 million range. This excludes most early stage firms. In spite of this, much of our knowledge of how entrepreneurs acquire funding comes from extensive study of venture capitalists (e.g., Arthurs & Busenitz, 2003; Arthurs & Busenitz, 2006; Barney, Busenitz, Fiet, & Moesel, 1996; Busenitz, Fiet, & Moesel, 2004; Sapienza, 1992). Venture capital research has provided many insights; however, there are three constraints on the venture capital process that are likely limiting our view of the entrepreneurial resource acquisition phenomenon, particularly with the emergence of crowdfunding.

First, only very high growth firms in a small number of industries will receive venture capital (Gompers & Lerner, 2001). As of 2008, SBA estimates indicate that 627,000 new businesses form each year. In the same year, PricewaterhouseCoopers estimates indicate 4,177 venture capital deals were completed. As many ventures engage in multiple rounds of funding, fewer than 4,200 businesses or less than 1% of all startups in the United States are backed by VCs in a typical year. This small level of VC participation is the result of two major factors. First, VCs, as well as business angels (cf. Maxwell, Jeffrey, & Lévesque, 2011), are usually very focused on scalable (and technology) ventures. Second, VCs want to invest large amounts of capital (starting with $5-10M). As the statistics show, very few businesses both need such

large amounts of capital and have the very high-growth potential to warrant a large investment.

Second, although venture capitalists can usually be easily located , they tend to be very selective in choosing which entrepreneurs to meet with (Cable & Shane, 1997). Frequently, there are more entrepreneurs seeking meetings with them than the venture capitalists can accommodate. A referral from a trusted third party is often very helpful in getting an opportunity to pitch a venture concept to a venture capital firm's investment committee (Cable & Shane, 1997). Thus, many less-connected entrepreneurs may be unable to access funds.

Third, venture capital and angel investment tends to be very expensive money. VC-backed ventures tend to be high risk, so term sheets typically require a significant concession of equity from founders to venture capitalists (Gompers, 1995). The high risks involved lead to significant monitoring costs, both pre-investment (due diligence costs), and post-investment (time spent by entrepreneurs reporting progress to investors) (Macmillan, Kulow, & Khoylian, 1989). These cost further increase equity demands from investors, making the funding more expensive to the entrepreneurs (cf. Barney, Fiet, Busenitz, & Moesel, 1996). Finally, governance structures imposed upon the firm by venture capitalists (such as taking seats on the board, or restrictive covenants in the term sheet), subordinate entrepreneurs' interests to those of investors (Sanders & Boivie, 2004). These factors may discourage even some connected entrepreneurs with the right type of venture in the right industry. These constraints are also very relevant to angel investors (Steier & Greenwood, 2000). Thus, the classic

external sources of capital – venture capital and angel investments – are infeasible options for many entrepreneurs.

This leaves a vast majority of startup entrepreneurs to rely on their personal capital and the capital of family and friends. These sources are generally limited to fairly low levels of total capitalization. At current rates of entrepreneurship (approximately 13% of the adult US population) and current median household net worth[1], ($66,740, Data: Census Bureau, 2012), the entrepreneur coming from a wealthy family is a relatively rare case (e.g., Bates, 1997). Thus it is not surprising that the undercapitalization of entrepreneurial firms is a substantive problem (e.g., Townsend & Busenitz, 2009).

Models of Crowdfunding

An emerging option for entrepreneurs to use in raising capital is crowdfunding: "efforts by entrepreneurial individuals and groups – cultural, social, and for-profit – to fund their ventures by drawing on relatively small contributions from a relatively large number of individuals using the internet, without standard financial intermediaries," (Mollick, 2014). There are four major forms of crowdfunding: rewards, donation, equity, and debt-based (cf. Belleflamme et al., 2014). Table 1 compares these four forms and traditional financing forms, in terms of a) investment size range, in dollars; b) what funding providers/investors receive in exchange for their money; and c) the rationale under which funding providers operate for each source of capital. The four traditional forms of financial capital – business

[1] All household assets, including home equity and retirement investments, minus all liabilities.

angels, venture capitalists, IPO investors, and banks, all provide money under the rationale of earning a financial return. Business angels and venture capitalists operate in a higher-risk space, IPO investors in a more moderate risk space, and banks in a relatively low risk space. The exchange for investment is usually equity. In the case of business angels and venture capitalists, if debt is used, it is in addition to equity, often in the form of a convertible security. IPO investors receive publicly traded common stock. Banks receive a promissory note secured by various assets of the firm. The four traditional sources together constitute a capital "ladder" ranging from the thousands of dollars to several billions of dollars in IPOs.

In contrast, in rewards-based crowdfunding, exemplified by Kickstarter, crowdfunding investors provide capital in exchange for future goods and services. Thus, another appropriate term for rewards-based crowdfunding is "unearned revenue" crowdfunding. These ventures are essentially making sales that they cannot recognize as revenue until the promised products are developed and produced (e.g., Altamuro, Beatty, & Weber, 2005). Funding amounts range from a hundred dollars to several million, though most campaigns raise a few thousand to a few ten thousand dollars. The rationale of funders is either to be an early adopter of an innovative product, to be a participant in an event the funder is interested in, or to support the development of products that the funder is interested in (where the reward is intangible or in the form of public recognition). Rewards-based crowdfunding has attracted the lion's share of media attention. This is largely due to the success of crowdfunded projects such as the *Veronica Mars* movie (raised $5.7 million, and after a theatrical run is now available on DVD in stores worldwide), theatrical projects by

famous directors and actors (Spike Lee, Zach Braff), attention-grabbing ventures such as the “Coolest Cooler” ($13.3 million) and a campaign for potato salad ($55 thousand), as well as revivals of projects such as *Reading Rainbow* (raised $3 million in first 3 days of a 30-day campaign). On Kickstarter, a rewards-based crowdfunding platform, 82 ventures have raised over $1 million each, and one exceptional case, Oculus VR, was acquired by Facebook, Inc. for $1.6 billion in stock and $400 million in cash just 19 months after raising $2.4 million in a “crowdfunding round.” These million-dollar crowdfunded ventures are uncommon, just as among all entrepreneurial ventures, a firm that receives venture capital is uncommon. However, in grabbing headlines, these extreme successes draw greater interest and legitimacy to crowdfunding. This benefits the vast majority who raise modest but still useful sums: of 182,000 Kickstarter projects, over 10,000 entrepreneurs have raised $20,000 or more, and 40,000 entrepreneurs have raised approximately $4,000 or more.

In donation-based crowdfunding, entrepreneurs simply request money for a particular purpose. Contributing funders receive nothing other than gratitude and perhaps occasional updates. This source of funding is more often used by individuals pursuing personal interests, for example, money for medical expenses, for tuition, or for personal travel. It is of relatively less importance for entrepreneurs. Amounts typically range from a hundred dollars to a few thousand dollars.

Equity-based crowdfunding promises to be of growing importance in the future. Funders receive equity ownership in entrepreneurial ventures. The funder rationale may closely approximate that of traditional business angel investors. Funding amounts are similar to angel and smaller VC rounds, though they are raised

from many more investors. Investors receive common stock. Several equity-based platforms currently operate, both overseas (especially in Europe and the UK), and in the United States. Since 2012, US equity crowdfunding was limited to accredited investors (Simon & Loten, 2014). However, in the fourth quarter of 2015, the SEC passed rules implementing Title III of the 2012 JOBS Act. These rules are expected to come into effect in 2016 following public comment and promulgation. The rules allow ventures raising capital under Title III to raise up to $1M in a year. However, ventures must make significant disclosures and may only offer securities via a broker-dealer or a "portal intermediary" (a crowdfunding platform). Non-accredited investors may invest the greater of 1) $2,000 per year, or 2) 5-10% of their annual income or net worth, depending on whether they make less than or more than $100,000 per year.

Table 1. Funder Participation Rationales – Arm's Length Investors

	Investment Range, Typical (USD)	Exchange for Investment	Funder Rationale
Angel Investors	10K-1MM	Equity or Debt	High Risk, High Reward Financial Return
Venture Capital	1MM-250MM	Equity or Debt Convertible to Equity	High Risk, High Reward Financial Return
IPO Investors	10MM-20BN	Equity, Publicly Traded	Long-term market index outperformance, Speculation
Banks	10,000-10MM	Debt, Collateralized	Interest + Repayment of Principal
Crowdfunding - Rewards	100-1MM	Product; Tangible/Intangible Rewards	Early Adopter Access to Innovative Products
Crowdfunding- Donation	100-50,000	Gratitude	Charity
Crowdfunding - Equity	100,000-10MM	Equity Shares in Firm	High Risk, High Reward Financial Return
Crowdfunding – Debt	500-50,000	Partial Ownership of Promissory Note (Debt)	Helping Entrepreneurs Judged Worthy of Assistance + Repayment of Principal

The last entry in Table 1, debt-based crowdfunding, is an extremely popular crowdfunding format where crowdfunding investors provide small, relatively short-duration loans to entrepreneurs in exchange for a promise to repay (Allison et al., 2015). Though some crowdfunding platforms allow investors to charge interest, the most popular debt platform – Kiva – does not, and focuses primarily on providing crowdfunding to entrepreneurs in lesser-developed countries. This form of crowdfunding is interesting in its similarities with each of the other forms of crowdfunding. Like rewards-based crowdfunding, intangible rewards in the form of recognition and project updates are an important element of the platform. For example, on both types of platforms, backers support is visible to others viewing the campaign. Also on both platforms, backers receive messages with ongoing updates about the status of the venture.

Like donation-based crowdfunding, helping others is a key aspect of the micro-lending platforms. Entrepreneurs on Kiva are primarily from developing nations where there is a lot of poverty (Allison, McKenny, & Short, 2013). Helping these entrepreneurs pull themselves up by their "bootstraps" is a major motivation for many backers (Moss, Neubaum, & Meyskens, 2015).

Finally, like equity crowdfunding, funders on a debt crowdfunding platform receive an actual financial instrument in exchange for their investment. Unlike equity crowdfunding, this interest is debt. Also unlike equity crowdfunding, no interest is paid, and hence only principal is returned. Thus, debt-based crowdfunded microlending has a strong prosocial aspect to it. Debt-based crowdfunding also features a genuine stake in repayment of the loan. Because of these attributes, debt-

based crowdfunding provides a good context for examining, refining, and testing theory new to the domain of entrepreneurship and entrepreneurial resource acquisition that can explain and predict how entrepreneurs receive capital through crowdfunding.

Crowdfunding: A Puzzle?

It is widely agreed that entrepreneurs participate in crowdfunding in order to obtain financial capital for their ventures, and perhaps product market intelligence and exposure. It is less clear why crowdfunding investors would be willing to take on material risks for the limited direct rewards provided through crowdfunding. This is especially true for debt-based crowdfunding such as that popularized by Kiva. Along with Kickstarter and Indiegogo, Kiva is one of the most popular crowdfunding websites. On Kiva's crowdfunding platform, funders make microloans to entrepreneurs in developing countries in exchange for a promise of repayment of principal – no interest. These terms may imply a guaranteed loss for investors when we consider the time value of money and foreign exchange risk.

Since this class of crowdfunders do not anticipate receiving a positive financial return, what are they receiving? What is different about debt-based crowdfunding? As Table 1 shows, a major aspect of most crowdfunding contexts is sociality. Whether crowdfunders are interested in helping a specific group of people or crowdfunders wish to be involved in a specific project they are interested in, it is evident that they are interested in other people's lives, not just their financial investment. Potential funders find out about the potential to help others through crowdfunding entrepreneurial narratives, a feature common to all crowdfunding

platforms. For example, Eduardo, a mechanic, would improve his business if given a loan, which would in turn improve his life, help his customers, and benefit the wife and daughter his venture supports, and the other business owners he tries to support:

> Eduardo always had a knack for fixing things. “Since I was quite young, I’ve been very knowledgeable about fixing engines and other things related to machinery.” Now, Eduardo runs a repair shop, focusing on medium-sized machines. He is confident enough in his work that he can provide a guarantee on the repairs. Eduardo lives with his wife and daughter. As a small business owner working with other small business owners, Eduardo knows how important low costs are to his clients – and he keeps this in mind when he sets his own rates. “I try to support the business owners as well," he says. With this loan, Eduardo will build a website for his business. His longer term goals include hiring someone and teaching his trade.

Thus, it may be that debt-based crowdfunding investors provide capital in order to assist entrepreneurs in doing good works for their often high-poverty families and communities. This suggests that the way an entrepreneur communicates the scope and benefits of their venture may influence their success in raising capital. Since crowdfunding does not facilitate personal interaction between entrepreneur and potential investors, entrepreneurial narratives become particularly important. Prior crowdfunding research has shown that linguistic cues that reinforce or undermine potential investors’ underlying reasons for investing can influence crowdfunding performance (Allison et al., 2015). In addition, crowdfunding research has found that both espoused political rhetoric and espoused organizational virtue and entrepreneurial orientations influence crowdfunding performance (Allison et al., 2013; Moss et al., 2015).

While these early papers have added to our knowledge of crowdfunding, they have not yet been able to provide a theoretical conceptualization that addresses the

sociality of crowdfunding. While we have identified some factors that influence crowdfunding performance, we do not have a theory that predicts crowdfunding performance *and* can explain why funders participate in crowdfunding.

Crowdfunding as Prosocial Behavior by External Stakeholders

Since the debt-based crowdfunding investors that we are studying here are not receiving a financial return, just the capital that was loaned, why do they invest? Prior work has suggested that the answer may be prosocial in nature (e.g., Galak, Small, & Stephen, 2011). Earlier crowdfunding research has largely sought to explain crowdfunding using theories that have worked well in conventional funding contexts. While there is some evidence for the effect of signaling and rhetoric in crowdfunding (Ahlers et al., 2015; Moss et al., 2015), these theories don't provide a cogent explanation for why funders would choose to provide capital through crowdfunding in the first place. Thus, it may be that prior work has presented a relatively underpsychologized view of the phenomenon (e.g., Kilduff, Tsai, & Hanke, 2006; e.g., Kwon & Adler, 2014; cf. Shane & Cable, 2002). This dissertation examines, develops, and tests the potential of psychological theory – specifically, prosocial behavior theory – to both predict crowdfunding performance while also providing a cogent explanation for why crowdfunders fund at all.

Stated formally, my research question is: "How do prosocial cues displayed by entrepreneurs on crowdfunding platforms influence the acquisition of financial resources?" Specifically, I expect that entrepreneurs who provide potential funders with more information about how their business benefits other people will raise more capital than entrepreneurs that do not. The category of information on how the

business benefits other people is known as *prosocial cues* (cf. Grant & Sumanth, 2009). The theoretical cause for this relationship arises from examinations of prosocial behavior in job design theory (Grant, 2007). Specifically, providing a person with information on how their efforts are helping others (a prosocial cue) frequently results in that person making even greater contributions and engaging in more prosocial behavior (Grant & Sumanth, 2009).

Prosocial behaviors (Grant & Mayer, 2009; Grant & Sumanth, 2009; Halbesleben, Bowler, Bolino, & Turnley, 2010) are voluntary behaviors that benefit others. Here, I focus on prosocial organizational behaviors, which are performed by organization "members," for the benefit of another group, organization, person, or persons (Brief & Motowidlo, 1986). Prosocial behaviors include helping, donating, sharing, and volunteering (Brief & Motowidlo, 1986). As prior work has suggested, certain forms of crowdfunding can be conceptualized as "prosocial lending" (Allison et al., 2015; Galak et al., 2011). Thus, I argue that prosocial behavior is a construct that is well-suited to predicting and explaining entrepreneurs' crowdfunding performance for five reasons: (1) a prosocial theory of crowdfunding offers a theory with greater specificity of assumptions for the objects of analysis and the relationships between them compared to alternative theories (cf. Bacharach, 1989); (2) the assumptions of prosocial theory are better suited to the crowdfunding context than are the assumptions of previously used theories of venture finance; (3) prosocial behavior is an established multi-level construct, which simplifies its application to crowdfunding, where relationships are between firms (ventures) and individuals (crowdfunding backers); (4) prosocial theory is outcome/performance-oriented,

having been used in the workplace to explain why some employees perform better than others, and (5) the logics of the decision environments of both the original context of prosocial behavior and the proposed extension into crowdfunding deal with how to expose people to information that influences their behavior in desired ways. I detail each of these five advantages separately below.

1- Objects of Analysis and Relationships

In prosocial behavior, the objects of analysis are constructs such as: beneficiary impact, perceived prosocial impact on beneficiaries, and prosocial motivation (Bolino & Grant, 2016; Grant, 2007). In contrast, alternative theories, such as signaling theory (Ahlers et al., 2015) offer constructs such as endorsement, quality, and commitment signals. Not only are these constructs much more general, a common critique of signaling theory (Connelly, Certo, Ireland, & Reutzel, 2011), they are also less applicable as a set to prosocial crowdfunding. Similarly, the relationships predicted by prosocial behavior theories fit the context better. To take the same comparison, signaling theory predicts how the display of a signal will reduce the target's information asymmetry. In contrast, the prosocial theory adopted here predicts how the display of information relevant to beneficiary impact will impact investors' overall perceptions of the funded venture's impact on beneficiaries. This relationship is more specific and more plausible than information asymmetry in the context of prosocial crowdfunding. Thus, using a prosocial lens allows entrepreneurship research to advance by extending and developing distinctive theory and constructs that are tailored to the relationships that define crowdfunding phenomenon.

2 - Assumptions of Theory

Both signaling and prosocial behavior theories assume that the outcome of interest is a decision. However, the two theories diverge greatly in their assumptions about what these decisions are. Signaling decisions are primarily the decision to hire someone (Spence, 1973; Spence, 1974), or to make an investment (Plummer, Allison, & Connelly, 2015). Prosocial behavior research deals with the decision by a person to engage in prosocial behavior to help another (Dovidio, Piliavin, Schroeder, & Penner, 2006; Grant, 2008b). Here, we are interested in predicting crowdfunders' commitment of capital to entrepreneurial firms. Signaling assumes that such capital is an investment, made under rational choice. In contrast, adopting a prosocial behavior lens requires no investment assumption. Providing money (financial capital) is one way to engage in prosocial behavior, and does not imply that the money is viewed as an investment.[2] This agnosticism as to the nature of the financial capital outcome is desirable given the varying motivations that crowdfunders may hold (Allison et al., 2015; Mollick, 2014)

3 - Established Multi-level Theory

Prosocial behavior as a construct, and theory on prosocial behavior in the workplace is well-suited to predicting and explaining entrepreneurs' crowdfunding performance because prosocial behavior is already well-established as a multi-level theory (Dovidio et al., 2006). In particular, it has been used at the macro level to explain how organizations influence people who are not part of the organization's

[2] Nor does it exclude the possibility that resource providers view it as an investment.

hierarchical structure (i.e. non-employees) to help with the mission of the organization – for example, volunteering (Penner, Dovidio, Piliavin, & Schroeder, 2005). This application parallels the need of new ventures to influence non-employees, such as potential investors, to help with the mission of the organization by providing capital.

4 - Performance Orientation

Both the job design theory study of prosocial behavior (e.g., Grant, 2007) and the context of crowdfunding are performance oriented – prosocial behavior research has sought to explain how an environment that is conducive to prosocial behavior results in *performance differences* themselves, rather than actual acts of prosocial behavior or intentions to act prosocially (Grant & Sumanth, 2009). In one study, exposure to prosocial cues (information about the beneficiaries of a call-center worker soliciting donations) resulted in workers raising 171% more money (2007). If a similar effect applies to external stakeholders, crowdfunded ventures exhibiting prosocial cues should acquire more capital more quickly than those ventures that do not exhibit prosocial cues.

5 - Logics of Decision Environments

Finally, both contexts deal with creating an environment that influences stakeholders to engage in desired behaviors. In workplaces, companies seek to understand how they can create an environment where their internal stakeholders are willing to make personal sacrifices which may result in better performance (Grant, 2008b). In crowdfunding, ventures seek to understand how they can create an

environment that influences external stakeholders to make personal sacrifices that result in raising more capital.

Synthesis

Given these commonalities, I build a conceptual model to explain and predict crowdfunding performance, beginning with the construct prosocial cues. Job design theory suggests that workers (internal stakeholders) can be influenced to act prosocially by increasing the stakeholders' identification with beneficiaries through prosocial cues (Grant, 2007). In the cross-level context of this study, these prosocial cues comprise information about the venture and entrepreneurs, embedded in the crowdfunding entrepreneurial narrative, which allows a potential funder to see how supporting the venture will help other people. Prosocial cues include information on the magnitude of the benefits, the scope of the benefits in terms of the number of people helped, the frequency of that help, and the focus of the help (i.e., whether it is prevention-focused or gain-focused) (Grant, 2007, 2008a).

These prosocial cues will attract investors who espouse a greater prosocial impact of their investments. This will in turn be related to investor espoused prosocial motivation, as moderated by investor espoused affective commitment to helping entrepreneurs seeking funds through crowdfunding. The social identity effect identified in crowdfunding matches-up what is already known about the importance of affective commitment to beneficiaries in influencing prosocial behavior (Grant, 2007). Social closeness leads to emotional closeness and compassion. The identifiable victim effect matches-up with prosocial behavior research that highlights the importance. Thus, ventures that attract investors higher in espoused prosocial

motivation will have better fundraising performance outcomes, as moderated by the effect of trust cues, whose role is explained next.

Job design theory also suggests that workers (internal stakeholders) need to have confidence in their management. This includes benevolence (whether the manager has good intentions), integrity (whether the manager espouses and acts in a way that is consistent with an accepted set of principles), and ability (whether the manager is competent in performing his/her expected duties) (Grant & Sumanth, 2009). Overall, this set of three factors is known as *trust cues.* In the cross-level context of this study, these trust cues are associated with the firm rather than with the manager. For example, benevolence addresses the intentions espoused by the venture in their crowdfunding appeal, integrity addresses the presence or absence of an external set of moral principles in the crowdfunding appeal, and ability addresses information in the crowdfunding appeal that points to the venture's past ability to succeed.

I argue that trust cues will moderate the relationship between investor espoused prosocial motivation and prosocial funding behavior – the provision of money to the venture by funders. Specifically, when more trust cues are present in the entrepreneurial narrative, the relationship between investors' levels of espoused prosocial motivation and prosocial funding behavior – the provision of money to the venture by funders – will be stronger (cf. Grant & Sumanth, 2009). This relationship occurs because potential backers need to believe the venture is benevolent, has integrity, and has the ability to deliver the social benefits promised by their prosocial cues. For example, even when a venture attracts investors high in espoused prosocial

motivation, they may only invest small amounts in the venture in the absence of trust cues. In contrast, when trust cues are present, these investors will be more likely to invest larger amounts, leading to the venture funding more quickly. These conceptual relationships are summarized in Figure 1.

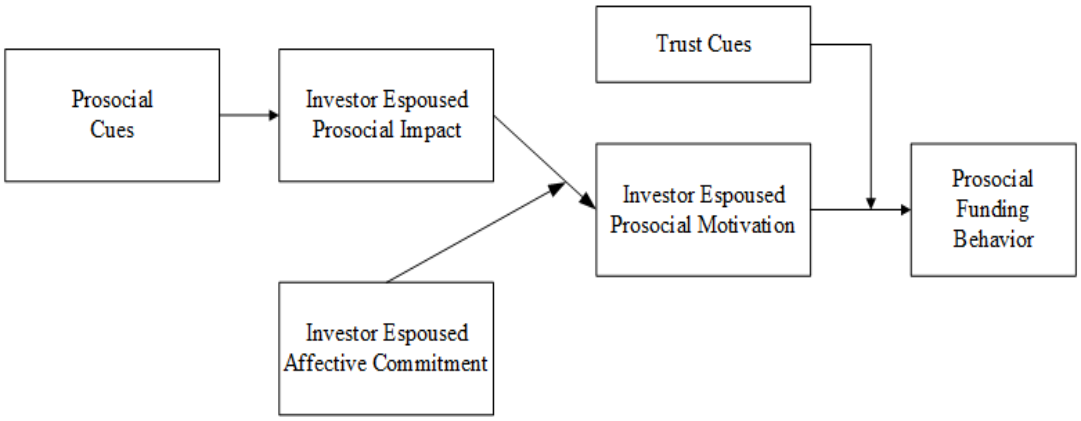

Figure 1. Conceptual Model

Contributions

By developing a cross-level theory of prosocial behavior extended to crowdfunding, I build the basis for understanding how firms influence external stakeholders via social means generally. This study uses theories of prosocial behavior to understand why large groups of crowdfunders provide funds to entrepreneurs without expectation of financial return. This *prosocial funding behavior* is analogous to the citizenship behavior that organizations seek to encourage (Bolino & Turnley, 2003). Firms encourage OCB because it facilitates the efficiency and effectiveness of organizations (Organ, Podsakoff, & MacKenzie, 2006). With the cross-level theory of prosocial funding behavior developed in this study, I suggest that firms may *also* be able to influence external stakeholders to engage in prosocial

behaviors that benefit the firm. For example, non-crowdfunded but socially responsible firms may be able to influence investors in ways that lead to better performance. Specifically, I probe whether social ventures can increase their prosocial impact in the eyes of funders through the use of prosocial and trust cues resulting in more funds raised. With more capital, the firm can do more social good, be more profitable, and ultimately achieve better overall performance. Thus this cross-level theory of prosocial funding behavior may help explain the empirical finding that social investors value some socially responsible firms more highly than others, even adjusting for intrinsic value (Mackey, Mackey, & Barney, 2007).

Dissertation Organization

In chapter two (Literature Review, Theoretical Development, and Hypotheses), I first review the entrepreneurial finance and resource acquisition literatures. I discuss conventional sources of venture financing and review the multiple types of crowdfunding available. I also provide a brief review of the historical roots of crowdfunding. Second, I discuss how the unusual incentives and governance situation of crowdfunding – crowdfunded microlending in particular – suggest a social exchange underlying the obvious financial exchange. Thus, I review the literature on prosocial behavior. Following is the conceptual development for each of the eleven hypotheses. In chapter three (Method), I outline the context of this study, the sample, and operationalization of my measures. In chapter four (Results), I present and explain my statistical models and findings. I conclude this monograph with chapters five (Discussion) and six (Conclusion), where I discuss contributions, implications, limitations, and opportunities for future study.

CHAPTER TWO: LITERATURE REVIEW, THEORETICAL DEVELOPMENT, AND HYPOTHESES

Entrepreneurial Resource Acquisition: A Review of the Literature and an Outline of the Field

Financial resources are necessary for the origination, survival, growth, and performance of entrepreneurial ventures (Cassar, 2004; Cooper et al., 1994). Thus, resource acquisition is a vital entrepreneurial act (Cassar, 2004). Indeed, if one way to define the firm is as a "bundle of resources," (Amit & Schoemaker, 1993; Wernerfelt, 1984), it might be fair to say that entrepreneurs recognize opportunities which only *become* firms once enough resources are acquired to launch the venture. This implies that resource acquisition is a critical, necessary, and indispensable part of the process of exploiting entrepreneurial opportunities. Successful resource acquisition may be said to be the final entrepreneurial act which generates a new enterprise. Reflecting this fact, scholars have noted that within the distinctive domain of entrepreneurship lies the investigation of how new ventures acquire the resources they need to survive and grow (Busenitz et al., 2003). The call to understand how and why some people but not others are able to recognize and exploit opportunities clearly points toward the importance of locating, acquiring, and marshalling resources (e.g., Alvarez & Busenitz, 2001).

Resources enable the formation and growth of the firm, serving as a bridge from idea to enterprise (Cassar, 2004), alternatively, the absence of resources represent a formidable barrier to startup (e.g., Powers & McDougall, 2005; Winborg & Landström, 2001). One important class of entrepreneurial resources is financial

capital. Financial resources are of particular importance to new ventures because new ventures tend to be undercapitalized (Townsend & Busenitz, 2009). Though there are other necessary resources (e.g., human capital, social capital, legitimacy, intellectual property), financial capital is likely to be a limiting factor in both firm founding and firm growth (e.g., Townsend & Busenitz, 2009).

Entrepreneurial resource acquisition research on financial capital began in earnest in the 1980s, alongside broader entrepreneurship research asking who entrepreneurs are and what entrepreneurship is (Landstrom & Mason, 2012). The unique focus of entrepreneurship is often considered to be the opportunity (Shane & Venkataraman, 2000). This focus on the opportunity has resulted in a call to understand how and why some people but not others are able to recognize and exploit opportunities. This research points toward the importance of locating, acquiring, and marshalling resources (e.g., Alvarez & Busenitz, 2001; Haynie, Shepherd, & McMullen, 2009). For example, the availability of resources affects whether a resource is seen as a first person or third person opportunity (Haynie et al., 2009). Research on resources also focuses critically on resource acquisition and orchestration (Cassar, 2004; Newbert & Tornikoski, 2013; Sirmon et al., 2011) – how entrepreneurs acquire and assemble the specific resources needed. Both these approaches make clear that if the entrepreneur cannot acquire the needed resources, the entrepreneurial process will not result in an enterprise.

Initial resources for an entrepreneurial venture typically come first from the entrepreneur (Cassar, 2004). Entrepreneurs often put all their available financial capital into their new venture (Chandler & Hanks, 1998). They then often turn to

friends and family, if there are resources available (Bates, 1997). Entrepreneurial ventures with greater capital needs that are in industries investors find attractive then turn to semi-professional investors known as angel investors, followed by venture capitalists, and finally acquiring firms, private equity firms, institutions, and public shareholders through the IPO process. Thus, these sources of capital, combined with public offerings of stock (Lee, Bach, & Baik, 2011) form a "capital ladder" that entrepreneurs climb as their capital needs become greater. This is shown in Figure 2. Banks and finance companies typically only become materially important post-startup given banks' focus on collateralized debt instruments (e.g., Berger & Udell, 1998, 2002).

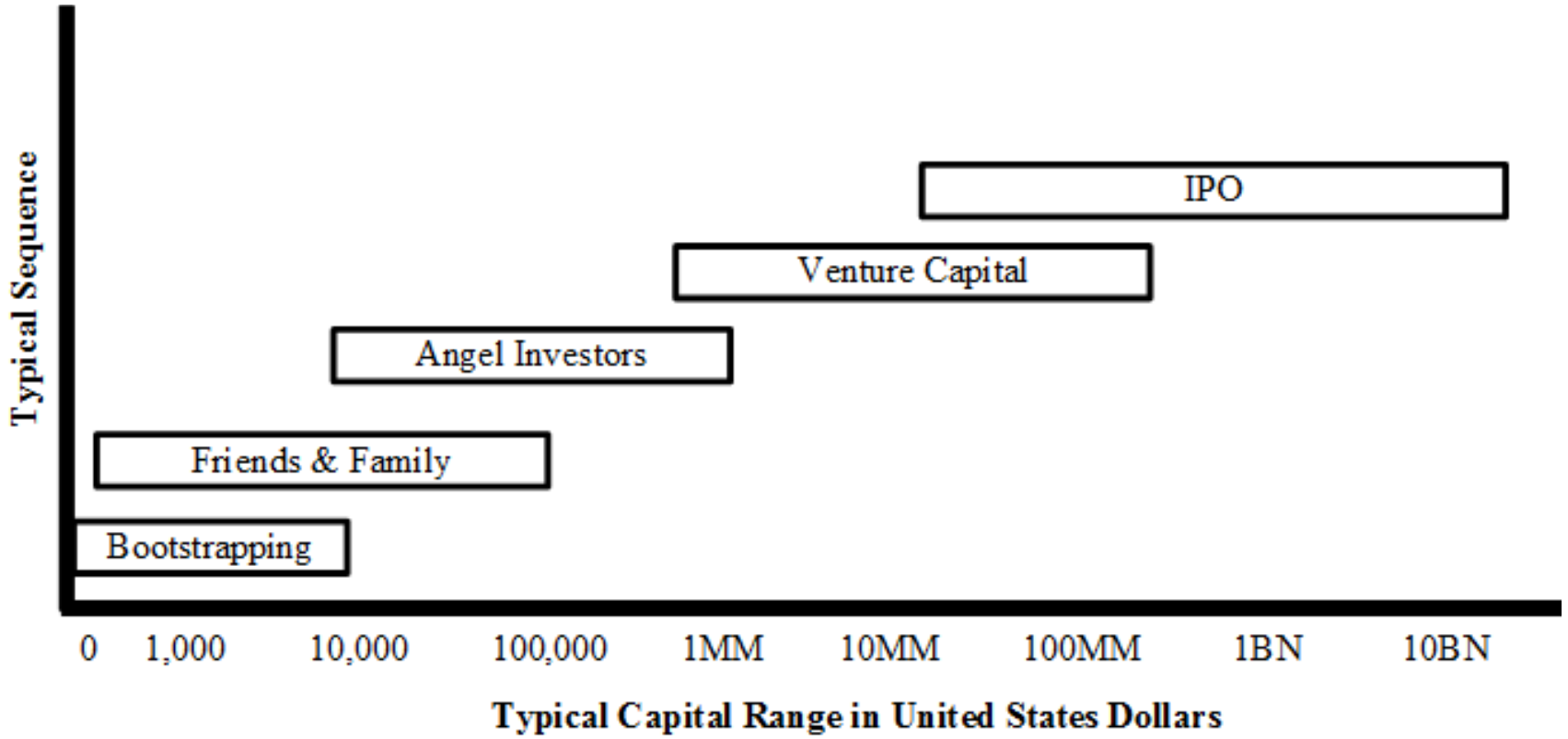

Figure 2. Capital Range Comparison - Historical

Venture capital investors and funds provide capital in a relatively professionalized, formalized, and institutionalized way. As such, venture capital investments are easily tracked and for this reason venture capital has been a major focus of resource acquisition research in entrepreneurship (Richard, 2011; Steier & Greenwood, 2000). Such research has frequently focused on the venture capital decision process: how investors evaluate and select entrepreneurs, as well as the outcomes of this process (Franke, Gruber, Harhoff, & Henkel, 2008; Gompers & Lerner, 2001; Macmillan et al., 1989; Macmillan, Siegel, & Narasimha, 1985). This research has also focused on how sources of capital are accessed through the weak ties provided by acquaintances and social networks (e.g., Baron & Markman, 2003; Granovetter, 1973; Newbert & Tornikoski, 2013). Aside from a handful of papers on bootstrapping, angel investors, and bank loans (Chandler & Hanks, 1998; Francesca, 1999; Steier & Greenwood, 2000; Winborg & Landström, 2001), entrepreneurial resource acquisition research has largely focused on venture capital and IPO contexts. Work in the venture capital context in particular, is voluminous (e.g., Amit, Glosten, & Muller, 1990; Busenitz, Fiet, & Moesel, 2005; Cable & Shane, 1997; Macmillan et al., 1985; Shepherd, 1999; Shepherd & Zacharakis, 2002; Zacharakis & Meyer, 2000). While this research has provided important insights, the preoccupation with venture capital, and to a lesser degree IPOs, leaves the field with a truncated understanding of entrepreneurial resource acquisition for several reasons.

First, only very high growth firms in certain industries will receive venture capital (Gompers & Lerner, 2001). As a result, venture capital is not an option for the vast majority of new ventures. Second, venture capitalists are hard to access and

reach (Cable & Shane, 1997). Thus, many unconnected entrepreneurs may be unable to access funds. Third, venture capital can be very costly in terms of monitoring costs, equity sacrificed, and the imposition of management/governance burdens (e.g., Macmillan et al., 1989; Sanders & Boivie, 2004). This has the effect of discouraging even some well-connected entrepreneurs, in the right industries, from seeking venture capital funding.

The sheer number of resource acquisition articles published in the venture capital context tends to contribute to the persistent illusion that entrepreneurship researchers know a great deal about entrepreneurial resource acquisition in general. However, this is only true if we assume that our findings from venture capital contexts are generalizable to the decision environments, criteria, and factors involved in novel forms of resource acquisition, such as the emerging area of crowdfunding. If venture capital was the primary funding means for most ventures, this might matter little. However, the opposite is true – venture capital is the *least common* source of venture financing. Crowdfunding in particular has grown in importance and volume in recent years. The number of ventures supported by crowdfunding each year greatly outstrips the number of ventures supported by venture capital investment. Given this recent shift, it is vital to better understand this emerging source of financial capital.

Crowdfunding: Definition and Precursors

Crowdfunding is a means of raising capital that is of growing importance to entrepreneurs and entrepreneurship scholars. Crowdfunding consists of "efforts by entrepreneurial individuals and groups – cultural, social, and for-profit – to fund their ventures by drawing on relatively small contributions from a relatively large number

of individuals using the internet, without standard financial intermediaries" (Mollick, 2014). Crowdfunding thus represents a novel way for entrepreneurs to appeal to large numbers of potential investors for relatively small individual investments.

Though novel, the crowdfunding phenomenon we see today shares parallels with historical phenomena. For example in 2011, Unbound Books launched a crowdfunding website for books where authors pitch book concepts to prospective readers (Skidelsky, 2011). If the project is funded, the book is written. This is similar to the older phenomenon of book subscriptions. For example, the first major English dictionary was written by Samuel Johnson nine years after over 30 buyers and patrons subscribed to it (Johnson, 1785). First published in 1755, Johnson promised what we might now call his 'crowdfunding investors' he'd have the work done in just three years. Thus, this may be the first documented example of a crowdfunding delay. The distributed, disseminated nature of the funding can be seen as partially similar to crowdfunding.

Other crowdfunding scholars have pointed out some of the other historical parallels of crowdfunding, such as Pulitzer's 1885 donation campaign for the Statue of Liberty base (Davies, 2013). Today, numerous "civic crowdfunding" projects – including a floating pool to be emplaced in New York's East River – compete for funds, not through newspapers, but through websites online (PlayLab, 2013). Other historical antecedents include the March of Dimes campaign to eliminate polio (Smith, 1990). This national campaign is among the first modern examples of crowdfunding science. Today, scores of projects crowdfund science and health

projects, including an effort to crowdfund a “free HIV/AIDS vaccine,” (ProjectImmunity, 2014).

The exciting and impactful difference today is the level of exposure crowdfunded projects can achieve, and thus, crowdfunded projects for focused niches have become viable. Today, crowdfunded projects such as the *Veronica Mars* movie (raised $5.7 million, and after a theatrical run is now available on DVD in stores worldwide), theatrical projects by famous directors and actors (Spike Lee, Zach Braff), and revivals of projects such as *Reading Rainbow* (raised $3 million in first 3 days of a 30-day campaign) make national news. Products such as the Pebble smart watch ($10.2 million) and the Neil Young-backed Pono Music player ($6.2 million) raise millions and their products are now sold by national retailers. A virtual reality headset named the Oculus Rift raised $2.4 million in 2012. In 2014 Oculus VR Inc. was acquired by Facebook Inc. for $2 billion in the first major acquisition of a crowdfunded firm.

These examples are outliers, in the far tail of the crowdfunding distribution. However, their success has brought attention to crowdfunding which, evidence suggests that crowdfunding delivers success for more modest projects (Mollick, 2014). For example, Cloudberry Kingdom from Pwnee Studios, raised a mere $23,582 in 2012. Yet, the Kickstarter helped Pwnee Studios land a deal with major publisher Ubisoft and the game is now available on major platforms such as Xbox 360, Playstation 3, Wii U, and Steam. Overall, while the media focuses on the large and unusual campaigns it seems that this attention has been a positive factor in helping attract both ventures and funders to crowdfunding platforms.

Labels associated with the crowdfunding phenomenon

Crowdfunding can take the form of unearned revenue (for product-based websites such as Kickstarter), debt (Kiva, LendingClub), a donation (GoFundMe, IndieGoGo), or equity (CircleUp, WeFunder). Thus, crowdfunding is a label and umbrella classification for a number of related phenomena. First, though crowdfunding predates the term crowdsourcing, it is clear that crowdfunding conceptually is a subset of crowdsourcing. In the original definition of crowdsourcing, businesses were to outsource specific tasks to individuals. More generally though, crowdsourcing is engaged in whenever an individual or organization broadcasts a problem or request to a crowd. Thus it is a social call for help or resources (cf. Allison et al., 2013).

Thus, crowdfunding is a social (public) appeal for financial resources (Mollick, 2014). The related forms of crowdfunding which go by different names vary in terms of specialization and funding type. For example, peer to peer lending, which predates crowdfunding, is specialized toward presenting highly financial appeals (credit scores, etc.) and is a debt-based funding type that companies and individuals can use to acquire funds (see Table 2). Microlending, which is itself a subset of microfinance (providing financial products in small units that are useful to the poor), has two main forms. A form of institution-based microlending such as that practiced by Grameen-bank (Yunus & Jolis, 2003), and the much more popular *crowdfunded microlending* (or debt-based crowdfunding).

Table 2. Comparison of Labels Associated with Crowdfunding

	Crowdfunding	Crowdfunded Microlending	Peer to Peer Lending
Purpose	General purpose platforms to raise funds	Initially for entrepreneurs developing countries	Lending to Businesses and People in Developed Countries
Typical Funding Range in USD	Goal: 200-100,000 Received: 250-70,000	100-50,000	2,000-35,000
Funding Type	Unearned Revenue, Debt, Donation, Equity	Debt, Donation	Debt
Return to Lender	Product/Service (Typical); Equity stake or cash flow (uncommon)	Repayment of Principal (Typical); Interest (less common)	Repayment of Principal and Interest
Funding Model	All or Nothing, Keep It All	All or Nothing, Keep It All	Fractional All or Nothing
Specialization	By business type, country, funding model, type of rewards/participation	All typically focused on developing country borrowers. Range of specializations by country, borrower type, loan purpose	-
Platforms	Kickstarter, IndieGoGo	Kiva, Zidisha	Prosper, Lending Club, Kiva ZIP
Information Provided	Funding Appeal / Entrepreneurial Narrative	Funding Appeal / Entrepreneurial Narrative	Objective Risk Information (Credit Scoring)
Decision Type	Uncertainty	Uncertainty	Risk

Forms of Crowdfunding

Today, major crowdfunded projects are weekly events and hundreds of entrepreneurs launch crowdfunded ventures each week. This suggests the ascendency of crowdfunding as an important new option in the capital ladder. A herd of hundreds of crowdfunding websites have sprung up – from major and generalist sites like Kickstarter, Kiva, and Indiegogo, to less well known but still successful sites such as Crowdfunder, Crowdrise, Angellist, Quirky, Prosper, Lending Club, to highly-specific platforms. These web-delivered, community-based funding platforms are creating a new institutional venue for entrepreneurs to seek financial resources. It is useful to first understand the relationship of social means of resource acquisition such as crowdfunding to traditional means of resource acquisition. Figure 3 shows the resource acquisition "ladder" with the inclusion of crowdfunding. Table 3 compares crowdfunding to these traditional means of resource acquisition along a number of dimensions.

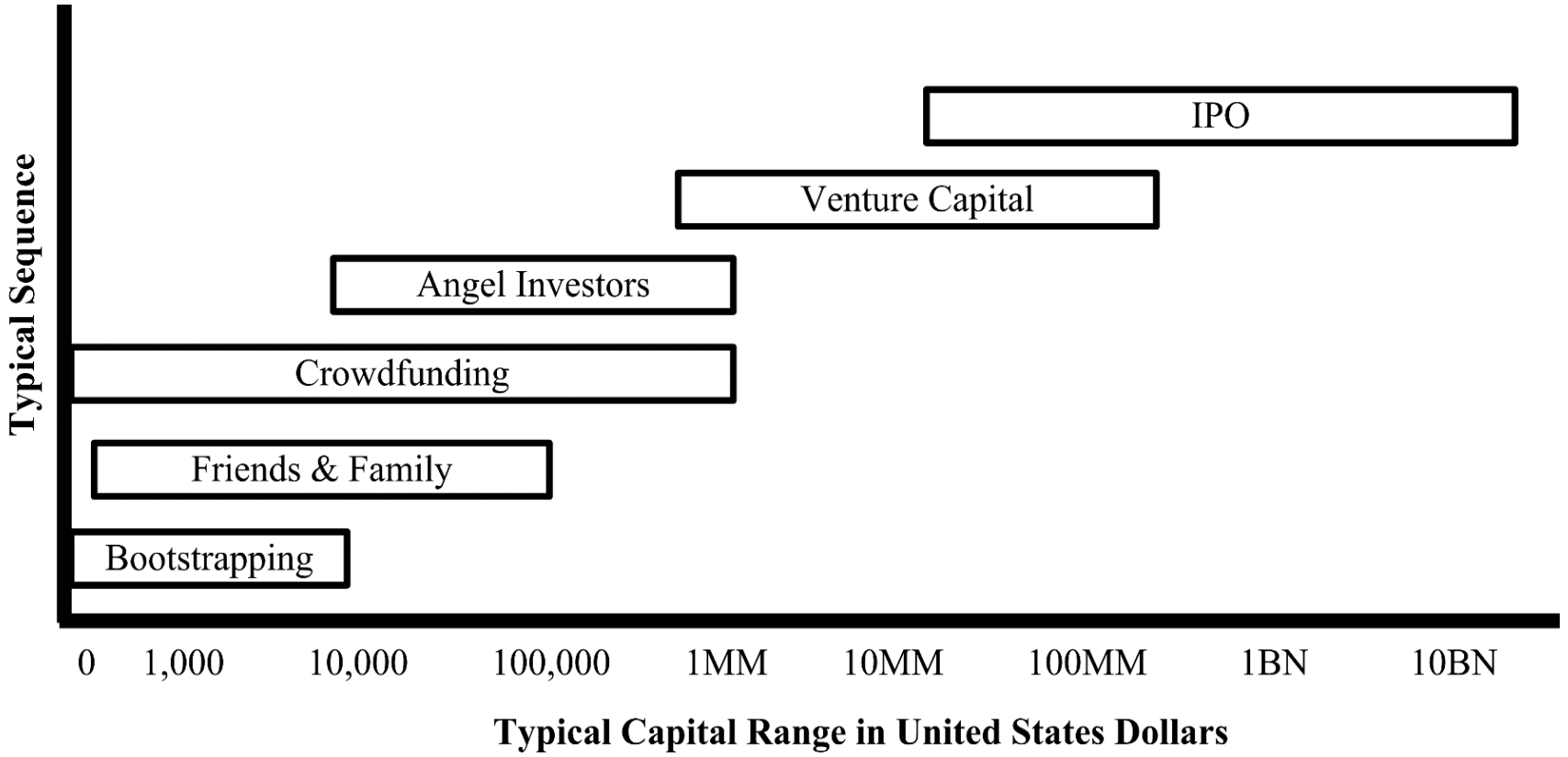

Figure 3. Capital Range Comparison with Crowdfunding

As the figure shows, crowdfunding overlaps with the bootstrapping, friends and family, angel investor, and part of the venture capital ranges of the capital ladder. Crowdfunding can typically yield from a few hundred dollars to a million dollars (USD), though average amounts raised tend to be in the range of several thousand dollars (Allison et al., 2013; Mollick, 2014). Thus, crowdfunding may be an important way in which entrepreneurs who have a structural gap in their resources (personal economic capital, personal social capital) are able to bridge that gap by making a public appeal to social investors who can help them raise the amount of money needed to get to the next stage.

As Table 3 shows, one of the key differences with crowdfunding compared to other sources of early venture financing is that the decision makers are plural. The crowd as a whole, through individual decisions, determines the amount of money provided. In contrast to venture capital, IPO, and – to some extent – angel investor – contexts, decision makers are inexpert. Information asymmetry is high, governance is almost entirely contractual, and speed to funding is very rapid. All of this suggests a funding context that is largely beneficial for entrepreneurs, but of unknown value to investors. If we don't understand what investors want and get, then we can't understand how entrepreneurial ventures can influence investors to provide needed capital.

Table 3. Comparison of Sources of Outside Funding for Entrepreneurial Ventures

	Bootstrapping & Own Assets	Friends & Family	Crowdfunding	Angel Investors	Venture Capital	IPO
Typical Funding Range in USD	Up to10K	Up to 100K	Up to 100k; Some to 1MM	10K-1MM	1MM-250MM	10MM-20BN
Funding Type	Equity, Debt	Debt, Equity	Unearned Revenue, Debt, Donation, Equity	Equity, Debt, Contractual/ Convertible Debt	Equity, Debt, Contractual/ Convertible Debt	Equity
Funding Appeal	N/A	Personal	Crowdfunding Appeal	Business Plan	Business Plan	Prospectus
Characterization of Appeal	Concessions to Partner	Helping	Helping (Equity: Investment Opportunity)	Investment Opportunity	Investment Opportunity	Investment Opportunity
Decision Maker	Entrepreneur, Partners	Friends & Family	Crowd	Individual Angels; Angel Groups	VC Investment Committee	Investment Bankers / Underwriters, Crowd of Investors (Institutional and Retail)
Typical Expertise of Decision Maker	Low	Low	Low	Moderate	High	IB and Institutions: High; Retail Investors: Low

	Bootstrapping & Own Assets	Friends & Family	Crowdfunding	Angel Investors	Venture Capital	IPO
Number of Decision Makers	1	1-2	10-100,000	1-2	3-12; (Hundreds with syndication)	Many Thousands
Screening	None	None	Some Platforms Review Requests, most common with equity	Some Angel Groups perform modest pre-screening	Significant Screening before pitch; Due Diligence before investment	Heavy screening by underwriters
Information Asymmetry	High-Low	High-Low	High-Medium	High-Medium	Medium	Medium-Low
Typical Governance	None	None	None except Contractual	Board Seats; Contractual	Board Seats; Contractual	Board of Directors
Institutional Actors	None	None	Crowdfunding Platform; Equity Crowdfunding under 2012 JOBS Act: SEC	Advisory Law, Accounting Firms	Advisory Law, Accounting Firms	Investment Banks, Institutional Investors, SEC
Costs of Raising Capital	0-30%	0-Varies	8-10%	10%	10%	11%+12% underpricing = 19%
Funding Speed	0-10 Days	0-10 Days	0-90 Days	0-8 Weeks	8-16 Weeks	6-9 Months

	Bootstrapping & Own Assets	Friends & Family	Crowdfunding	Angel Investors	Venture Capital	IPO
Theories	Pecking Order, Credit Rationing	Pecking Order, Social Network	Social identity theory, Social Network, Warm Glow	TCE, RBV, Signaling, Social Network	TCE, RBV, Signaling, Social Network, Institutional Theory, Agency Theory	TCE, RBV, Signaling, Social Network
Key Questions	Decision-making, Mental Accounting	Decision-making	Decision-making, Adverse Selection, Herding, Emotional Contagion	Decision-making	Decision-making, Value added	Underpricing, Signal efficacy
Key Constructs	Bootstrapping behavior	Social Contracts	Prosocial motivation, Altruism, Identifiable victim effect, Warm glow	Information Asymmetry	Information Asymmetry, Agency conflict, Legitimacy & Isomorphism	Information Asymmetry, Signal cost, Signal visibility
Key Research	Winborg & Landstrom, 2001; Ebben & Johnson, 2006	Starr & MacMillan, 1990; Astebro, Bernhardt, 2003	Galak et al., 2011; Allison et al., 2013, 2014; Ahlers et al., 2014; Belleflamme et al. 2014; Mollick, 2014;	Shane & Cable, 2002; Maxwell, Jeffrey, Levesque, 2011	Arthurs & Busenitz, 2006; Busenitz, Fiet & Moesel, 2005; Fried, Hisrich, 1994; Gompers, 1996; Zacharakis & Meyer, 2000; Honig & Karlsson, 2004	Cohen & Dean, 2005; Michaely & Shaw, 1994; Certo, 2003; Pollock & Gulati, 2007

The four traditional forms of financial capital – business angels, venture capitalists, IPO investors, and banks, all provide money under the rationale of earning a financial return. Business angels and venture capitalists operate in a higher-risk space, IPO investors in a more moderate risk space, and banks in a relatively low risk space. The exchange for investment in all four cases is debt or equity. In the case of business angels and venture capitalists, when debt is used, it is often structured as a convertible security. IPO investors receive publicly traded common stock. Banks receive a promissory note secured by various assets of the firm. The four traditional sources together constitute a capital "ladder" ranging from the thousands of dollars to several billions of dollars (IPOs).

In contrast, in rewards-based crowdfunding, exemplified by Kickstarter, crowdfunding investors provide capital in exchange for future goods and services. Thus, another appropriate term for rewards-based crowdfunding is "unearned revenue" crowdfunding – the venture is essentially making sales that it cannot recognize as revenue until the promised products are developed and produced (e.g., Altamuro et al., 2005). Funding amounts range from a hundred dollars to several million, though most campaigns raise a few thousand to a few ten thousand dollars. The motivation for funders is either to be an early adopter of an innovative product, to be a participant in an event the funder is interested in, or to support the development of products that the funder is interested in (where the reward is intangible or in the form of public recognition). Rewards-based crowdfunding has attracted the lion's share of media attention. This is largely due to the success of crowdfunded projects such as the *Veronica Mars* movie (raised $5.7 million, and after a theatrical run is

now available on DVD in stores worldwide), theatrical projects by famous directors and actors (Spike Lee, Zach Braff), attention-grabbing ventures such as the "Coolest Cooler" ($13.3 million) and a campaign for potato salad ($55 thousand), as well as revivals of projects such as *Reading Rainbow* (raised $3 million in first 3 days of a 30-day campaign). On Kickstarter, a rewards-based crowdfunding platform, 82 ventures have raised over $1 million each, and one exceptional case, Oculus VR, was acquired by Facebook, Inc. for $1.6 billion in stock and $400 million in cash just 19 months after raising $2.4 million in a "crowdfunding round." These million-dollar crowdfunded ventures are uncommon, just as among all entrepreneurial ventures, a firm that receives venture capital is uncommon. However, in grabbing headlines, these extreme successes draw greater interest and legitimacy to crowdfunding. This benefits the vast majority who raise modest but still useful sums: of 182,000 Kickstarter projects, over 10,000 entrepreneurs have raised $20,000 or more, and 40,000 entrepreneurs have raised approximately $4,000 or more.

In donation-based crowdfunding, entrepreneurs simply request money for a particular purpose. Contributing funders receive nothing other than gratitude and perhaps occasional updates. This source of funding is more often used by individuals pursuing personal interests, for example, money for medical expenses, for tuition, or for personal travel. It is of relatively less importance for entrepreneurs. Amounts typically range from a hundred dollars to a few thousand dollars.

Equity-based crowdfunding promises to be of growing importance in the future. Funders receive equity ownership in entrepreneurial ventures and funder rationale may closely approximate that of traditional business angel investors.

Funding amounts are similar to angel and smaller VC rounds, though they are raised from more investors. Equity-based crowdfunding platforms operate worldwide, though regulatory differences have resulted in European platforms having a head start over US platforms. Since 2012, US equity crowdfunding was limited to accredited investors (Simon & Loten, 2014); however, in Q4 2015 the SEC passed rules implementing Title III of the 2012 JOBS Act. These rules are expected to come into effect in early 2016 following public comment and promulgation. The rules allow ventures raising capital under Title III to raise up to $1M in a year. However, ventures must make significant disclosures and may only offer securities via a broker-dealer or a "portal intermediary" (a crowdfunding platform). Non-accredited investors may invest a minimum of $2,000 per year, up to 5-10% of their annual income, depending on whether they make less than or more than $100,000 per year.

Debt crowdfunding, sometimes referred to as microlending, is a popular crowdfunding format where crowdfunding investors provide small, relatively short-duration loans to entrepreneurs in exchange for a promise to repay (Allison et al., 2015). Though some crowdfunding platforms allow investors to charge interest, the most popular debt platform – Kiva – does not, and focuses primarily on providing crowdfunding to entrepreneurs in lesser-developed countries. This form of crowdfunding is interesting in its similarities with each of the other forms of crowdfunding. Like rewards-based crowdfunding, intangible rewards in the form of recognition and project updates are an important element of the platform. Like donation-based crowdfunding, helping others is a key aspect of the platform. Finally, like equity crowdfunding, funders on a debt crowdfunding platform receive an actual

financial instrument in exchange for their investment. Unlike equity crowdfunding, this interest is debt. Also unlike equity crowdfunding, no interest is paid, and hence only principal is returned. Thus, debt-based crowdfunded microlending has a strong prosocial aspect to it, combined with a genuine stake in repayment of the loan. Because of these attributes, debt-based crowdfunding provides a good context for developing theory that may prove applicable to multiple forms of crowdfunding.

The Crowdfunding Conundrum

While it is clear how entrepreneurs and their ventures benefit from crowdfunding (financial capital, and perhaps product market intelligence or exposure), it is less clear why crowdfunding investors would be willing to take on material risks for the limited direct rewards provided through crowdfunding. Prior crowdfunding research has largely sought to explain crowdfunding using theories that have worked well in conventional funding contexts. While there is some evidence for the effect of signaling and rhetoric in crowdfunding (Ahlers et al., 2015; Moss et al., 2015), these theories don't provide a cogent explanation for why funders would choose to provide capital through crowdfunding in the first place. In the following section, I review the problems recent work applying signaling to crowdfunding have encountered in order to illustrate the need for a theory that works with, rather than against, the conditions found in crowdfunding.

Assumptions of Signaling that Crowdfunding Violates

For example, Moss and colleagues adopt a rhetoric lens and use signaling theory to predict crowdfunding performance (2015). They argue that, crowdfunders

"are largely unaware of the characteristics and behavioral intentions of the borrower," (Moss et al., 2015: 30). Signals that can resolve this asymmetry are signals of intent. However, this idea of signals of intent is based on the idea of peer monitoring (Stiglitz, 1990). Specifically, a borrower can signal the intent to repay by agreeing to peer monitoring; a default would result in social stigma, a real cost (Stiglitz, 1990). Instead of this, Moss and colleagues combine the idea of signals of intent with costless signals, also known as "cheap talk." Cheap talk signals originated in finance to explain why, for example, companies can announce a share repurchase and benefit from the announcement even though the market has no assurance that the repurchase will ever occur (Almazan, Banerji, & Motta, 2008; Bloomfield & Kadiyali, 2005; Chakraborty & Harbaugh, 2010; Farrell & Rabin, 1996). Moss et al. combine these two ideas to suggest that a venture can signal its intent to repay through various kinds of language (virtuousness and entrepreneurial orientations) (2014). They suggest that these signals will be believed because, over time, ventures who exaggerate will be found-out and lose access to crowdfunding.

This logic does not hold together for several reasons. First, the assumptions of cheap talk are disregarded. The cheap talk signaling literature assumes that the signaler and the signal recipient will maintain a close and terminable relationship (Farrell, 1987). For example, employee and employer. In such a case, an employee that exaggerated his abilities too much would be quickly found out and fired (Farrell, 1993; Farrell & Gibbons, 1989). In crowdfunding, the relationship is loose and the signal recipient can do nothing after providing the capital. This alone is a fatal logic flaw: since the funding provider has no recourse, there is no reason to pay attention to

signals that operate via cheap talk. Thus, cheap-talk signals cannot tell us why funders do or do not provide capital.

Signaling explanations have several other logic flaws. The second is that, for cheap-talk type signals, the signal must be clear and unambiguous. This is so because the enforcement mechanism for cheap-talk signals is discovery of falsification. If a signal is so subtle or ambiguous that it cannot be falsified, it cannot be verified. Specific claims about ability meet this criteria, subtle patterns of word usage do not.

Third, in practice, signaling predictions in crowdfunding have often failed. For example, while Moss and colleagues (2014) found that several dimensions of entrepreneurial and virtuous orientation positively predict crowdfunding performance, those same dimensions often negatively predict repayment rates. This is a problem. Their logic that the cheap talk signals would predict crowdfunding performance is based on the idea that this will be so because potential funders will expect those signals to be positively associated with repayment. That the explanatory logic is apparently false suggests that the first effect may not be a signaling one. In another example, Ahlers and colleagues (2015) examined the role of human, social, and intellectual capital as signals in a dataset of 100 Australian ventures seeking capital via an equity crowdfunding platform. These constructs were operationalized as board composition (human), board members' MBA degrees (social), and patents (intellectual). Even after extensive analysis, only human capital ("the percentage of MBA graduates among executive board members of a founding team") proved significant.

Though it has proven valuable in other, traditional, contexts, the application of signaling theory to crowdfunding has so far returned disappointing results. This has more to do with the assumptions of signaling theory than it does the efforts of the authors that have used it (cf. Bacharach, 1989). First, signaling theory assumes the primacy of information asymmetry to decision makers. The theory predicts how the display of a signal will reduce the target's information asymmetry. The purpose of reducing this information asymmetry is to make decisions that have relatively high costs of being wrong. Signaling decisions are primarily the decision to hire someone (Spence, 1973; Spence, 1974), or to make an investment (Plummer et al., 2015). Signaling assumes that decisions about allocating capital are investments, made under rational choice.

The signaling theory assumption that capital allocations are investments made for financial gain cannot be taken for granted in crowdfunding. At first blush, crowdfunding seems to break the norm of reciprocity (Gouldner, 1960) – it doesn't seem as though investors are receiving financial return on their capital. This seems especially true in the context of socially-oriented (prosocial) forms of crowdfunding. One example of a crowdfunding platform that emphasizes its social purpose is Kiva, a debt-based crowdfunded microlending platform. On Kiva's crowdfunding platform, investors lend to entrepreneurs and in exchange only receive a promise of repayment of principal – no interest. These terms may imply a guaranteed loss for investors when we consider the time value of money and foreign exchange risk. Since these crowdfunding investors are not receiving a financial return, why do they invest?

This suggests that we need to look beyond market exchange to other domains. To identify the relevant domain, it helps to look at what forms of crowdfunding have in common. A major aspect of most crowdfunding contexts is sociality. Whether it is involvement with a group of people pursuing a project out of personal interest, or engagement in supporting social entrepreneurship, what is different about crowdfunding is that an investment does not merely provide a financial return, it has an effect on other people's lives. Prior crowdfunding research has suggested the domain of prosocial behavior as a way to understand the non-financial appeals of crowdfunding to potential backers (Galak et al., 2011). In their study of the market research implications of crowdfunded microlending, Galak, Small, and Stephen found evidence of two social psychological effects at work in influencing crowdfunding performance (2011). First, they found that potential backers favor individual entrepreneurs over groups; they argued this is due to the identifiable victim effect (Small & Loewenstein, 2003; Small, Loewenstein, & Slovic, 2007). Second, they found that backers prefer to lend to entrepreneurs who are more socially similar to themselves. Along dimensions of gender, occupation, and name similarity, this effect held up, suggesting the influence of social identity theory and in-group/out-group biases (Ashforth & Mael, 1989; Brewer & Kramer, 1986; Flynn, 2005; Levine, Prosser, Evans, & Reicher, 2005).

These two effects don't make a model that can explain and predict crowdfunding performance, but they point the way toward such a model. The social identity effect identified in crowdfunding matches-up what is already known about the importance of affective commitment to beneficiaries in influencing prosocial

behavior (Grant, 2007). Social closeness leads to emotional closeness and compassion. The identifiable victim effect matches-up with prosocial behavior research that highlights the importance of it being clear that a person really needs help in order to influence bystanders into providing assistance (Darley & Latane, 1968). In the next section, I review those findings and others that inform how we can adapt models of prosocial behavior to predict prosocial funding behavior. But first, I briefly outline the other benefits of looking beyond traditional entrepreneurial finance theories.

In contrast to traditionally theories, adopting a prosocial behavior lens relaxes the financial return on investment assumption. Providing money (financial capital) is one way to engage in prosocial behavior and does not imply that the money is viewed as an investment.[3] This agnosticism as to the nature of the financial capital outcome is desirable given the varying motivations that crowdfunders may hold (Allison et al., 2015; Mollick, 2014). Thus, in ignoring prosocial motives, it may be that prior work has presented a relatively underpsychologized view of the phenomenon of crowdfunding (e.g., Kilduff, Tsai, & Hanke, 2006; e.g., Kwon & Adler, 2014; cf. Shane & Cable, 2002). To begin developing a theory explaining why crowdfunding investors participate given the limited rewards and material risks, I examine the following research question: "How do entrepreneurs on crowdfunding platforms influence the acquisition of financial resources." More specifically, I focus on prosocial antecedents in order to understand how entrepreneurs may convince backers to provide capital, and how backers may evaluate entrepreneurs on criteria beyond

[3] Nor does it **exclude** the possibility that resource providers view it as an investment.

risk and financial return considerations. Next, I review the literature that inspired this research question, beginning with prior work on prosocial behavior in the entrepreneurship literature, then expanding out to the broader literature, and finally, explaining how that literature evolved through study of OCB to become the well-developed body of research on prosocial behavior in organizations we have today.

Prosocial Behavior: Literature Review

Prosocial behavior is voluntary and benefits another person or group of people (e.g., Brief & Motowidlo, 1986). Prosocial behavior is a type of social behavior that has received increasing attention in the management literature (e.g., Bolino & Grant, 2016; Grant & Mayer, 2009; Grant & Sumanth, 2009; Halbesleben et al., 2010). Over the past three decades, organizational scholars have examined examples, antecedents, and benefits of prosocial behaviors, as well as the motivations and impacts that attach to prosocial behavior in organizations (Bolino & Grant, 2016). One attribute of prosocial behavior research that suggests its potential value in explaining entrepreneurial resource acquisition performance is the link between prosocial behaviors and indicators of individual and group performance. These relationships hold for a variety of performance-type outcomes. In a meta-analysis, these types of behaviors predict worker's performance evaluations, promotions, and work unit productivity, efficiency, and customer satisfaction (Podsakoff, Whiting, Podsakoff, & Blume, 2009). Specific prosocial behaviors include helping, donating, sharing, and volunteering (Brief & Motowidlo, 1986). Thus, prosocial behavior is a construct: a label that describes an interrelated set of phenomena (Bolino & Grant, 2016). As

such, there is no single theory of prosocial behavior; over time, altruistic, egoistic, hedonistic, and genetically-based explanations have been proposed.

Prosocial Behavior: Prior Applications in Entrepreneurship

Prior work on social entrepreneurship has proposed that prosocial motives may be important for understanding the actions of social entrepreneurs. "Social enterprises seek to create value for customers, but instead of full remuneration going to investors … the surplus benefits of organizational activity accrue primarily to targeted beneficiaries" (Miller, Grimes, McMullen, & Vogus, 2012: 616). Fortuitously, this usage of prosocial behavior is fully consistent with the extension contemplated in this dissertation. In the social entrepreneurship literature, prosocial behavior describes the venturing activity by the entrepreneur (Austin, Leonard, Reficco, & Wei-Skillern, 2006b; Renko, 2013). These activities are undertaken in order to effect "significant changes in the social, political, and economic contexts for poor and marginalized groups," (Alvord, Brown, & Letts, 2004: 260). Thus, the prosocial behavior is enacted by the entrepreneur and directed at specific groups of people. Some of the early research in this tradition examined, using a case comparison method, factors associated with successful social entrepreneurship (Alvord et al., 2004), differences between social and commercial entrepreneurship, (Austin, Stevenson, & Wei-Skillern, 2006a), corporate social entrepreneurship (Austin et al., 2006b; cf. Greene, Brush, & Hart, 1999), and the broader potential of social entrepreneurship to rethink the central concepts and assumptions of entrepreneurship research (Mair & Marti, 2006).

The role of prosocial behavior in this prior work on social entrepreneurship has been one of an assumed motive. For example, Miller and colleagues suggest that "emotions that are prosocial motivate actions that are intended to serve the well-being of a group, even at the expense of the individual actor." (Miller et al., 2012: 617). They suggest that these prosocial emotions cause potential entrepreneurs to "bypass self-interested calculations" and become less apathetic about social concerns (2012: 617). Both compassion and empathy discussed as the prosocial emotion (cf. Arend, 2013; Rynes, Bartunek, Dutton, & Margolis, 2012). Miller and colleagues identify compassion as the emotion that promotes the prosocial behavior of social entrepreneurship, explaining:

> Compassion is characterized by its other-orientation and emotional connection linking an individual to a suffering community (Goetz, Keltner, & Simon-Thomas, 2010; Lazarus, 1991; Nussbaum, 1996, 2001). Compassion serves as a powerful motivator of action, compelling individuals to alleviate others' suffering (Batson & Shaw, 1991; Omoto, Malsch, & Barraza, 2009). Thus, compassion serves as a prosocial motivating emotion (i.e., the desire to benefit others), in contrast to proself motivators (Bierhoff, 2005; De Dreu, Weingart, & Kwon, 2000).

Prior work has suggested the role of compassion in motivating social entrepreneurship (Dees, 1998; Grimes, McMullen, Vogus, & Miller, 2013; Short, Moss, & Lumpkin, 2009; Zahra, Gedajlovic, Neubaum, & Shulman, 2009). This view is a refinement of earlier work that suggested empathy as the driver of prosocial behavior, including social entrepreneurship (Eisenberg, 2000; Eisenberg, Fabes, Guthrie, & Reiser, 2000; Holmgren, Eisenberg, & Fabes, 1998). Both are consistent with the core idea of prosocial theory, where an "altruistic agent" improves others' quality of life (Zahra, Rawhouser, Bhawe, Neubaum, & Hayton, 2008: 126). For example, Mair and Noboa highlight the link between empathy and helping behavior, a

concept “related to the spirit of” social entrepreneurship (2006: 10). This is consistent with earlier work that links empathy with helping responses, and work linking direct requests for help with empathy (Goldman, Broll, & Carrill, 1983). Notably, empathy can be conceptualized as both situation and dispositional, with research adopting a situational perspective (how characteristics of the beneficiary, the amount of help needed, level of ties and environment affect helping) dominating (Mair & Noboa, 2006).

The refinement in shifting from empathy to compassion is subtle, and though it does not materially impact the relevance of prior work that has referred to empathy, it does offer a stronger linkage between prosocial emotions and prosocial behavior vis-à-vis social entrepreneurship. Specifically, compassion is broader them empathy, entailing both “sympathetic consciousness of others’ distress,” and the “desire to alleviate it” (Frost, 1999: 128). While the first aspect of compassion is identical to empathy, the second aspect of compassion addresses how this prosocial emotion results in prosocial behavior (Frost, 1999). Overall, the role of prosocial behavior in social entrepreneurship has been to explicate why entrepreneurs would choose to engage in social entrepreneurship rather than purely commercial ventures (Chell, 2007; Griskevicius, Cantú, & Vugt, 2012; Shepherd & Patzelt, 2011). The prosocial motivator of compassion, a prosocial emotion, drives entrepreneurs to engage in prosocial cost-benefit analysis and to become more committed to alleviating others’ suffering. These antecedents, as moderated by the influence of institutional factors such as legitimacy, and social influence effects, in turn impact the likelihood of the prosocial behavior of forming a social enterprise (Miller et al., 2012)

Thus, in social entrepreneurship, prosocial emotions create a prosocial motivation that bends otherwise purely commercial entrepreneurs to a path of prosocial behavior through social entrepreneurship. The entrepreneurs become less self-interested and more other-oriented. In crowdfunding, it is investors who become less self-interested and more other-oriented. These investors – crowdfunding backers – are prosocially motivated through the impact of prosocial emotions that result in their prosocial behavior of providing funds to needy entrepreneurs. Both of these are examples of helping behavior. The social entrepreneur's prosocial behavior is direct, using their venture to help others. The crowdfunding investor's prosocial behavior is direct and indirect. First, they engage directly in prosocial behavior by helping a needy entrepreneur. Second, they can help others indirectly by funding an entrepreneur's venture that will benefit others in their community. In both cases, the usage of prosocial behavior here is consistent with prior entrepreneurship literature.

Overall, there is wide agreement in the literature that prosocial theory is valuable – and perhaps critical – in explaining the prosocial behavior of social entrepreneurship (Miller et al., 2012). For this reason, it makes sense to examine how prosocial motivation might serve to **predict and explain** crowdfunding performance. This seems especially true in light of the mixed results that have been obtained by applying traditional venture finance theories, especially to more prosocial forms of crowdfunding (Galak et al., 2011). Below I selectively review the work on prosocial behavior with a focus on research most salient to the extension of prosocial behavior to explaining entrepreneurial resource acquisition performance in crowdfunding.

Early Prosocial Behavior Inquiry

William McDougall was among the first to investigate how emotions "play their parts in the lives of human societies." (1908: 15-16). McDougall was particularly fascinated by what he called "the tender emotion." (1908: 56). Today, this tender emotion is known as compassion or empathy[4] (Batson, Fultz, & Schoenrade, 1987; Batson, O'Quin, Fultz, Vanderplas, & Isen, 1983; Miller et al., 2012). McDougall suggested that this emotion shapes social[5] behavior by triggering an instinctual drive to help: "the distress of any adult evokes the tender emotion…when we see, or hear of, the ill-treatment of any weak, defenceless creature… the protective impulse [is] aroused on its behalf," (McDougall, 1908: 63). One of his most important insights for modern research is that this emotion requires a trigger. He noted that a person must "see or hear of," another's need in order to trigger a response (64). Thus, McDougall was among the first to study the construct we now call prosocial behavior, and the factors that influence prosocial behavior. Overall, McDougall's work describes a relationship of broad importance to moving us toward a prosocial behavior view of crowdfunding: exposure to information about someone who is suffering can invoke an empathic response in nearly anyone. While McDougall clearly foresaw that this could result in helping actions, it was only much later that the factors influencing action would be examined.

[4] Other authors have explained the differences between empathy and concepts that have in the past been associated with it, such as compassion, sympathy, pity, sorrow, reproach, gratitude, benevolence, aspiration, trust, resignation, reverence, repentance, love. See: (Batson, Duncan, Ackerman, Buckley, & Birch, 1981); Shand (1903).

[5] McDougall uses the terms social and antisocial (229), but not "prosocial." The modern term prosocial approximates the contemporaneous technical meaning of social, "the positive and constructive element in society," in contrast to the "non-social" – "as yet imperfect but not degenerate," "the pseudo-social" – paupers, and the "anti-social" – criminals. See: (Giddings, 1896: 71-72).

The body of thought lay dormant until the mid-1960s when dramatic news reports about bystanders' failures to intervene to save others' lives turned researchers' attention to the phenomenon of helping behavior once more, and in particular to the question of bystander intervention (Dovidio & Penner, 2001; Manning, Levine, & Collins, 2007). These studies explored many of the old questions about altruism vs. egoism[6] (Baumann, Cialdini, & Kendrick, 1981; Berkowitz, 1969; Campbell, 1965; Cialdini, Darby, & Vincent, 1973; Cialdini & Kenrick, 1976; Macaulay, Berkowitz, & Aronfreed, 1970; Wilke & Lanzetta, 1970). For example, whether prosocial behavior is self-focused (i.e. alleviating personal distress, feeling good, receiving awards, avoiding punishment), or other-focused (Batson et al., 1987). Given later experimental evidence from Batson and colleagues that compassion/empathy leads to altruistic (rather than egoistic) motivation to help, I omit a discussion of this debate (e.g., Batson, 1987; Batson, 2014; Batson, Coke, Chard, Smith, & Taliaferro, 1979; Batson et al., 1981; Batson, Lishner, Cook, & Sawyer, 2005; Batson et al., 1983; Batson & Shaw, 1991).

This period led to the milestone of Latané and Darley's decision model of bystander intervention (Darley & Latane, 1968; Latane & Darley, 1968; Latané & Darley, 1970). Latané and Darley's decision model consists of five steps: (1) notice problem, (2) define as situation requiring intervention, (3) decide whether to take personal responsibility, (4) plan what kind of help to give, and (5) decide whether to act as planned. As with McDougall's model, it is vital that a potential helper first notice the other person's need. This also implies that needs that are more noticeable

[6] For a definition of egoistic and altruistic motives, and a discussion, see (Batson et al., 1987).

are more likely to ultimately result in a response (Dovidio & Penner, 2001). The environment, as well, may influence whether others' need for help is noticed (Hedge & Yousif, 1992; Levine, Martinez, Brase, & Sorenson, 1994; Mathews & Canon, 1975). For example, pleasant smells may facilitate helping (Baron, 1997), while stressors may do the opposite (Bell, Fisher, Baum, & Greene, 1996). Step two will tend to result in more helping for people who "make their need clear with overt distress cues" (Dovidio & Penner, 2001: 164). In step three, potential helpers must determine who should and/or will help (Darley & Latane, 1968; Latané & Darley, 1970). Their response will depend not only on the number of other potential helpers but an assessment of who is most able to help (Piliavin, Dovidio, Gaertner, & Clark, 1981).

Latané and Darley's model provides several key insights that we may add to McDougall's observation that it is necessary for a person to "see or hear of," another's need in order to trigger an empathy response (1908: 64). Recent research in the broader psychology literature on compassion[7] has further supported the idea that attention-getting cues (Goetz et al., 2010) and the environment (Saslow et al., 2013) are important factors in influencing prosocial behavior (e.g., Dutton, Worline, Frost, & Lilius, 2006; Kahn, 1993). Overall, attention-getting cues are directly relevant to extending prosocial behavior research to explain entrepreneurial resource acquisition phenomena as we follow the literature to examine prosocial behavior research in organizations.

[7] "Compassion is prosocial because it involves not just noticing and empathizing with the suffering of others, but also providing emotional support and taking action to alleviate their pain (Dutton et al., 2006; see also Kahn, 1993)." (Bolino & Grant, 2016: 24)

Prosocial Behavior in the Workplace: Organizational Citizenship Behavior & Prosocial Organizational Behavior

The organizational literature has long understood that performance is linked to workers' willingness to act in the best interest of the organization, beyond clear job requirements (Katz, 1964). Thus, the argument for studying prosocial behavior in organizations has its roots in observations of the patterns of behavior necessary for effective organizations (Katz & Kahn, 1978).

This line of research has often focused on OCB (Bateman & Organ, 1983; Bolino, 1999; Bolino & Turnley, 2003, 2005; Bolino, Turnley, & Bloodgood, 2002; Organ, 1997; Smith, Organ, & Near, 1983). This work made it clear that employees' organizational citizenship behaviors have multiple causes: justice and social exchange (Moorman, Blakely, & Niehoff, 1998; Niehoff & Moorman, 1993), mood (George & Brief, 1992), managing impressions (Bolino, 1999), other-oriented personal values (Korsgaard, Meglino, & Lester, 1996), or a combination of these factors (Bolino & Grant, 2016; Grant & Mayer, 2009). Thus, as in the earlier research on prosocial behavior, research found that organizational citizenship behaviors can be influenced by a variety of factors, including those external to the individual.

"OCBs are often regarded as prototypical prosocial behaviors." (Bolino & Grant, 2016: 24). Yet, the construct space of prosocial behavior is broader, covering acts "such as helping, sharing, donating, cooperating, and volunteering are forms of prosocial behavior." (Brief & Motowidlo, 1986: 710). Broadly, prosocial organizational behaviors are:

> (a) performed by a member of an organization, (b) directed toward an individual, group, or organization with whom he or she interacts while

> carrying out his or her organizational role, and (c) performed with the intention of promoting the welfare of the individual, group, or organization toward which it is directed. (Brief & Motowidlo, 1986: 711)

Prosocial organizational behavior is a narrower construct than prosocial behavior (e.g., Brief & Motowidlo, 1986). Prosocial organizational behavior must be voluntary, rather than role-prescribed (Katz, 1964). While prosocial organizational behavior can be directed at people in the organization (colleagues, customers, vendors), it can also be directed at the organization itself (Staw, 1984; Staw, Sutton, & Pelled, 1994). Prior research identified many of the same potential antecedents of prosocial organizational behavior as did the broader psychology literature. Among these are the impact of the environment (Cohen, 1980), information cues (observational learning) (Brief & Motowidlo, 1986), and the effect of managerial leadership (Smith et al., 1983).

Prosocial Organizational Behavior & Relational Job Design Theory

Identifying reliable antecedents of prosocial organizational behavior, such as the work environment, information/learning cues, and the impact of perceptions of management enabled the application of job design theory (i.e. Hackman & Oldham, 1976). Using job design theory, researchers sought to understand whether it is possible to design jobs and create work environments where prosocial behaviors are more likely to occur (Grant, 2007). While research has, since McDougall, asked why people engage in prosocial behavior, the integration of job design theory led to three major advances. First, this integrated theory, *relational job design*, asked how we might get people to do more prosocial behavior. How can we, through shaping the environment, providing information cues, and through management perceptions,

increase the occurrence of prosocial behavior (Grant, Fried, Parker, & Frese, 2010; Grant & Parker, 2009)? Second, a relational perspective on job design allows for the joining of multiple perspectives on the antecedents of prosocial behavior into a single model (Dovidio & Penner, 2001), including the social capital construct (Bolino et al., 2002; Kwon & Adler, 2014). Third, the relational perspective resulted in a job impact framework, that has served to stimulate further research on the antecedents of prosocial organizational behavior (Grant, 2007, 2008a, 2008b; Grant & Sumanth, 2009). At the same time, job design has seen wider application beyond traditional contexts (Grant et al., 2010), including to entrepreneurship (Baron, 2010).

Thus, given its success in predicting prosocial behavior by employees, I turn to the question of whether we can extend this theory to encompass prosocial behavior by external stakeholders, and specifically, entrepreneurs' potential capital providers. Brief and Motowidlo's definition of prosocial organizational behaviors stipulates that they are performed by members of the organization (1986). Prior research has suggested that some investors – and especially smaller, informal investors – tend to identify heavily with their firms and often invest for non-economic reasons (Sullivan & Miller, 1996). In light of this, and the fact that investing ties the individual to the firm, it is plausible to consider such investors members of the firm, in the same way that the equity shareholders of a public firm are part of the firm by virtue of their ownership. Though such investors are not physically located in one of the firm's offices, they are, nevertheless, a part of it.

Another factor favoring extending prosocial behavior to encompass external stakeholders is the fact that prosocial behavior is well-established as a multi-level

theory (Dovidio et al., 2006; Penner et al., 2005). In particular, it has been used at the macro level to explain how organizations influence external individuals into engaging in extra-role helping with the mission of the organization (Penner et al., 2005). The parallel with an entrepreneurial organization convincing external individuals into providing small amounts of funding to assist in the entrepreneurial organization's mission is strong.

Further, both the job design theory study of prosocial behavior and the context of crowdfunding are performance oriented – prosocial behavior research has sought to explain how an environment that is conducive to prosocial behavior results in *performance differences* themselves, rather than actual acts of prosocial behavior or intentions to act prosocially (Grant & Sumanth, 2009). For example, Grant and colleagues demonstrated that exposure to prosocial cues (information about the beneficiaries of a call-center worker soliciting donations) resulted in workers raising 171% more money (2007). If a similar effect applies to external stakeholders, crowdfunded ventures exhibiting prosocial cues may acquire more capital more quickly than those ventures that do not exhibit prosocial cues. Moreover, both contexts deal with creating an environment that influences stakeholders to engage in desired behaviors. In workplaces, companies seek to understand how they can create an environment where their internal stakeholders are willing to make personal sacrifices which may result in better performance (Grant, 2008b). In crowdfunding, ventures seek to understand how they can create an environment that influences external stakeholders to make personal sacrifices that result in raising more capital.

Hypothesis Development: Prosocial Cues

Given these commonalities, I build a conceptual model to explain and predict crowdfunding performance. My model is based upon prior research by both Grant and Grant and Sumanth (2007; 2009). The conceptual model synthesizes aspects of this earlier work and extends the underlying theory to relationships involving external organizational stakeholders. In this section, I review the logic underlying Grant's 2007 model; the 2009 model and a synthesis are reviewed in the hypothesis development section for trust cues.

Figure 4 shows an adapted version of Grant's Job Impact Framework (2007); for clarity, the only outcome shown is helping (prosocial) behavior. Constructs and relationships in solid lines originate from Grant's (2007) model. Constructs and relationships appearing in dashed lines originate from Grant and Sumanth's (2009) work. This latter set of constructs is discussed in the hypothesis development for trust cues. Figure 5 on the following page, the research model for this work, shows how the modified Grant models in Figure 4 are reflected in the relationships in Figure 5.

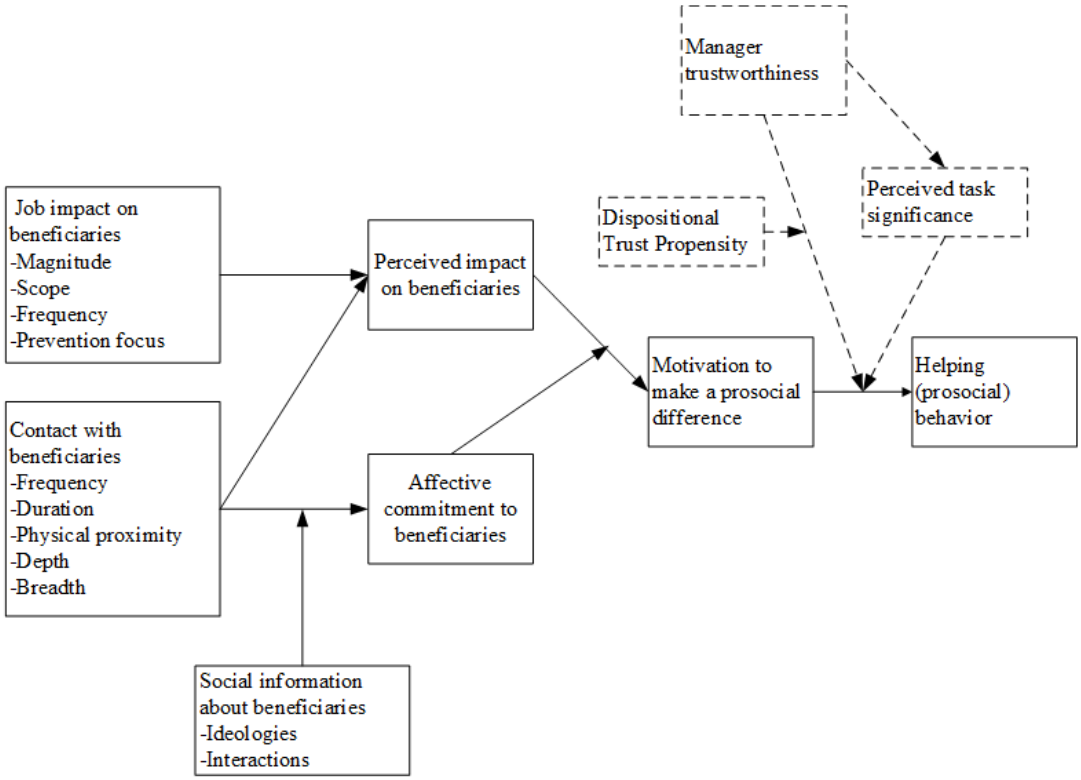

Figure 4. Job Impact Framework, Trust Added
Adapted from Grant, 2007; Grant & Sumanth, 2009

The job impact framework shows how factors relevant to a person's at-work prosocial impact might interact. The model consists of three categories of constructs: the relational architecture, psychological states, and behavioral/identity outcomes (Grant, 2007). Job impact on and contact with beneficiaries fall into the first category. Each is a multidimensional construct that reflects the prosocial impact a person's job has upon beneficiaries, people they are helping, as well as the level of contact they have with those people. Prior work has suggested that differences in prosocial impacts and social contacts among various jobs may predict worker motivation (Dutton, 2003; Thompson & Bono, 1993; Wrzesniewski & Dutton, 2001). Thus, Grant's contribution here is to draw upon prior research and suggest dimensions that form each construct (e.g., Edmondson, Bohmer, & Pisano, 2001).

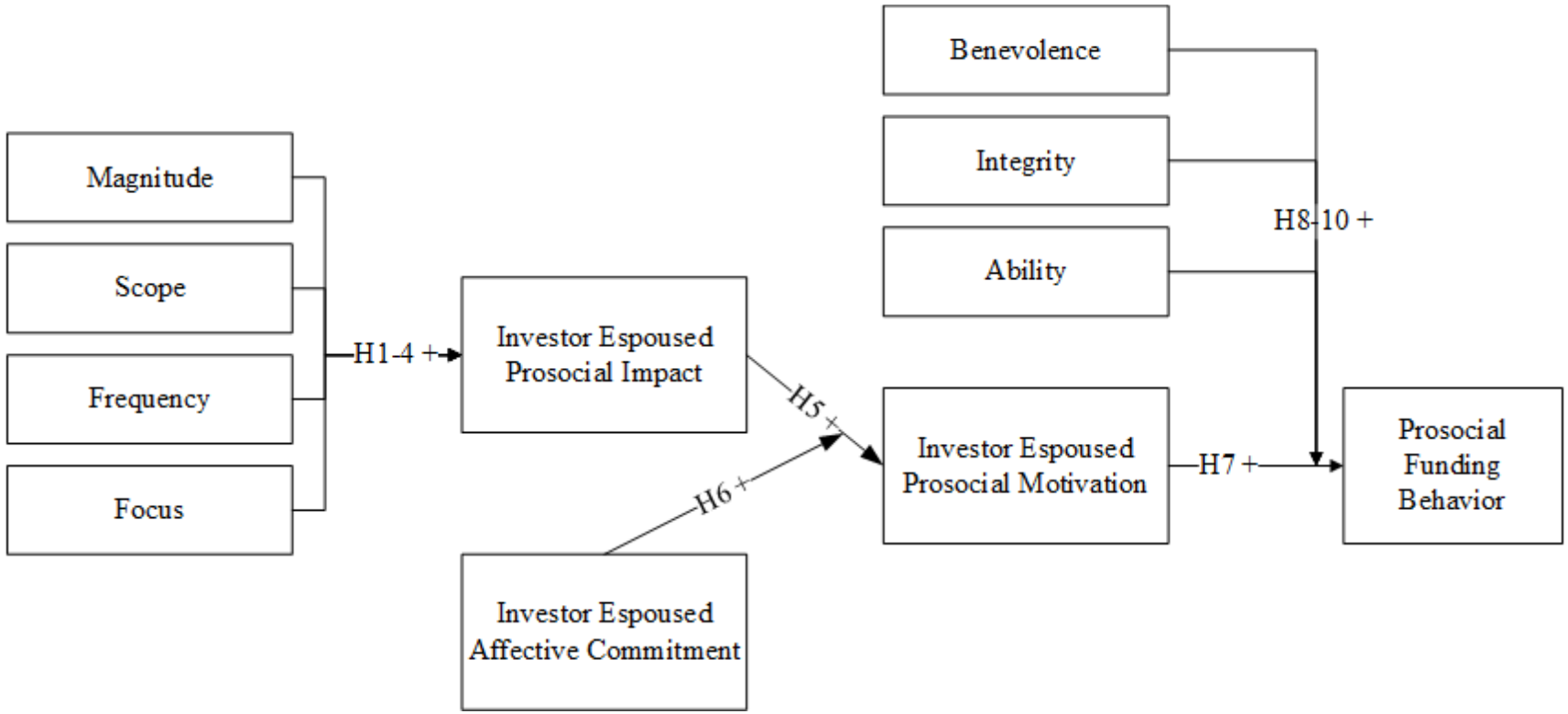

Figure 5. Research Model

As Figure 5, the Research Model, shows, I propose to examine the dimensions of job impact, as applied to crowdfunding investors, rather than their traditional application to employees. In addition, I propose to examine three central constructs adapted from constructs developed in relational job design: investor espoused prosocial impact, investor espoused affective commitment to beneficiaries (the entrepreneurs they are funding), and investor espoused prosocial motivation.

Prosocial Funding Behavior Construct Development

I link these to the outcome of prosocial funding behavior – the provision of money to the venture by funders. Here, fundraising performance is the prosocial/helping behavior of interest – money offered by investors to help the entrepreneur. The prosocial funding behavior construct is a behavioral outcome, of the helping behavior type (Grant, 2007). In the workplace, employees can engage in a wide variety of prosocial behaviors, by virtue of their rich interactions with others (Bolino & Grant, 2016).

In investing contexts, the number of prosocial behaviors available to an investor to help a beneficiary entrepreneur are more limited. Notably, in traditional entrepreneurial finance contexts, investors such as venture capitalists have more potential ways to help entrepreneurs. For example, investors may help entrepreneurs find customers, suppliers, and advisors. This is an alternate way to view investor behaviors that have been described in the venture capitalist value-added research stream (e.g., Busenitz et al., 2004; Sapienza et al., 1996). That is not to say such behaviors as previously described in the literature have usually been prosocially motivated, rather, it is an illustration of the other ways in which investors can help

entrepreneurs if they are prosocially motivated and have rich interactions with the beneficiary entrepreneurs (e.g., Sullivan & Miller, 1996).

The crowdfunding context further limits the ways in which investors can help entrepreneurs. Investors do not have any rich interaction with beneficiary entrepreneurs. Instead, they view their crowdfunding entrepreneurial narratives. Thus, prosocially motivated investors have a binary choice of engaging in prosocial funding behavior by providing the entrepreneur funds, or to not to. Thus, my outcome of interest is this *prosocial funding behavior*. This construct entails the action of providing capital to a beneficiary entrepreneur in order to help them with their new or growing venture.

Moderating Role of Trust Cues

In addition, I will examine three dimensions of trust cues, as suggested by the managerial trustworthiness concept (Grant & Sumanth, 2009). The value of testing this model in the crowdfunding context is twofold. First, to predict crowdfunding performance. Second, to expand the boundaries of mainstream prosocial behavior research to the explanation of prosocial behavior by external stakeholders – in this context, potential investors.

Returning to the discussion of Figure 4, the job impact model, the job impact and contact constructs each have a direct, linear, and positive effect on perceived impact on beneficiaries (the first of three psychological states in the model). Perceived impact on beneficiaries is an “awareness that one’s actions affect other people” (Grant, 2007: 399). While early research often assumed that people with the opportunity to make an impact were also subjectively aware of that impact (Hackman

& Oldham, 1976), subsequent work cast doubt on that perspective (Batson & Shaw, 1991). For example, a paramedic would typically have a higher perception of their impact on beneficiaries than say, a file clerk (e.g., Grant, 2007). This is a function of both the level of the prosocial impact (job impact) and the level of contact each worker has.

The next psychological state in the model, affective commitment to beneficiaries, "refers to emotional concern for and dedication to the people and groups of people impacted by one's work." (Grant, 2007: 401). Prior work has indicated that workers in certain jobs, such as teaching and social work (Ashton & Webb, 1986; Mann, 2002) care deeply about those that benefit from their work; in contrast affective commitment to beneficiaries seems to be minimal in other jobs, such as that of prison guard (Griffin, Hogan, Lambert, Tucker-Gail, & Baker, 2009; Lambert, Hogan, & Griffin, 2007; Mohamed, Taylor, & Hassan, 2006). Contact leads to affective commitment (Schoenrade, Batson, Brandt, & Loud, 1986), through attachment and identification (Lawler, Thye, & Yoon, 2006; Lawler & Yoon, 1998). Greater frequencies, durations, depth, breath, and closeness of contact leads to increased personalization (e.g., Lawler, Thye, & Yoon, 2009) and development of social capital (Bolino et al., 2002; Kwon & Adler, 2014; Nahapiet & Ghoshal, 1998), and in turn, stronger affective commitment to beneficiaries (e.g., Smith, 2010). This direct, linear, positive relationship is positively moderated by social information about those same beneficiaries. This information takes many potential forms, including professional and corporate values, ideologies, and principles (Thompson & Bunderson, 2003). Examples include identities held by workers (Ashforth & Kreiner,

1999; Fine, 1996) and ideologies that label in versus out group members (Ashforth & Mael, 1989; Fiske, Harris, & Cuddy, 2004; Polletta & Jasper, 2001).

The final psychological state, motivation to make a prosocial difference, is the result of logics described in the previously reviewed model of bystander intervention (Darley & Latane, 1968; Latane & Darley, 1968; Latané & Darley, 1970), along with the learned helplessness effect (Abramson, Seligman, & Teasdale, 1978; Maier & Seligman, 1976; Peterson, Maier, & Seligman, 1993; Seligman, 1972) and the self-efficacy construct (Bandura, 1977, 1980, 1997; Bandura, Adams, & Beyer, 1977; Bandura & Locke, 2003). Specifically, Latané and Darley point out that a potential helper must decide whether to take responsibility for a problem (1970). This is more likely when helpers believe they are able to make a prosocial impact on beneficiaries. In such a case, helpers will have a sense of efficacy, motivating them to make a prosocial difference due to their perceptions of impact on others (Bandura, 1977, 1997), rather than being unable to control events (cf. Maier & Seligman, 1976; Seligman, 1972).

This effect will be strengthened by helpers' affective commitment to beneficiaries. This moderation of the perceived impact-prosocial motivation relationship is a result of overlapping identities (Cialdini, Brown, Lewis, Luce, & Neuberg, 1997; Cialdini & Goldstein, 2004) and core personal values with beneficiaries (Sheldon & Elliot, 1999; Sheldon & Houser-Marko, 2001). As a result, potential helpers feel connected to beneficiaries through perspective-taking and empathy (Batson, 1997, 2014; Batson, Chang, Orr, & Rowland, 2002; Batson, Early, & Salvarani, 1997a; Batson et al., 1997b). This results in emotional closeness

(Korchmaros & Kenny, 2001), and ultimately, a greater likelihood that a helper's perceptions of impact on beneficiaries will result in the motivation to make a prosocial difference.

The third category in the job impact framework, and the last set of constructs, are behavior and identity outcomes (Grant, 2007). Behavior outcomes include effort and persistence – how hard and how long someone works (Mitchell & Daniels, 2003) – and prosocial/helping behavior – as discussed previously, this is voluntary or relatively discretionary behavior for the benefit of others (Anderson & Williams, 1996; Brief & Motowidlo, 1986; George & Brief, 1992; McNeely & Meglino, 1994). Identity outcomes include competence, social worth, and self-determination. As discussed by identity theory (Stryker & Burke, 2000), these outcomes entail aspects of a person's basic self-concept: their sense of self-efficacy, their sense of self-worth, and their sense of self-determination (Deci & Ryan, 2002; Flynn, 2003, 2005; Locke & Latham, 2002, 2004; Penner et al., 2005; Ryan & Deci, 2000). However, in this adapted model and review, I focus on the former category: behavior outcomes, and specifically, the helping/prosocial behavior outcome (Grant, 2007).

Drawing on traditional expectancy/planned behavior theories of motivation (Staw, 1977; Van Eerde & Thierry, 1996; Vroom, 1964, 2005), a person is more likely to put in effort and work – which helping requires – if they are more motivated to make a prosocial difference. Further, motivation to make a prosocial difference is a distinct construct. Thus, motivation to make a prosocial difference is likely to result *specifically* in prosocial behavior (Grant, 2007). This is in contrast to motivation as articulated in other theories of motivation (e.g., Locke & Latham, 2004; Mitchell &

Daniels, 2003). This specific effect of prosocial motivation on prosocial behavior is consistent with research on the effect of affiliation on helping (Batson, 1990, 1998, 2014; Batson et al., 2005; Batson & Shaw, 1991) without regard for the personal costs of helping (Carlson, Charlin, & Miller, 1988; Korsgaard, Meglino, & Lester, 1997). This is consistent with studies of pilots that show that the more they are aware of how their actions effect their colleagues, and the more they care about their colleagues, the more likely they are to help their colleagues (Ginnett, 1990; Weick & Roberts, 1993).

Overall, job design theory suggests that workers (internal stakeholders) can be influenced to act prosocially by increasing the stakeholders' identification with beneficiaries through prosocial cues (e.g., Grant, 2007). This is the macro-level formulation of relational job design. In other words, an employee helps another employee, team, or group *within their own organization* (Grant & Mayer, 2009), or the helping is directed at their organization itself (Brief & Motowidlo, 1986). In contrast, in this dissertation, I focus on prosocial (helping) behavior by people affiliated with, but *external* to the organization. Thus, the theory becomes cross-level, between an external investor and the organization. While the investor has some affiliation with the organization through past investments and/or their entrepreneurial narrative, they do not have the strong affiliation that an employee has as a member of an organizations' hierarchy.

Another difference between the job design theory context from which I generalize to crowdfunding is that the antecedents are not job characteristics but rather are characteristics of the entrepreneurial opportunity. In Grant's model, the Job

impact on beneficiaries dimensions of magnitude, scope, frequency, and prevention focus (see Figure 4) are inherent (or designed) aspects of the job. Here, they are aspects of the entrepreneurial opportunity. However, the investor does not live the life of the entrepreneur, so they do not have firsthand knowledge of these attributes first-hand. Instead, they are communicated through *prosocial cues* in the crowdfunding entrepreneurial narrative.

A cue is a sensory exposure (visual, verbal, textual, etc.) that communicates information to a person that is expected to influence behavior (e.g., Rotter, 1971). Prosocial cues convey a specific type of information: prosocial intent, attitudes, and prior behaviors (Aydinli, Bender, Chasiotis, Cemalcilar, & van de Vijver, 2014; Potts, Huston, & Wright, 1986; Wilkowski, Robinson, & Meier, 2006). For example, viewing a scene of one person helping another (Dodge & Somberg, 1987).

In the cross-level context of this study, these prosocial cues comprise information about the venture and entrepreneurs, embedded in the crowdfunding entrepreneurial narrative, which allows a potential funder to see how supporting the venture will help other people. As with the job impact construct, I propose that prosocial cues are also four-dimensional. Prosocial cues include information on the magnitude of the benefits, the scope of the benefits in terms of the number of people helped, the frequency of that help, and the focus of the help, whether it is prevention-focused or gain-focused (Grant, 2007). Each of these are separate, distinct dimensions that can vary from situation to situation (Grant, 2008a). Below I review each of these four dimensions and develop hypotheses for their effect on psychological state

constructs described in the discussion of the Job Impact Framework (as adapted in Figure 4), generalized and adapted to the crowdfunding context.

Magnitude

Magnitude is the first dimension of prosocial impact proposed by Grant (2007). Magnitude is the degree and duration of impact on beneficiaries. Opportunities with high magnitude for impacting the well-being and possible misfortune of others are more salient to potential helpers (Grant, 2007). This is consistent with Latané and Darley's (1970) model: high magnitude opportunities to help are more likely to be noticed, more likely to be seen as requiring intervention, and more likely to solicit planned actions. It is also consistent with research that shows people are more likely to recognize the effect of their possible actions if those actions are likely to significantly help others (Batson & Shaw, 1991). In the workplace, physicians typically have much higher magnitude of prosocial impact compared to transactional workers, such as retail workers (Edmondson et al., 2001; Stone & Gueutal, 1985). This corresponds to McDougall's principle of the degree of the distress: the greater the distress, the greater the emotional impact, and the more likely the person is to help (McDougall, 1908).

Applying this to an external stakeholder – a potential investor – evaluating a crowdfunding appeal by an entrepreneur, we would expect that appeals that promise a greater magnitude impact on others will be associated with greater perceived (espoused by the investor) prosocial impact. That is, entrepreneurs and ventures whose impact encompasses basic life and safety needs – medical care, food, water – will have the most impact. Entrepreneurs and ventures whose impact encompasses

luxuries – entertainment, technology – will have the least impact. The investor espoused prosocial impact construct is a conceptual modification of Grant's psychological state of perceived impact on beneficiaries (2007). Grant's construct is a person's own perception of their efficacy in impacting beneficiaries. This adapted construct is investor's perceptions of the prosocial impact the ventures have on beneficiaries. This perceptual construct is taken to be the latent construct driving the actual observable construct: the prosocial impact the ventures have on beneficiaries as *espoused* in investor funding narratives. These narratives, distinct from the entrepreneurial narratives, are brief statements of why the investor providing funding.

For example, entrepreneurs on Kiva commonly seek funding for both chicken farms and for video rental businesses. While both may improve the lives of the people in the community, a chicken farm provides food to the community, and thus has a high magnitude impact. The video rental, as a luxury, has a lower magnitude impact. Formally:

> **Hypothesis 1:** Espoused benefit magnitude will be positively related to investor espoused prosocial impact.

Scope

Scope is the second dimension of prosocial cues conveying impact of prosocial behavior. Workplace research has suggested that people care not just about the magnitude of the prosocial behavior but also the number of people affected by each behavior (Burnstein, Crandall, & Kitayama, 1994). The greater the scope of the impact, the more likely people are to notice the opportunity to help and define it as a situation requiring intervention (Latané & Darley, 1970). Thus, where magnitude is

qualitative, scope is quantitative. The number of people is what matters most. Grant provides the example of automotive engineers versus speech therapists (2007). While the therapists' impact may be of greater magnitude than the engineers as they radically improve a person's life, they are only helping one or a few people at a time. In contrast, the engineers have the opportunity to impact tens of thousands or millions.

Applying this to an external stakeholder – a potential investor – evaluating a crowdfunding appeal by an entrepreneur, we would expect that appeals that promise to benefit a greater number of people in the community (including friends and family members) will be associated with greater investor espoused prosocial impact. That is, ventures that identify more people that will benefit from their operation will have the greatest perceived impact among funders. For example, entrepreneurs on Kiva commonly identify the people around them whom their venture benefits. Most entrepreneurs name only their spouse and a few children. Some mention extended family and some friends. A few mention benefits for the entire neighborhood or village. The first example would have the smallest scope, the last the largest scope, with the second example falling in the middle. Formally:

> **Hypothesis 2:** Espoused scope of benefits, in terms of number of people helped, will be positively related to investor espoused prosocial impact.

Frequency

Frequency is the third dimension of prosocial cues conveying impact of prosocial behavior. Frequency is how often there is an opportunity to benefit others. Attribution research suggests that repetition provides more chance that a person will

link their action to the outcome (Weiner, 1986). That is, the more something occurs, the more likely a person will attribute causality to their own actions. Frequency has been linked to greater job satisfaction (e.g., Tarasuk & Eakin, 2003). For example, in an ethnographic study of food-bank workers, those who were able to help clients more frequently due to greater supply availability had higher levels of satisfaction (Tarasuk & Eakin, 2003). Again, this is a quantitative construct – the ongoing, regular opportunity to help others is what matters most.

Applying this to an external stakeholder – a potential investor – evaluating a crowdfunding appeal by an entrepreneur, we would expect that appeals that promise to benefit others on an ongoing basis, rather than a one-time basis, will be associated with greater investor espoused prosocial impact. It should be noted that there is a natural tension between frequency and magnitude; in many cases, where the benefit is frequent, the magnitude will be small. Overall, ventures that are seeking funds for a project that will have ongoing benefits will have greater perceived impact among funders than ventures that offer a one-time benefit. For example, entrepreneurs on Kiva discuss the benefits to those around them in several different ways. Commonly, entrepreneurs note that their business helps their family every day. However, it is also common for entrepreneurs to seek funds for purposes that have one-time benefits, such as the payment of existing debt. While both are important to the venture, from a cues perspective, the former positions the investment as delivering a high-frequency benefit, the latter positions the investment as a low-frequency benefit. Formally:

> **Hypothesis 3:** Espoused benefit frequency will be positively related to investor espoused prosocial impact.

Focus

Focus is the fourth dimension of prosocial cues conveying impact of prosocial behavior. Focus is a construct arising from prospect and regulatory focus theories (Brockner, Higgins, & Low, 2004; Higgins, 1997, 1998; Kahneman & Tversky, 1979). Prospect theory predicts and imbalance between avoiding losses and seeking gains (Tversky & Kahneman, 1991). Overall, people are risk-averse and are more likely to seek to minimize losses than to seek to maximize gains (Kahneman & Riepe, 1998). Regulatory focus theory takes this several steps further and predicts how gains and losses will be weighed against non-gains and non-losses by considering the effect when decision-makers have information about both potential gains and potential losses (Brockner & Higgins, 2001). This is important because real-world opportunities to help often have information about both potential gains and potential losses, which negates the risk/gain framing assumed by prospect theory. Prior work has shown than people find potential losses more salient than potential gains (Baumeister, Bratslavsky, Finkenauer, & Vohs, 2001; Rozin & Royzman, 2001). This is thought to have an affective cause – awareness of potential harm leads to the experience of empathy (Batson, 1990, 1998; Batson et al., 1981; Batson & Shaw, 1991). Again, this is consistent with McDougall, who points out that empathy is a reaction to distress, not the potential for unrealized gains (1908).

Applying this to an external stakeholder – a potential investor – evaluating a crowdfunding appeal by an entrepreneur, we would expect that appeals that have a greater prevention focus (as opposed to promotion focus) will be associated with greater investor espoused prosocial impact. This is consistent with, but also extends,

prior work that has argued that investors find losses more salient than gains (Kahneman & Riepe, 1998). The extension is that the venture's focus on preventing or remedying harm for others will be more effective in creating perceived prosocial impact among potential funders, compared to ventures that focus on realizing gains for others (cf. Brockner et al., 2004; Higgins, 1998). This is because a prevention focus in crowdfunding entrepreneurial narratives engenders empathy (Batson et al., 1987; Batson et al., 2005), while promotion focus does not. For example, entrepreneurs on Kiva commonly seek funding for both rescuing flagging businesses and for expanding thriving businesses. While both are important uses of money to each entrepreneur, the former engenders empathy, while the latter does not. As a result, funds for a rescue are – from a cues perspective – prevention focused, while the expansion funds are promotion focused. Formally:

> **Hypothesis 4:** Espoused prevention focus (as opposed to promotion focus) will be positively related to investor espoused prosocial impact.

Prosocial Impact, Prosocial Motivation, and Affective Commitment

Grant's model depicts both job impact and contact with beneficiaries (2007). I limit my theorizing to only the adapted job impact construct. In the previous section, job impact was adapted as the four-dimensional construct prosocial cues (magnitude, scope, frequency, and focus). The preceding four hypotheses propose direct, linear, and positive effects of these dimensions on investor espoused prosocial impact.

As explained above, the investor espoused prosocial impact construct is a conceptual modification of Grant's psychological state of perceived impact on beneficiaries (2007). While Grant's construct is a person's own perception of their

efficacy in impacting beneficiaries, my construct is an investor's espoused attitudes about the prosocial impact the ventures will have on beneficiaries. Grant suggests that prosocial impact has its effect on prosocial behavior through prosocial motivation, as moderated by affective commitment.

Investor Espoused Prosocial Motivation

Grant articulates the construct motivation to make a prosocial difference (2007). As with the prosocial impact psychological state, I modify this construct to match the differences in relationships between job design and crowdfunding contexts. Grant's construct is an individual's actual motivation to act prosocially. My construct is an investor's espoused rationale for investing – how prosocially (or not) do they describe their motivation to help by investing. As with prosocial impact, prosocial motivation is an espoused measure, as reflected in the investors' written narratives for engaging in crowdfunding.

The effect of prosocial impact on prosocial motivation is governed by the logics described in the previously reviewed model of bystander intervention (Darley & Latane, 1968; Latane & Darley, 1968; Latané & Darley, 1970), along with the learned helplessness effect (Abramson et al., 1978; Maier & Seligman, 1976; Peterson et al., 1993; Seligman, 1972) and the self-efficacy construct (Bandura, 1977, 1980, 1997; Bandura et al., 1977; Bandura & Locke, 2003). Specifically, Latané and Darley point out that a potential helper must decide whether to take responsibility for a problem (1970). This is more likely when helpers believe they are able to make a prosocial impact on beneficiaries. In such a case, helpers will have a sense of efficacy and be more likely to be motivated to make a prosocial difference, since they perceive

themselves as having an actual impact on others (Bandura, 1977, 1997), rather than being unable to control events (cf. Maier & Seligman, 1976; Seligman, 1972). In crowdfunding, investors that espouse a greater degree of prosocial impact by the ventures they are supporting will be more likely to also espouse a greater prosocial motivation. Thus, the relationship is linear and positive. Formally:

> **Hypothesis 5:** Investor espoused prosocial impact will be positively related to investor espoused prosocial motivation.

Investor Espoused Affective Commitment to Beneficiaries

The third and final psychological state construct in Grant's model, affective commitment to beneficiaries, "refers to emotional concern for and dedication to the people and groups of people impacted by one's work." (Grant, 2007: 401). I again adapt this construct to make it amenable to the cross-level crowdfunding context of this study. Grant's construct is an individual's emotional commitment to a group of prospective beneficiaries. My construct is an investor's espoused emotional commitment to the entrepreneurs they are funding. As with both prosocial impact and prosocial motivation, this is also an espoused measure, as reflected in the investors' written narratives for engaging in crowdfunding.

The logic underpinning the relationship of affective commitment to the rest of the model is that affective commitment will strengthen (positively moderate) the relationship between prosocial impact and prosocial motivation. This occur because an emotional commitment with another results in feelings of connection, perspective-taking, and empathy (Batson, 1997, 2014; Batson et al., 2002; Batson et al., 1997a;

Batson et al., 1997b). This results in feelings of emotional closeness (Korchmaros & Kenny, 2001), and ultimately, a greater likelihood that an investor's perception that the ventures they are funding have an impact on beneficiaries in their communities will result in an espoused prosocial motivation to further help entrepreneurs by funding their ventures. For example, a funder that espouses greater emotional warmth and affection for the entrepreneurs they are helping is more likely to have a strong relationship between prosocial impact and prosocial motivation. Formally:

> **Hypothesis 6:** Investor espoused affective commitment to beneficiaries (entrepreneurs) will positively moderate the relationship between prosocial impact and prosocial motivation.

Outcome: Prosocial Funding Behavior

For firms and the entrepreneurs who found them, the goal of a resource acquisition strategy is to convince investors to provide the capital needed to start or grow the business (Cassar, 2004). Investor espoused prosocial motivation reflects an investor's rationale for investing – how prosocially are they motivated to help entrepreneurs by providing capital. This construct, prosocial funding behavior again drawn from Grant's job impact framework (Figure 4). Grant proposes a number of behavioral outcomes, one of which is helping (prosocial) behavior. In this crowdfunding context, prosocial behavior by investors takes the form of providing capital to the entrepreneur's venture.

The relationship between prosocial motivation and prosocial funding behavior is predicted by expectancy/planned behavior motivation theories of motivation (Staw,

1977; Van Eerde & Thierry, 1996; Vroom, 1964, 2005). A person is more likely to engage in prosocial behavior if they are prosocially motivated (Bolino & Grant, 2016; Grant, 2008b; Grant & Mayer, 2009). Further, prosocial motivation is likely to result *specifically* in prosocial behavior (Grant, 2007). This is in contrast to motivation as articulated in other theories of motivation (e.g., Locke & Latham, 2004; Mitchell & Daniels, 2003). This specific effect of prosocial motivation on prosocial behavior is consistent with research on the effect of affiliation on helping (Batson, 1990, 1998, 2014; Batson et al., 2005; Batson & Shaw, 1991) without regard for the personal costs of helping (Carlson et al., 1988; Korsgaard et al., 1997). Extending this logic to the external stakeholders of a socially-oriented firm, as in crowdfunded microlending, greater investor espoused prosocial motivation will be positively related to investors' choices to "invest additional time and energy…to voluntarily provide help" (Grant, 2007: 404). Unlike with the context from which I generalize (e.g., Ginnett, 1990; Weick & Roberts, 1993), potential crowdfunding investors are limited to a single choice: whether to provide capital or to withhold it. In contrast to these external stakeholders, employees face many potential choices and courses of action for helping others. The result is that investor espoused prosocial motivation will have one outcome only: a positive effect on prosocial funding behavior. Overall, the greater investors' prosocial motivation the better a venture's fundraising performance. Formally:

> **Hypothesis 7:** Investor espoused prosocial motivation will be positively related to prosocial funding behavior.

Hypothesis Development: Trust Cues

A major objection to both the original relational job design theory perspective and an extension of this perspective to external stakeholders is the cynical possibility that the people engaging in prosocial behavior are being exploited by falsehoods and manipulation (cf. Andersson, 1996; Bolino, 1999; Grant & Mayer, 2009; Pollack & Bosse, 2013). What if the organization is just manipulating information in an attempt to get free work through prosocial behavior (cf. Conger & Kanungo, 1987)? A model that predicts blind contributions in the face of such exploitation (Cha & Edmondson, 2006) is implausible. It is known that organizations that engage in hypocrisy suffer negative consequences (Cha & Edmondson, 2006).

An approach that has had prior success in the prosocial behavior literature is to look at factors that influence perceived trustworthiness (Grant & Sumanth, 2009). These factors are ability, benevolence, and integrity, as developed by Mayer, Davis, and Schoorman (1995). These three factors were developed after an exhaustive examination of conditions that lead to trust in prior literature (cf. Butler, 1991; Strickland, 1958). They found that ability, benevolence, and integrity appeared most often, appeared to explain most of trustworthiness, and thus had the potential to be a parsimonious three-dimensional construct (Mayer, Davis, & Schoorman, 1995).

The prosocial behavior literature has conceptualized these factors of perceived trustworthiness as *trust cues.* Extending this logic, I propose that a model of prosocial behavior by external stakeholders – potential investors – needs to take trust cues into account. Trust cues, like prosocial cues, comprise information about the venture and entrepreneurs, embedded in the crowdfunding entrepreneurial narrative. Trust cues

consist of information that influences perceptions of: “holding good intentions (benevolence), subscribing to and acting upon a set of valued or acceptable principles (integrity), and being capable of meeting expectations (ability).” (Grant & Sumanth, 2009: 928). “Trust cues are likely to strengthen the association between prosocial motivation and performance in mission-driven organizations by enhancing employees’ perceptions of task significance.” (Grant & Sumanth, 2009: 928). The literature on prosocial behavior by internal stakeholders indicates that it is not enough to merely present people with prosocial cues and expect them to respond positively. It is also necessary that people actually believe their actions will help the people identified in the prosocial cue. Inside the firm, this depends on trust. Specifically, theory indicates that prosocial behavior is more likely to occur in the presence of managerial trustworthiness (Grant & Sumanth, 2009). Employees want to know that managers are honest in their desire to do good – they don’t want to be exploited by prosocial appeals and then have management appropriate their labor for purely economic ends (Grant & Sumanth, 2009; Zalesny & Ford, 1990). In other words, when there is a prosocial aspect, it must be credible and believed to have an effect on performance. This suggests that there is no positive affect if the prosocial cue is not credible (Grant & Sumanth, 2009).

The model developed by Grant and Sumanth consists of five constructs. First, there is a baseline expectation that prosocial motivation will lead to desirable performance outcomes (one example of which is prosocial behavior) (2009). This model is combined with Grant’s 2007 model in Figure 4, previously displayed. These first two constructs already appear in Grant’s 2007 model. Grant and Sumanth

describe three additional constructs: manager trustworthiness, perceived task significance, and dispositional trust propensity (2009). These three constructs and the relationships among them and their relationship to the Grant 2007 model are shown in Figure 4 in dashed lines. Manager trustworthiness, operating through trust cues as described in the previous paragraph, serves to positively moderate the relationship between prosocial motivation and prosocial behavior. People that trust their managers are more likely to have a strong relationship between prosocial motivations and prosocial behavior/performance.

In Grant and Sumanth's study, the performance outcome was the number of calls made by workers in a call center to solicit scholarship funds (2009). This relationship is positively moderated by each individuals underlying propensity to trust others (a three-way interaction among the three variables to predict the dependent variable). There is an additional moderation of the prosocial motivation-prosocial behavior relationship through perceived task significance: how much people think it matters whether they do their tasks (Grant and Sumanth, 2009). Thus, workers who trust their managers more have higher perceived task significance. Perceived task significance also positively moderates the prosocial motivation-prosocial behavior relationship.

Extending this logic to the external stakeholders of a socially-oriented firm, as in crowdfunded microlending, this suggests that a firm's promise to engage in social good and help others (the prosocial cue), will ultimately result in better venture fundraising performance outcomes when those promises are viewed as credible. Fundraising performance is determined by investors' prosocial funding behavior.

Firms may use similar strategies to appear trustworthy to external stakeholders as they do to appear trustworthy to internal stakeholders. Thus, I adapt Grant and Sumanth's construct of manager trustworthiness to fit this context. Whereas Grant and Sumanth focused on cues that would lead employees to be more trusting of management, I investigate cues displayed by the entrepreneur and venture in its crowdfunding narrative. This is achieved via trust cues, which influence perceptions of trust in the reader (Grant & Sumanth, 2009). I also limit my theory development to only trust cues, rather than including all theorized constructs.

Like prosocial cues, trust cues are also multidimensional, and include each of the three factors of perceived trustworthiness (Mayer et al., 1995; Mayer & Gavin, 2005; Schoorman, Mayer, & Davis, 2007). The three dimensions are: benevolence (whether the manager has good intentions), integrity (whether the manager espouses and acts consistent with an accepted set of principles), and ability (whether the manager is competent in performing their expected duties) (Grant & Sumanth, 2009). In the cross-level context of this study, these trust cues attach to the firm rather than to the manager. For example, benevolence addresses the intentions espoused by the venture in their crowdfunding appeal, integrity addresses the presence or absence of an external set of moral principles in the crowdfunding appeal, and ability addresses information in the crowdfunding appeal that points to the ventures' past ability to succeed.

Benevolence

Benevolence is a well-established dimension of trust (Mayer et al., 1995; Strickland, 1958). It is an other-oriented value: concern for the well-being of others

(Meglino & Ravlin, 1998; Schwartz, 1992). It is the extent to which the [benevolent] person wants to "do good" for the other person (Mayer et al., 1995). "Benevolence suggests that the trustee has some specific attachment to the trustor." (Mayer et al., 1995: 718). One example of such a relationship in the literature is mentor-protégé (Mayer et al., 1995). This relationship-orientation is ideal for applying to the external, cross-level relationship between a firm and investors. This, too, is a relationship based on trust. However, instead of dealing with trust, we can instead deal with benevolence as a trust cue – information that influences perceived trust. Benevolence arising from such relationships has a long history as being a key dimension of perceived trust (Solomon, 1960; Strickland, 1958).

Benevolence is an orientation of individuals (Mayer et al., 1995). Here, the construct describes the entrepreneur's espoused benevolence. Benevolence and trust cues have a different relationship to perceived venture prosocial impact than in the job design theory context from which I draw. Specifically, in the relational job design context, the entities that need help (others), and the entities that need to be trusted (managers) are separate. In contrast, in the crowdfunding context, these two roles are one and the same. They are both vested in the venture soliciting investment. The venture needs help, and it needs to be trusted. This context is similar to that of prosocial organizational behavior, where employees act prosocially toward the organization itself. As a result, helpers would need to trust in the firm (Brief & Motowidlo, 1986).

Benevolence, as a trust cue, increases the salience of prosocial cues, by making them seem more credible (Grant & Sumanth, 2009). This effect occurs by

strengthening the relationship between prosocial motivation and prosocial funding behavior. In other words, crowdfunders will react to espoused benevolence in crowdfunding entrepreneurial narratives by in turn being more likely to act upon their prosocial motivations. They might act more quickly, or they might act to provide more funds than they would if benevolence was not present. This provides a theoretical resolution to the risk that a firm's management is falsely claiming to be socially-driven to acquire low-cost capital (cf. Mackey et al., 2007). A benevolent orientation suggests the firm wants to help others (Mayer et al., 1995). While prosocial cues describe the opportunity the firm has to have an impact on beneficiaries, benevolence orientation comprises information about the firm's desire to actually do so (e.g., Cook & Wall, 1980). For example, a venture might declare in its crowdfunding entrepreneurial narrative, "we are committed to selling food at low prices that our neighbors can afford." With more benevolence, the firm's prosocial mission will have more of an impact. Thus, benevolence determines the extent to which prosocial motivation results in more or less prosocial funding behavior outcome. Benevolence positively moderates the relationship described by Hypothesis 7. Formally:

> **Hypothesis 8:** Espoused benevolence will positively moderate the prosocial motivation-prosocial funding behavior relationship.

Integrity

Integrity is another well-established dimension of trust (Mayer et al., 1995; Mayer & Gavin, 2005); like benevolence, integrity is also an other-oriented value.

Integrity, as used in the literature, emphasizes morality (Marcus, Lee, & Ashton, 2007). Integrity is a reputation for truthfulness and honesty (Butler Jr & Cantrell, 1984), and has been acknowledge as a key component of trust in organizations (Hosmer, 1995). “Integrity means that a person's behavior is consistent with espoused values and that the person is honest and trustworthy” (Yukl & Van Fleet, 1992: 151). Later work clarified that the difference between integrity and trustworthiness itself is that integrity is a sub-component of trust involving “the trustor's perception that the trustee adheres to a set of principles that the trustor finds acceptable” (Mayer et al., 1995: 719).

Integrity has two elements: consistency (McFall, 1987), and value congruence (Sitkin & Roth, 1993). For example, is the entrepreneur consistent in their behaviors? Do they have a sense of justice and act based on accepted principles (Mayer & Davis, 1999)? If so, this suggests that not only does the entrepreneur have opportunities to help others (prosocial cues), and a desire to help others (benevolence), but also they are likely to try to do so (integrity). Thus, as with benevolence, integrity will determine the extent to which investor espoused prosocial motivation actually turns into prosocial funding behavior. This is so because without evidence that the entrepreneur is likely to do what they say, there will be no positive impact on others. This moderation effect occurs as a result of credibility. For example, a venture might recount past examples of how it has kept its promises in its crowdfunding entrepreneurial narrative. An integrity orientation makes investors more likely to act upon their prosocial motivation by providing capital. Formally:

Hypothesis 9: Espoused integrity will positively moderate the prosocial motivation-prosocial funding behavior relationship.

Ability

"Ability is that group of skills, competencies, and characteristics that enable a party to have influence within some specific domain." (Mayer et al., 1995: 717). Ability addresses whether one is equipped to deal with a problem. Ability reflects the helping decision-making question of who is best-equipped to help (Latané & Darley, 1970). Ability is a necessary – indeed the final necessary – consideration in whether a potential helper will actually form the intent to help. Without ability, information about need and a desire to help are moot.

Extending this logic to the external stakeholders of a socially-oriented firm, as in crowdfunded microlending, ability is the final salient piece of information addressing whether potential backers get excited about an entrepreneur's venture and cause them to provide significant capital in response to their prosocial motivation, as opposed to only token, small investments. Prior work in the relational job design theory space has excluded the role of ability. This choice reflects the argument that employees are motivated by intentions rather than claims about abilities (Heath, Larrick, & Klayman, 1998). However, there is good evidence that potential resource providers *do* care about a firms' resource endowment – its ability to achieve its planned goals – in considering whether to provide capital (Gartner, Starr, & Bhat, 1999; Plummer et al., 2015; Steier & Greenwood, 1995). This is especially true for human capital attributes such as experience and prior industry experience (Chandler & Hanks, 1994; Chandler & Hanks, 1998). This body of research aligns well with the

literature on trust cues and perceived trust. Ability, and specifically expertise within a specific, narrow, field is and has been long identified as an important dimension of perceived trust (Gabarro, 1978; Giffin, 1967; Sitkin & Roth, 1993). Thus, the ability dimension of trust cues forms is an important theoretical distinction between theories of prosocial behavior by employees and theories of prosocial behavior by external stakeholders (i.e. resource providers). As with the other two dimensions of trust cues, we expect that greater espoused ability will positively moderate the prosocial motivation-prosocial funding behavior relationship. This effect will tend to occur because a funded venture's promise to engage in social good and help others (the prosocial cue), will only lead to the hypothesized effect on fundraising performance if it is viewed as credible. Entrepreneur and ventures that promise – in the form of prosocial cues – social benefits need to be viewed as honest and able agents who are capable of fulfilling their promises (cf. Mayer & Davis, 1999). One way ventures can project trust cues in the ability dimension to external stakeholders is by discussing the venture's track record of success and accomplishment in order to create the perception that prosocial promises will be fulfilled in the future (e.g., Welter & Smallbone, 2006). For example, the crowdfunding entrepreneurial narrative for a poultry farm venture that will supply eggs to its neighbors could demonstrate ability by recounting the past farming experience of the lead entrepreneur. Formally:

> **Hypothesis 10:** Espoused ability will positively moderate the prosocial motivation-prosocial funding behavior relationship.

Figure 6, below, recapitulates the relationships among these ten hypotheses:

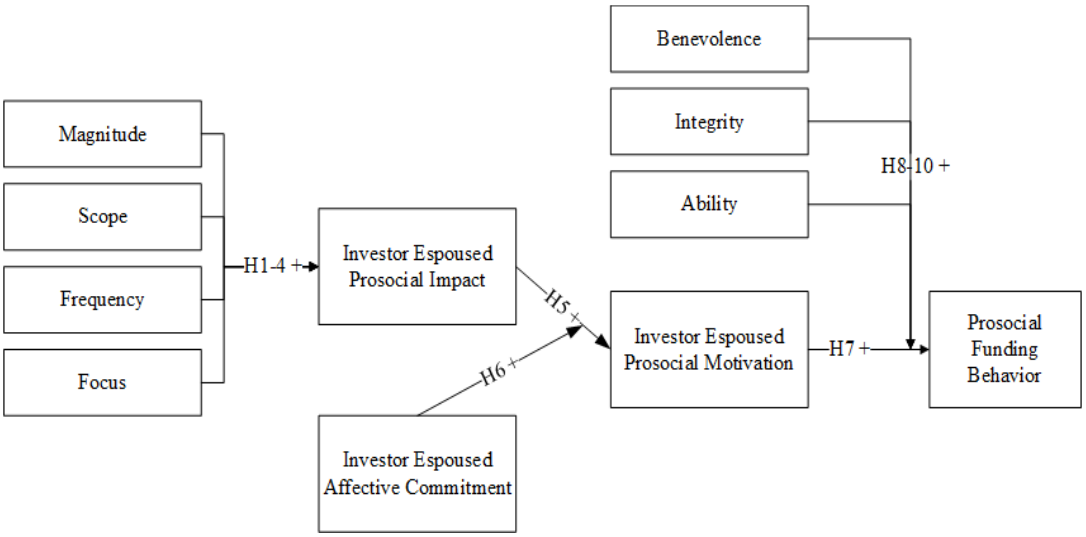

Figure 6. Model of Hypotheses

CHAPTER THREE: RESEARCH DESIGN

Data

I drew a sample from a sampling frame of entrepreneurs that sought microfinancing on the U.S.-based crowdfunding platform Kiva.org. This choice of study context has three advantages. First, prior studies have indicated that crowdfunded microlending, and the Kiva platform in particular, is a relatively prosocial type of crowdfunding (Allison et al., 2015; Galak et al., 2011). Thus, using Kiva data it is possible to extend prosocial theory to a context that is likely more similar to the context of prior prosocial behavior research.

Second, this allows me to hold constant the variable rewards found in other types of crowdfunding. This is important as the rewards structure of crowdfunding campaigns has been found to be a significant influence in fundraising outcomes (Mollick, 2014). Thus, using Kiva data, where all investors receive a promise to be repaid, allows me to hold financial returns constant across all investors. In addition, as Kiva doesn't allow contact between investors and entrepreneurs other than the written entrepreneurial narrative, this allows me to ensure that the only contact investors had with the entrepreneurs was via the crowdfunding entrepreneurial narrative posted to the crowdfunding platform. Again, this is in contrast to other crowdfunding platforms, such as Kickstarter, where investors and entrepreneurs communicate through comments and social media.

Third, prior work has taken note of the fact that Kiva is the largest microloan crowdfunding platform (Allison et al., 2015; Needleman, 2010). Because of this, Kiva is a meaningful source of significant amounts of money for entrepreneurs. Since

2005, 1.5 million funders have used Kiva to lend a total of USD 874.9 million to 2.1 million borrowers. Because of Kiva's scope, and the fact that they maintain details of loans, entrepreneurial narratives, and time to loan funding, data from the platform has been used in prior marketing and entrepreneurship microlending research (Allison et al., 2015; Allison et al., 2013; Galak et al., 2011).

I began from a sampling frame of 373,824 loan requests posted to Kiva between 2005-2011. Next, I eliminated 13,438 loans requested for non-business purposes, such as personal educational or medical expenses, and a further 3,002 loans guaranteed by a third-party and representing no non-payment/default risk to lenders. Finally, Kiva allows loans of as little of USD 25. Because very small loans may be funded with little investor evaluation or even by a single investor, I limited the sample to loans of USD 2,500 or more. 11,968 loans met this criterion. The mean value was USD 3,384.40, standard deviation = 931.57, median = 3025, and maximum = 10,000. A histogram of the distribution is shown in Figure 7.

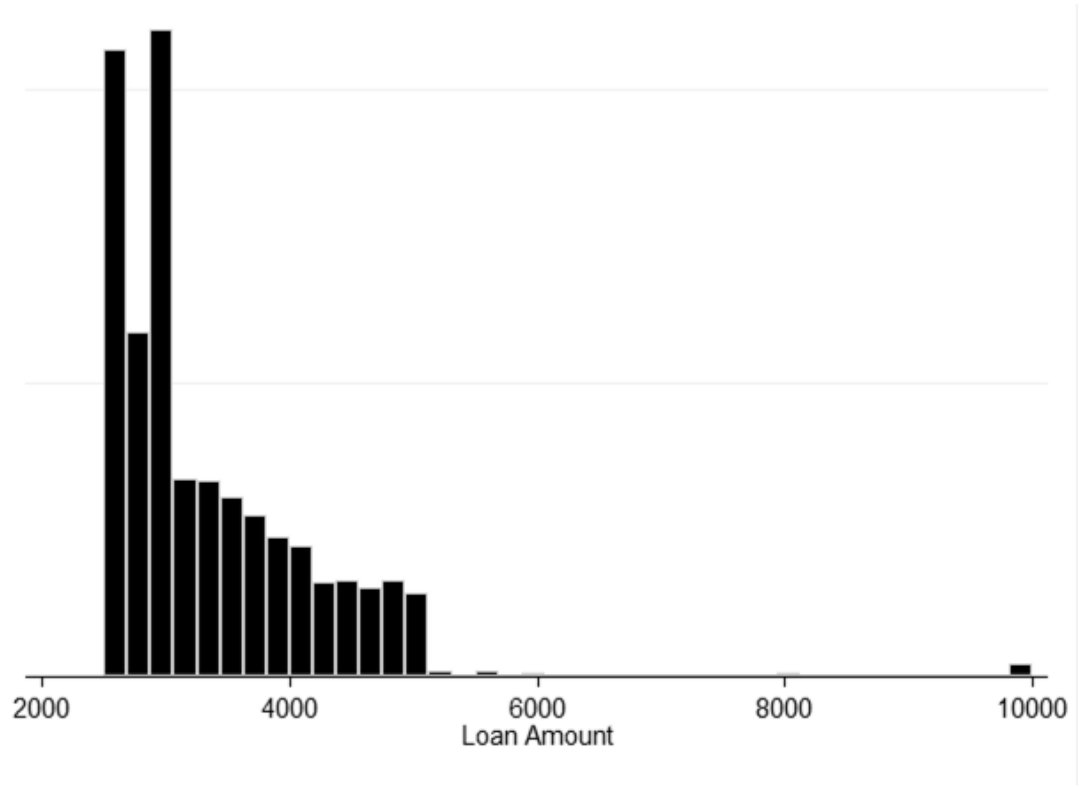

Figure 7. Histogram of Loan Amounts

Among this sample of loans, 11,623 had investor statements regarding their reasons for investing. As these were necessary for the analysis, the remainder (345) were dropped as missing data. Before this procedure, I compared the two sets of loans to determine if any bias was likely to result from dropping loans with missing lender data. With the exception of payment term, no mean differences were found for a variety of variables between the groups, including the amount of money requested and the amount of money received from crowdfunders. There was a mean difference in the number of payments scheduled – the loans that had no matching investor profiles had a slightly shorter term of payments – 11.16 months, compared to 12.87 months for those that did have matching investor profiles (t = -4.53). Though the difference is significant, in both cases, the median value is 12 months. The mean

difference reflects a higher number of single payment loans in the non-matched dataset.

Among the resulting 11,623 observations, 370 were still in the fundraising window when captured; these were excluded, as were a further 92 loans that had missing loan-level data, such as missing dates for the beginning of fundraising or missing entrepreneur profiles. This resulted in a final sampling frame of 11,161 observations. From this sample, I randomly selected 260 loans to code. These entrepreneurs sought funding for an average of USD 3,377,79, standard deviation = 898.13, median = 3000, and maximum = 10,000. Each loan included an entrepreneurial narrative. For each loan, I also collected investing narratives for each investor in each entrepreneurial venture. These brief investing narratives address each investors feelings regarding the impact they are having on the entrepreneurs they invest in, the emotional commitment they feel toward those entrepreneurs, and their motivations for investing, whether prosocial or otherwise. The data was gathered using the Kiva Microfunds Application Programming Interface (API) (Kiva.org, 2012).

Measures

Independent and Moderating Variables

Figure 8 presents the constructs to operationalize and the relationships among them.

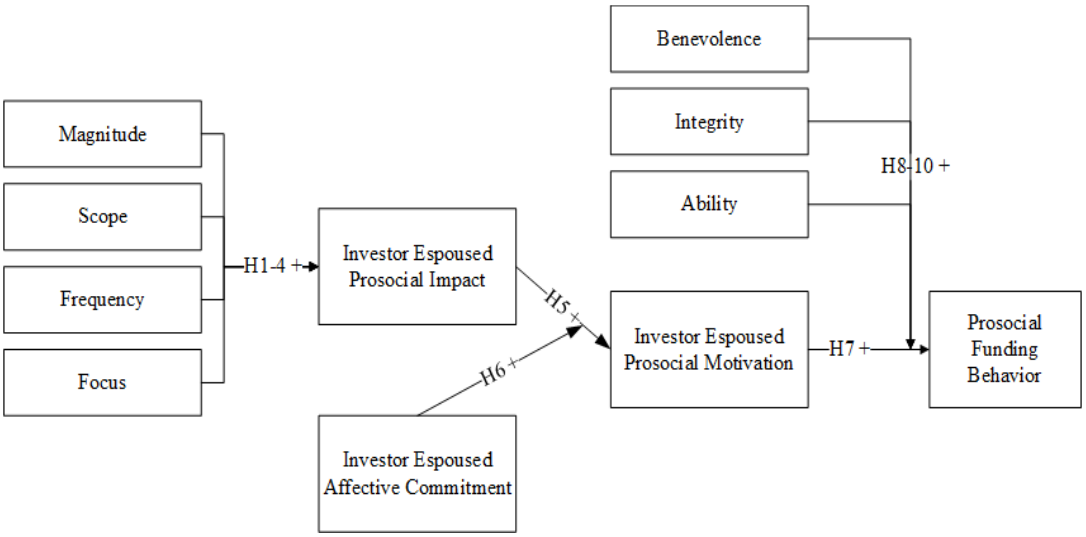

Figure 8. Constructs and Hypotheses

There are two multidimensional constructs: prosocial cues and trust cues. Prosocial cues has four dimensions: magnitude, scope, frequency, and focus (Grant, 2007, 2008b). Trust cues has three dimensions: benevolence, integrity, and ability (Grant & Sumanth, 2009; Mayer & Davis, 1999; Mayer et al., 1995). Because each of these constructs are cues (e.g., Allison et al., 2015; Kaish & Gilad, 1991), I measure espoused instances of each type of cue in each venture's crowdfunding entrepreneurial narrative using content analysis.

Content Analysis

There are a number of potential approaches to content analysis. The principal choice involves the selection of the level of analysis of the coding unit. Words, sentences, and paragraphs/full narratives are the most common coding units. The principal tradeoff in choice of coding unit is between subjectivity and the complexity required to encode the construct (e.g., Stemler, 2001; Weber, 1990). Coding single

words reduces subjectivity (coding is more objective). Yet, many constructs cannot be expressed or captured in single words. For the constructs being examined, most require more than a single word to convey the presence of the construct (i.e. the prosocial cue of frequency). Thus, there are several good reasons to initially focus on sentences.

First, selecting the level of sentences involves less coder judgment as the presence or absence of each cue is more manifest. In contrast, working at a paragraph level makes it challenging to effectively count instances of each cue. Coding at the paragraph level enables the coder to evaluate the overall entrepreneurial narrative, rating the presence of each type of cue (cf. Greckhamer, Misangyi, Elms, & Lacey, 2007).

Making a choice between these options requires considering the nature of the constructs and the theory relating them together. As cues, these constructs have their effect on the affective state of those who are exposed to them. Thus, potential investors reading a sentence embedded with a prosocial or trust cue have an emotional response. This suggests coding each sentence as to whether one or more of the seven total dimensions of prosocial and trust cues is present. A given sentence may contain multiple dimensions of a single type of cue, or separate dimensions of separate types of cues (prosocial vs trust). While they pose no empirical or theoretical problems, such multiple codes are expected to be uncommon, as are multiple counts of a single dimension in a single sentence. Sentences can also contain no instances of dimensions of any of the cues.

Given these advantages, the sentence-level coding of cues is my primary measure of each of these seven variables. The coding scheme used is count-based. For each variable, a sentence that includes information salient to the variable will count as 1, and 0 otherwise. Whether information in the sentence is salient to a given variable was judged by two independent coders in reference to the definitions for each construct, which are shown in Table 4.

Table 4. Construct Definitions

Construct	Definition
Magnitude	The degree of impact [luxuries versus basic needs versus life-saving needs] on beneficiaries.
Scope	The number of people affected.
Frequency	How often there is a benefit to others.
Focus	Whether the venture/entrepreneur seeks to prevent an unfavorable outcome or promote a favorable outcome.
Benevolence	Concern for the well-being of others.
Integrity	A reputation for truthfulness and honesty.
Ability	Whether the venture/entrepreneur is equipped to take their planned actions.

Because the unit for this operationalization is the sentence, multiple occurrences of information salient to a variable in a single sentence only count as 1. These counts are summed to yield the per-narrative counts for each of the seven variables.

In addition, to these count-based measures, to gain the benefit of a paragraph-level understanding of the overall presence of each of the seven dimensions, I also rated the overall entrepreneurial narratives. Because the entrepreneurial narratives on

this crowdfunding platform are nearly always a single paragraph, this second coding unit of paragraphs is concomitant with entrepreneurial narratives, in this particular empirical case. For the small (6.54%) number of cases where the narrative consisted of more than a single paragraph, these were condensed into a single paragraph.

For the paragraph-level unit of analysis, each venture's entrepreneurial narrative was read and then rated on each of the seven dimensions. These dimensions were measured on a 7-point Likert-type scale (1 = strongly disagree, 4 = neither agree nor disagree, 7 = strongly agree), using items closely adapted from scales used to measure each construct in prior literature. The original items, adapted items, and sample entrepreneurial narrative excerpts are shown in Table 5.

There are four dimensions of prosocial cues. The first three are magnitude, scope, and frequency. For each of these, Grant's items were adapted, resulting in three items per dimension (2008b). The fourth dimension of prosocial cues is focus. In most of the prior literature, focus is operationalized as job types; for example, firefighters have prevention focused jobs and computer programmers have relatively more promotion focused jobs (Grant, 2007, 2008b; Grant & Sumanth, 2009; Higgins, 1998). Because no prior scale exists, I created items using Grant and Ashford's description of each of the two regulatory foci. For prevention: "seeking to avoid, avert, and preclude an unfavorable outcome" (Grant & Ashford, 2008: 21). For promotion: "seeking to create, obtain, and orchestrate a favorable outcome" (Grant & Ashford, 2008: 21). This resulted in two items, which are printed in Table 5. The first measures prevention. The second measures promotion and was reverse-coded – that is, occurrences of promotion count against occurrences of prevention to yield a count

of net promotion focus. As with the other scales, the sentence-level operationalization is based on counts of occurrences of how often each dimension occurs in the sentences of each crowdfunding narrative.

There are three dimensions of trust cues: benevolence, integrity, and ability. Prior work has adapted the scales developed by Mayer and Davis in order to measure trust cues (Grant & Sumanth, 2009; Mayer & Davis, 1999). I too adapt the Mayer and Davis scales, changing the subject from "top management" (the context studied in Mayer and Davis' work) to the "entrepreneur/venture." This results in 17 items in all, five for benevolence and six for each of the other two dimensions. For both sets of scales, the rating used a standard Likert-type scale, identical to that used by Grant and Sumanth in their adaptation of Mayer and Davis' trust scales to study the role of trust cues in prosocial behavior by employees (2009). Agreement with each statement is rated; the anchors are 1 (disagree strongly) to 7 (agree strongly). The validity of these measures has two bases. First, I use adaptations of previously developed items. Second, I check for convergent validity between these measures and the sentence-level, count-based measures.

Table 5. Scales for Independent Variables

Dimension	Source Items	Adapted Items	Example Text
CONSTRUCT: PROSOCIAL CUES			
Magnitude (Grant, 2008a)	1. My job gives me the chance to make a significant positive difference in others' lives. 2. My job provides opportunities to substantially improve the welfare of others. 3. My job has the potential to make others' lives much better.	1. Entrepreneur/ venture has the chance to make a significant positive difference in others' lives. 2. Entrepreneur/ venture has an opportunity to substantially improve the welfare of others. 3. Entrepreneur/ venture has the potential to make others' lives much better.	The profits she makes will allow her to buy food for her children and grandchildren. Her clients think that she provides a good service. She wants to continue supporting herself economically to get ahead since her son requires special attention.
Scope (Grant, 2008a)	1. A lot of people can be positively affected by how well my job gets done. 2. My job provides opportunities to have a positive impact on a large number of other people. 3. Quite a few people benefit from my job.	1. A lot of people can be positively affected by this entrepreneur/ venture. 2. Entrepreneur/ venture has an opportunity to have a positive impact on a large number of other people. 3. Quite a few people benefit from this entrepreneur/venture.	The couple have 7 children, 4 of whom go to school. She is also raising 4 orphans, two of whom have no biological ties to the family.
Frequency (Grant, 2008a)	1. My job provides opportunities to have positive impact on others on a regular basis. 2. My job allows me to have positive impact on others almost every day. 3. My job frequently improves the lives of others.	1. Entrepreneur/ venture provides opportunities to have positive impact on others on a regular basis. 2. Entrepreneur/ venture has a positive impact on others almost every day. 3. Entrepreneur/ venture frequently improves the lives of others.	She's worked hard every day to support her children because for many years now since her divorce from her husband she's been in the fast food business, an activity that has helped her support her children and provide them with education.

Focus (Grant, 2007; Grant & Ashford, 2008)	No prior items; items based upon: "[T]wo distinct, general proactivity profiles: prevention-focused and promotion-focused (see Brockner & Higgins, 2001). 1. The former circumstance, in which neurotic employees display proactivity because they wish to reduce uncertainty, represents prevention-focused proactivity, as employees are seeking to avoid, avert, and preclude an unfavorable outcome. 2. The latter circumstance, in which less neurotic employees display proactivity because they feel confident, represents promotion-focused proactivity, as employees are seeking to create, obtain, and orchestrate a favorable outcome."	1. Entrepreneur/venture is involved in avoiding, averting, or precluding an uncomfortable outcome. (Prevention) 2. Entrepreneur/venture is involved in creating, obtaining, and orchestrating a favorable outcome. (Promotion)	Prevention: The difficult thing about Mariela's business is that she has to walk from house to house offering her clothes for sale and she also has to trust her customers because nobody pays cash. Her goal is to set up a clothes store which will be better as it means she won't get so tired. Promotion: Erid says she will be empowered by this loan to buy weavers and driers for her salon. She says this will be a springboard for making more profits for her business, as her workers will be able to expedite the work that they do.

CONSTRUCT: TRUST CUES			
Dimension	**Source Items**	**Adapted Items**	**Example Text**
Benevolence Mayer and Davis (1999), Cited in Grant and Sumanth, 2009	1. Top management is very concerned about my welfare. 2. My needs and desires are very important to top management. 3. Top management would not knowingly do anything to hurt me. 4. Top management really looks out for what is important to me. 5. Top management will go out of its way to help me.	1. Entrepreneur/venture is very concerned about others' welfare. 2. Others' needs and desires are very important to entrepreneur/venture. 3. Entrepreneur/venture would not knowingly do anything to hurt others. 4. Entrepreneur/venture really looks out for what is important to others. 5. Entrepreneur/venture will go out of its way to help others.	She buys all of the ingredients to make her products, and she sells them for low prices to other members of the communal bank and to various neighbors in the area.
Integrity Mayer and Davis (1999), Cited in Grant and Sumanth, 2009	1. Top management has a strong sense of justice. 2. I never have to wonder whether top management will stick to its word. 3. Top management tries hard to be fair in dealings with others. 4. Top management's actions and behaviors are not very consistent. 5. I like top management's values. 6. Sound principles seem to guide top management's behavior.	1. Entrepreneur/venture has a strong sense of justice. 2. I never have to wonder whether the entrepreneur/venture will stick to its word. 3. Entrepreneur/venture tries hard to be fair in dealings with others. 4. Entrepreneur/venture actions and behaviors are very consistent. 5. People like the entrepreneur/venture's values. 6. Sound principles seem to guide the entrepreneur/venture behavior.	Terbish is a very hardworking and decent person who manages her business as neatly as her bookkeeping. They describe themselves as very hard-working and tenacious women who work hard every day to support their families.

Ability Mayer and Davis (1999), Cited in Grant and Sumanth, 2009	1. Top management is very capable of performing its job. 2. Top management is known to be successful at the things it tries to do. 3. Top management has much knowledge about the work that needs done. 4. I feel very confident about top management's skills. 5. Top management has specialized capabilities that can increase our performance. 6. Top management is well qualified.	1. Entrepreneur/venture is very capable of performing its job. 2. Entrepreneur/venture is known to be successful at the things it tries to do. 3. Entrepreneur/venture has much knowledge about the work that needs done. 4. People feel very confident about the entrepreneur/venture skills. 5. Entrepreneur/venture has specialized capabilities that can increase performance. 6. Entrepreneur/venture is well qualified.	She has a well-stocked store where she sells all kinds of goods. All of her customers are very impressed with her work. Maria says her business is suitable because all of the products she offers are in high demand among her customers.

Thus, to gain the advantages of both approaches, I have two measurements for each of the seven independent variables. One set is based upon coders' count of how many times a given cue dimension occurs in the sentences of the crowdfunding entrepreneurial narrative; the other set is based upon rater coding against scale items adapted to measure each dimension of each cue.

Coding Approach

Coding was performed by two independent coders. One coder is the author, the second is a non-author not exposed to the hypothesized relationships. The coding procedure began with the development of a codebook. This was used in coder training. After coding 10 units, the coding was checked and disagreements examined. Interrater reliability was calculated using Krippendorff's method and alpha statistic; the benefit of alpha is that it is suitable to all datatypes (Krippendorff, 2004). Reliability was adequate (> .70) for the prosocial cues count variables (Magnitude α = 0.852; Scope α = 0.910; Frequency α = 0.737; Prevention Focus α = 0.893; Promotion Focus α = 0.777) and for the trust cues count variables (Benevolence α = 0.960; Integrity α = 0.831; Ability α = 0.840). For the Likert-scale coded prosocial cues variables (Magnitude α = 0.917, 0.893, 0.908; Scope α = 0.818, 0.818, 0.820; Frequency α = 0.871, 0.867, 0.868; Prevention Focus α = 0.891; Promotion Focus α = 0.774), reliability was also adequate, as it was with the Likert-scale coded trust cues variables (Benevolence α = 0.869, 0.948, 0.738, 0.835, 0.836; Integrity α = 0.908, 0.869, 0.771, 0.885, 0.857, 0.883; Ability α = 0.849, 0.728, 0.769, 0.710, 0.853, 0.739).

Investor Narrative Variables

The three central constructs shown in Figure 8, Investor Espoused Prosocial Impact (IEPI), Investor Espoused Affective Commitment (IEAC), and Investor Espoused Prosocial Motivation (IEPM), are outcomes of trust cues and moderated antecedents of prosocial funding behavior. I measure these variables using computer-aided content analysis. As a first step in developing dictionaries to measure each of these three constructs, I first again adapted scales from prior work. These were then used to guide dictionary development, which is described later in this section.

Investor Espoused Prosocial Impact: IEPI – Investor Espoused Prosocial Impact measures the extent to which investors espouse feelings that the ventures they are funding have a prosocial impact on third parties in the ventures' communities. This is a result of investors' perceptions of the venture arising from the prosocial cues in the crowdfunding entrepreneurial narrative. It is espoused in investors' narratives (short statements of the reasons why investors are providing funds). First, I adapted Grant's three-item scale for "perceived impact on beneficiaries" (2008a). The original items, and the adapted items, which change the focus from the individual's evaluation of their own prosocial impact to an evaluation of a venture's prosocial impact are shown in Table 6. This construct and the resulting dictionary focus on the outcome (prosocial impact) of the investor's lending activity. The investor espoused prosocial impact construct is a conceptual modification of Grant's psychological state of perceived impact on beneficiaries (2007). Perceived impact on beneficiaries is an "awareness that one's actions affect other people" (Grant, 2007: 399). Grant's construct is a person's own perception of their efficacy in impacting beneficiaries.

This adapted construct is investor's perceptions of the prosocial impact the ventures have on beneficiaries. This perceptual construct is taken to be the latent construct driving the actual observable construct: the prosocial impact the ventures have on beneficiaries as *espoused* in investor funding narratives. These narratives, distinct from the entrepreneurial narratives, are brief statements of why the investor providing funding.

Investor Espoused Affective Commitment: IEAC – This construct and the resulting CATA dictionary focuses on an emotional connection to crowdfunding entrepreneurs. Grant notes that this "refers to emotional concern for and dedication to the people and groups of people impacted by one's work." (Grant, 2007: 401). I again adapt this construct to make it amenable to the crowdfunding context of this study. Grant's construct is an individual's emotional commitment to a group of prospective beneficiaries. My construct is an investor's espoused emotional commitment to the entrepreneurs they are funding. As with both prosocial impact and prosocial motivation, this is also an espoused measure, as reflected in the investors' written narratives for engaging in crowdfunding.

Investor Espoused Prosocial Motivation: IEPM – This dictionary focuses on the reason for investing. Grant articulates the construct motivation to make a prosocial difference (2007). As with the prosocial impact psychological state, I modify this construct to match the differences in relationships between job design and crowdfunding contexts. Grant's construct is an individual's actual motivation to act prosocially. My construct is an investor's espoused rationale for investing – how prosocially (or not) do they describe their motivation to help by investing. As with

prosocial impact, prosocial motivation is an espoused measure, as reflected in the investors' written narratives for engaging in crowdfunding. The original and adapted items for all three of these constructs are shown in Table 6.

Table 6. Initial Investor Narrative Adapted Items

INITIAL ADAPTATION OF INVESTOR NARRATIVE CONSTRUCT		
Dimension	**Source Items**	**Adapted Items**
Investor Espoused Prosocial Impact (Grant, 2008a, 2008c)	1. I feel that my work makes a positive difference in other people's lives. 2. I am very aware of the ways in which my work is benefiting others. 3. I am very conscious of the positive impact that my work has on others.	1. I feel that my investments make a positive difference in other people's lives. 2. I am very aware of the ways in which my investing is benefiting others. 3. I am very conscious of the positive impact that my investing has on others.
Investor Espoused Affective Commitment Grant et al., 2007	1. The people who benefit from my work are very important to me. 2. The people who benefit from my work matter a great deal to me. 3. I care deeply about the people who benefit from my work.	1. The people who benefit from my investing are very important to me. 2. The people who benefit from my investing matter a great deal to me. 3. I care deeply about the people who benefit from my investing.
Investor Espoused Prosocial Motivation (Grant, 2008b)	1. It is important to me to make a real difference in people's lives through my work. 2. At work, I care about improving the welfare of other people. 3. One of my objectives at work is to make a positive difference in others' lives.	1. It is important to me to make a real difference in people's lives through my investing. 2. In investing, I care about improving the welfare of other people. 3. One of my objectives in investing is to make a positive difference in others' lives.

Because crowdfunding is about small investments, there are thousands of investor narratives (N=11,338) across the study. As a result, I used a computer-aided text analysis (CATA) method for measuring IEPI, IEAC, and IEPM (e.g., Short, Broberg, Cogliser, & Brigham, 2010). Computer-aided text analysis is a form of content analysis. It has been used in numerous prior studies to draw meaning from textual data (e.g., Deephouse, 1996).

To develop a dictionary for each variable, I followed the iterative deductive/inductive approach outlined by Short and colleagues (2010). This approach begins by developing deductive word lists for each construct. I started by identifying an operational definition of each construct. Investor espoused prosocial impact (IEPI) was defined as the extent to which investors espouse feelings that the ventures they are funding have a prosocial impact on third parties in the ventures' communities. Investor espoused affective commitment (IEAC) was defined as the extent to which investors espouse concern for the entrepreneurs they are helping. Investor espoused prosocial motivation (IEPM) was defined as the extent to which investors espouse a prosocial reason, rationale, or motive.

Words reflective of these definitions were identified and lists of similar words were generated using Rodale's (1978) *The Synonym Finder*. Two independent coders compared the initial deductive word/phrase lists (IEPI = 327 words; IEAC = 410 words; IEPM = 376 words) with the operational definition of each construct to determine whether each word reflected the construct for which it was being considered (cf. Short et al., 2010). Reliability was assessed using Krippendorff's alpha statistic for nominal data (Krippendorff, 2004). Though no formal criteria for

acceptable reliability predominate, prior work has suggested values above 0.70 mark acceptable levels of reliability (Krippendorff, 2004; Zachary, McKenny, Short, & Payne, 2011). Given this, the deductive lists achieved adequate levels of interrater reliability (IEPI $\alpha = 0.870$; IEAC $\alpha = 0.795$; IEPM $\alpha = 0.732$)

The second step in the word list development process is to enhance the deductively-derived wordlists with a list of frequently-used words from the source narratives in order to achieve high levels of content validity (Short et al., 2010). I examined a random sample of 1,000 of the investor narratives in the final sample. To avoid upwardly biasing interrater reliabilities, I limited the list of words resulting from this set of narratives to words over three letters in length, which were not proper nouns, and which held a potential relationship to one or more of the focal constructs. This resulted in an inductive word list of 170 terms. The same two coders evaluated the inductive word lists following the same process. The inductive lists achieved adequate levels of reliability (IEPI $\alpha = 0.953$; IEAC $\alpha = 0.814$; IEPM $\alpha = 0.810$).

The third and final step in developing CATA dictionaries is to create final word lists from the final deductive and inductive lists resulting from the rater's choices (Short et al., 2010). Each of the six source lists demonstrated adequate or strong reliability. All words selected by at least one of the raters were used in compiling the final word lists. After eliminating duplicate terms among the deductive and inductive word lists, this resulted in lists of the following sizes: (IEPI = 313 words; IEAC = 261 words; IEPM = 173 words). The overall interrater reliabilities were all adequate or better (IEPI $\alpha = 0.911$; IEAC $\alpha = 0.805$; IEPM $\alpha = 0.771$). Table 7 presents these three dictionaries alongside narrative excerpts.

Table 7. Computer Aided Text Analysis Dictionaries

CATA ITEMS – DICTIONARIES AND EXAMPLE NARRATIVES		
Dictionary	**Terms**	**Example**
Investor Espoused Prosocial Impact (IEPI) Inductive Terms: 54 [8 deleted as duplicates with deductive list] Deductive Terms: 259 Total Terms: 313	accomplish great things; bolster; bring about improvements; get on their feet; help lift themselves out of poverty; help people improve their lives; help people succeed; improve lives; improve the lives; improve their lives; improve their lot; improve their lot in life; improves lives; lift up; lives of poor people; maintain; make a big difference; make a difference; make a difference in their lives; make a difference in thier life; make a real difference; make a significant difference; make a world of difference; making a difference; more opportunities; more opportunity; nourish; nurture; one life; other people's lives; out of poverty; positive difference; poverty; preserve; prolong; prop up; propel; protection; providing opportunities; reach their goals; safeguard; safekeeping; save; save from decay; shelter; shore up; stand on their feet; stand on their own; sustain; take care of; take good care of; take pains to; trying to improve their lives; want to help themselves; acceleration; accomplish; accomplishment; achieve; achievement; advance; advancement; advancing; advantage; affect; afterclap; aftereffect; aftermath; allay; alleviate; alleviation; ameliorate; amelioration; amend; amendment; amends; amplification; apotheosis; ascendancy; assist; assistance; assuage; assuagement; benefit; better; bettering; betterment; boon; boost; boosting; bring about; bring to pass; build-up; capability; capacity; caring for; carry out; cause; change; charge up; comfort; consequence; contribute to; contribution; convalescence; convenience; correct; correcting; correction; cover ground; cultivation; cure; curing; dent in; development; do good to; ease; easing; edging along; edification; effect; elevation; emendation; emending; enabling; encouragement; endowment; enhancement; enlargement; enlightenment; ennoblement; enrichment; even up; fix; fix up; fixing; forging ahead; forward movement; fulfill; fulfillment; further; furtherance; gain; gain ground; gaining ground; get ahead; going forward; good; graduation; growth; have an affect on; have an effect on; head start; headway; heal; healing; heightening;	Micro-credit has incredible potential to lift people out of poverty while respecting their dignity.

help; impact; impact upon; import; impression; improve; improvement; inching ahead; increase; induce; influence; inspirer; inspirit; instigate; instill; jolt; lead; leadership; leave a mark on; lessen; lessening; lift; make an impact; make an impression; make fair; make happen; make headway; make reparation; make right; make strides; make up for; matter; meliorate; melioration; mend; mending; mitigate; mitigating; mitigation; move up; movement; movement forward; nourishment; nurturing; outcome; outgrowth; overhaul; procession; progress; progression; progressiveness; promote; promotion; pushing ahead; pushing forward; put on an even keel; putting right; raise; rally; reach; reanimation; rearrangement; rebirth; rebuilding; reclamation; recompense; reconditioning; reconstitution; reconstruction; recover; recovery; rectification; rectify; rectifying; recuperation; redemption; redress; redressing; reduce; reducing; reduction; reestablishment; refinement; reformation; reforming; refurbishment; regeneration; rehabilitation; rejuvenation; relief; relieve; relieving; remaking; remedy; remedying; renascence; renewal; renovation; reorganization; repair; repairing; reparation; repercussion; repercussions; replacement; rescue; restoration; restore; restoring; result; results; resurgence; return to health; revamping; revitalization; revival; revivification; rise; salvation; satiation; satisfaction; saving; secure; serve; set right; set straight; side effect; significance; significant; skyrocketing; spark; spread; step-up; stimulate; straightening out; strength; strengthening; success; succor; superior situation; support; survival; swell; touching up; transform; turn for the better; upgrade; upgrading; uplifting; upshot; upsurge; upswing; upturn; upward mobility; welfare; wellbeing; well-being

Investor Espoused Affective Commitment (IEAC) Inductive Terms: 62 [10 deleted as duplicates with deductive list] Deductive Terms: 199 Total Terms: 261	admire people; another human being; another human beings life; be happy; believe in their abilities; blessed; change life; compassion; empower; empower humanity; empower men; empower people; empower women; empowering; empowering them; empowerment; empowers people; everyone deserves; everyone deserves a chance; evoke; excite; feel; feel good; fellow human; felt powerless; fire up; fired up; for everyone; friends; happy; help men; help women; hope; hope for the future; how personal this process is; humane; humanitarians; humanity; inspiration; inspire me; it makes me feel good; lift up; love and passion; love helping; love the; love to help people; loved; loved it; makes me feel good; mentor; moving; partners; passionate; personal; precious; priceless; rouse; rousing; same dreams and hopes; sisters; spark; speak to me; admiration; admire; adoration; adore; affection; affinity; an eye out for; anguish; anxiety; applaud; appreciate; appreciation; apprehensive; approbation; attachment; attracted to; attraction; awe; befriend; beneficence; benevolence; binding; blood relation; blood relationship; bond; bonding; bother; brethren; brotherhood; brotherly love; burden; buttress; care; care a lot for; care for; caring; cherish; cherishing; clasp; cleave to; cling to; closeness; comfort; commend; commitment; concern; concerned; concernment; connectedness; connecting; connection; connections; connective; crush on; cultivate; daughters; dear; dedication; defend; defer to; deference; delight in; desire; dignity; distress; dote; embrace; energize; enjoy; esteem; exalt; family; family tie; fancy; favor; feeling; find good; find helpful; flesh and blood; folks; fond; fond of; fondness; foster; fraternity; fret; fretfulness; friendliness; friendship; fuss; give a damn; give a hoot; give solace; good feeling; goodness; grace; grief; guard; guardianship; harmony; have a liking; heartache; heartstring; heartstrings; high opinion; high regard; hold a high opinion of; hold dear; hold fast to; hold in affection; honor; hope for; idolatrize; idolize; idolizing; impress; in love with; infatuated; inspire; kin; kindliness; kindness; kindred; kinsfolk; kinship; kinsman; kith; kith and kin; like; liking; link; linkage; linking; long for; look after; look up to; lookout; lose one's heart to; love; mother; mutual	I believe that money borrowed and the profit that is earned is more valuable than a gift, since it allows the borrower to improve their condition with dignity.

attraction; mutual dependence; near relatives; passion; pay respect; pine for; pledge; posterity; praise; privilege; prize; progeny; promise; propinquity; protégé; rapport; relation; relations; relationship; relish; respect; revere; reverence; sadness; savor; sibling; sit with; smitten; solicitous; solicitude; sorrow; stir; strike a chord; strike a nerve; sympathy; tend; tend to; tenderness; think highly of; think the world of; treasure; trouble; tutelage; uneasiness; uneasy; union; uniting; uphold; value; venerate; veneration; vexation; vigil; vow; ward; warmth; watch over; worry; yearn for

Investor Espoused Prosocial Motivation (IEPM) Inductive Terms: 74 Deductive Terms: 99 Total Terms: 173	a responsibility; an obligation to assist; change life; change lives; change people's lives; change the world; citizen; difference in people's; difference in the lives of; directly help people; duty; eliminate poverty; eliminating poverty; enable others; environmental; equality; eradicate poverty; fair chance; fight against poverty; financially help someone; get on their feet; get on thier feet; give a man a fish; global inequality; help each other; help one; help one another; help others; help others help themselves; help people; help some people; help someone; help themselves; help those in need; helping others; helping people; human rights; I believe; I hope; I pray; improve; inequality; injustice; justice; lend a helping hand; less fortunate; look to the future; make a difference in the world; pay it forward; peace and prosperity; people's lives; raise awareness; raise their awareness; redistribution; redistribution of wealth; responsibility; share; share with; shared; social; social activist; social enterprise; social entrepreneurship; social justice; social problem; social responsibility; solidarity; spiral of poverty; stand in solidarity; starts with me; support them; take charge; vigilance; world peace; be of service to; because of; bring around; bring round; bring to; bring to reason; buoying up; cause; cause to do; champion; choice; choosing; coax; commitment; conclude; conclusion; convince; decision; deliberate; deliberate upon; determinant; determination; determining factor; due to; encourage; encouragement; excellent; exceptional; galvanize; galvanizing; impel; impelling; impetus; in all reason; in reason; in review; incentive; incite; incitement; inciting; inducement; intent; intention; judgment; justifiably; justification; logic; logically; logicalness; logicize; lure; meaning; motivate; motivating; motivating factor; motivating force; motivation; motivational; motive; opinion; owing to; perception; perfect; prevail upon; prompt; prompting; provocation; provocative; provoke; purpose; rationale; rationalization; reason; reason behind; reason why; reasonable; reasonableness; reasoning; reckon; recognition; reflect; review; ruminate; savvy; see the light; select; selection; sell on;	I would rather use my money to help someone engage in a business venture rather than for a charity. I believe that this is not charity, it's justice.

	sensible; sensibleness; set on; spur; theory; thesis; thinking; thrust; underlying reason; urge; wisdom

Dimension Reduction and Modeling Approaches

For the sentence-level coding, the linear combination of all counts for each of the variables, other than prosocial funding behavior is taken for each venture. For the paragraph-level rating, factor analysis with orthogonal rotation is used to demonstrate convergent validity among the items for each construct, following which index variables are generated for each construct. I consider both separate linear regression models with moderation, as well as a moderated partial mediation model. In the first set of models, I predict prosocial impact from the trust cues in the first model, and then subsequently predict the remaining main effects from prosocial impact. The model falls into Langfred's type 1, where moderators influence the relationship between independent variables and the mediator (Langfred, 2004). Here, trust cues moderate the relationship between prosocial impact and prosocial funding behavior, mediated by prosocial motivation.

Dependent Variable

Venture fundraising performance, as operationalized by each venture's crowdfunding performance, is the ultimate dependent variable. Because this prosocial form of crowdfunding is loan-based, the funding amount is limited to the amount the entrepreneur requests. Further, nearly all loans are fully-funded. These considerations make the amount of funding raised itself unsuitable as a dependent variable as it is not free to vary, instead, it is constrained by endogenous factors. Instead, I use a proxy-measure of investor preference, *Time to Funding.* The benefit of this variable is that it allows us to capture variance in prosocial funding behavior. Loans that are

more attractive to investors will fund more rapidly, and vice versa. In addition, funding speed itself is a meaningful aspect of entrepreneurial resource acquisition because the amount of time it takes to raise funding for a venture imposes significant constraints on the venture team, taking away time to work on the venture, and depriving the venture of resources in the interim (e.g., Cassar, 2004).

Time to Funding is measured in days (and portions thereof) and indicates how many days or portions of a day it took for the loan to become funded. While the vast majority of loans are fully funded, the time to funding component of this variable highlights that there is significant variance in how long the entrepreneurs have to wait before receiving funding, which can represent an important delay in the launch of the entrepreneurs' ventures and also serves as an indicator of investor preferences between various investment options. This approach is consistent with prior means of measuring fundraising performance on prosocial crowdfunding platforms, such as Kiva (Allison et al., 2015; Allison et al., 2013; Moss et al., 2015). The level of resolution for funding time is seconds. The theoretical minimum value is $1.16x10^{-5}$ hours (one second). The average time to fund for loans was 8.27 days (standard deviation 8.93). The time it took for loans to fund ranged from 4.5 hours to 52.6 days. In addition, I also calculated and evaluated a ratio dependent variable *dollars per day*. This variable reflects how much money the venture received per unit of time (days).

Control Variables and Statistical Analysis

Research suggests that the determinants of firm performance arise from industry and organizational sources (Makino, Isobe, & Chan, 2004). For *industry*, I created dummy variables corresponding to the 12 NAICS sectors of activity in which

the entrepreneurs in my data were engaged. I used NAICS-classification at the 2-digit level (Krishnan & Press, 2003). The majority of ventures were engaged in retailing (65%), with 15% engaged in agriculture, and 9.2% in manufacturing.

Prior crowdfunding research has suggested that both the size of the funding requested and characteristics of the entrepreneur have a significant impact upon fundraising performance (Allison et al., 2015; Galak et al., 2011; Mollick, 2014). Accordingly, I controlled for the *loan amount*, as prior microlending research has suggested that the amount of money entrepreneurs request is an important influence in how long it takes for loans to become funded (Galak et al., 2011). This variable was logged (natural log) to control for this potential alternative explanation. Entrepreneur sex has also been found to be a determinant of crowdfunding performance (e.g., Mollick, 2014), accordingly, I controlled for this using a dummy variable coded 1 where the entrepreneur was female, and 0 otherwise. I use these variables in a linear regression on the amount of time to successful funding. Thus, negative coefficient estimates indicate a desirable result for entrepreneurs, and positive estimates indicate an undesirable result.

CHAPTER FOUR: RESULTS

Table 8 presents descriptive statistics and correlations for all variables.

Table 8. Descriptive Statistics and Correlations

Variables	Mean	s.d.	1	2	3	4	5	6	7	8	9	10	11	12	13
1. Time to Funding	8.27	8.93													
2. Loan Amount, Logged	8.10	0.22	-0.15												
3. Sex, Female = 1	0.73	0.44	-0.37	0.17											
4. Magnitude, Count	0.86	0.86	-0.04	0.11	0.06										
5. Scope, Count	2.22	1.87	-0.03	0.00	0.06	0.42									
6. Frequency, Count	0.01	0.11	0.03	-0.04	-0.02	0.10	-0.07								
7. Prevention Focus, Count	0.25	0.79	-0.04	0.07	-0.08	0.22	0.19	0.01							
8. Promotion Focus, Count	1.59	0.91	0.02	0.16	0.12	0.26	0.08	-0.15	0.03						
9. Benevolence, Index	4.23	0.59	-0.11	0.11	0.09	0.23	0.17	0.19	0.07	-0.11					
10. Integrity, Index	4.27	0.43	0.05	0.03	-0.03	0.07	-0.04	0.00	0.08	0.02	0.12				
11. Ability, Index	4.71	0.67	0.00	-0.03	0.00	0.07	-0.06	0.00	-0.17	0.05	0.05	0.32			
12. IEPI - Prosocial Impact	0.33	0.09	0.02	-0.06	0.15	0.05	-0.07	-0.07	-0.05	-0.03	-0.01	0.01	-0.01		
13. IEAC - Affective Comm.	0.34	0.10	0.06	-0.10	0.10	0.09	-0.06	-0.02	-0.05	0.03	0.07	0.06	0.03	0.62	
14. IEPM - Prosocial Motivation	0.27	0.08	0.13	-0.02	0.08	0.03	0.00	-0.01	-0.07	0.02	-0.08	-0.05	-0.04	0.58	0.65

N=260. Correlations whose absolute value exceeds 0.10 are significant at $p < .05$ (one-tail).

To evaluate the reliability and dimensionality of these constructs, a factor analysis was performed, with orthogonal varimax rotation. The adapted items for magnitude, scope, and frequency were very similar. I expected coders to have high inter-item agreement, resulting in high factor loadings and strong evidence of unidimensionality. Indeed, this was the case. The factor analysis of the nine magnitude, scope, and frequency items suggested a three-factor solution, with three eigenvalues greater than 1 (3.97, 3.01, 2.00). The rotated factor loadings are shown in Table 9. Factors 1-3 correspond to Magnitude, Scope, and Frequency. Given these high loadings, I calculated each of these factor scores, in addition to an index variable (linear combination), for each factor. These score and index variables are used in all regressions. These results also suggest a single-item measure of each is sufficient in future content-analytic research.

Table 9. Prosocial Cues Variables Factor Analysis – Rotated Factor Loadings

Variable	Factor 1 Magnitude	Factor 2 Scope	Factor 3 Frequency
Magnitude 1	0.986	-0.021	0.166
Magnitude 2	0.985	-0.023	0.167
Magnitude 3	0.987	-0.015	0.159
Scope 1	-0.008	0.991	0.020
Scope 2	-0.024	0.999	0.025
Scope 3	-0.024	0.999	0.025
Frequency 1	0.164	0.024	0.986
Frequency 2	0.164	0.024	0.986
Frequency 3	0.164	0.024	0.986

N = 260; Varimax Rotation

I next turned to the trust cues measures. Here, the measures adapted from prior work varied within each scale substantially (Mayer & Davis, 1999). In particular, integrity is known to have two “elements”: consistency (McFall, 1987),

and value congruence (Sitkin & Roth, 1993). Thus, integrity was almost certain to yield a multidimensional, two (or more) factor solution. The initial factor analysis found four factors with eigenvalues greater than one. However, the scree plot (shown in Figure 9), and a theory-driven examination of the rotated factor solution (rotated factor loadings are shown in Table 10) suggested that a six factor solution was most appropriate.

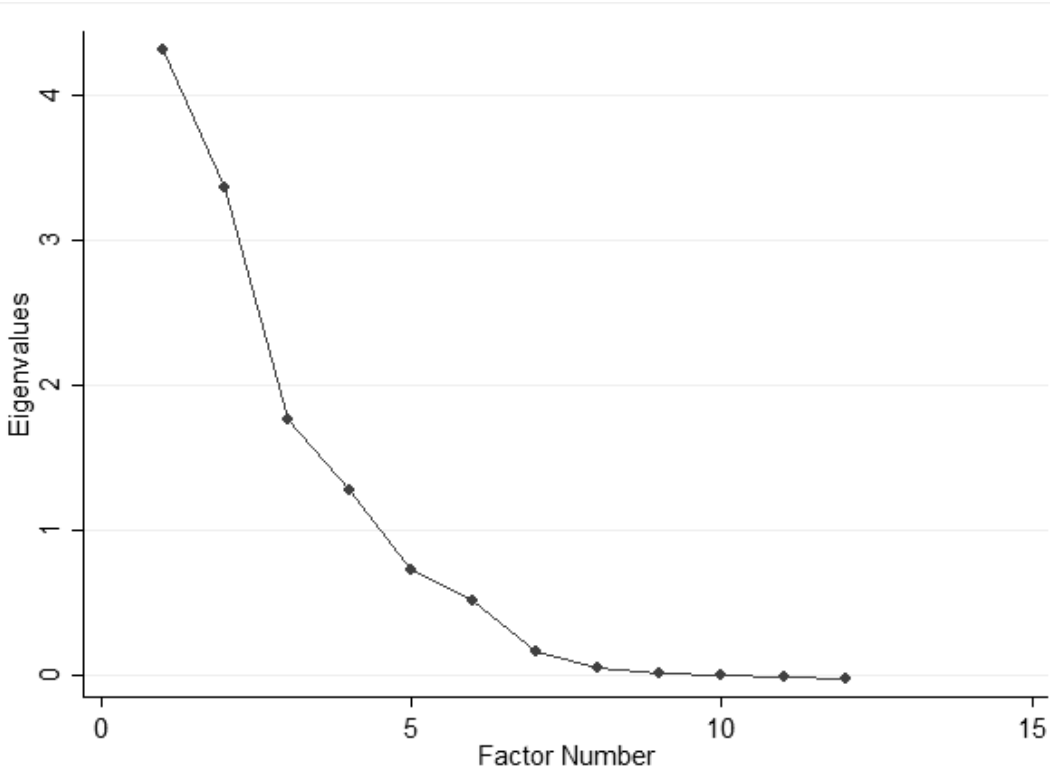

Figure 9. Scree Plot of Trust Cues Factors

In Table 10, factor loadings greater than 0.5 are bolded to aid interpretability and the factors have been ordered sequentially, again to aid interpretability. First, four benevolence measures (B1, B2, B4, and B5) load strongly on Factor 1, which can be thought of as a Benevolence factor. However, B3 (Wouldn't Hurt Others) loads most strongly on Factor 2, along with two integrity measures, I1 (Sense of Justice) and I3

(Fairness with Others). Thus, Factor 2 is best conceptualized as a Justice factor, in that it embodies fairness with others, avoiding harm to others, and a sense of justice. The remaining integrity measures show the expected two-factor loading on to a Consistency factor, Factor 3 (I2 and I4), and a Value Congruence factor, Factor 4 (I5 and I6), though I6 has relatively high cross-loadings with Consistency and Justice. This "Justice" factor is unexpected and seems to be a narrower value congruence factor than is captured by the overall Values factor. An ability factor, A4 (People are confident in the entrepreneur's skills) also loads above .50 on the value congruence factor. This likely reflects the fact that it is also defined in terms of congruence. It may be that other's confidence in the entrepreneur's skills

Finally, ability also seems to have a two-dimensional nature, when applied to crowdfunding entrepreneurs. Specifically, items relating to evidence of ability (past success) and items relating to the entrepreneurs' human capital knowledge and capabilities occur relatively independently from each other in this population. These factors, Factor 5 (A1, A2, A6), and Factor 6 (A3, A5), can be thought of as Evidence of Ability and Human Capital, respectively.

Shown in italics are factor loadings between .3 and .5. There are some interesting patterns in these loadings as well. Integrity 6, while loading most strongly on the value congruence factor, Factor 4, also loads at .36 on the "Justice" factor (Factor 2) and at .32 on the values consistency factor (Factor 3). Integrity 6 measures strong principles, and these seem to be part of the construct space of justice, in addition to being included in the construct of integrity. Similarly, having strong principals may be a condition which results in more consistent behavior. The other

two factor loadings between .3 and .5 are expected. Integrity 3, fairness with others, loads .37 on Factor 4, value congruence. This factor was its original expected factor – the surprise was the emergence of a "Justice" factor, which Integrity 3 loads on at 0.66. The last cross-loading is Ability 3, knowledge, which loads primarily on the human capital factor of ability, Factor 6. It also loads at 0.42 on Factor 5, the evidence of ability factor. The most likely explanation for this is that one's "knowledge about the work that needs done" is most likely to be conveyed by telling how the entrepreneur gained that experience through prior work experience.

Table 10. Trust Cues Variables Factor Analysis – Rotated Factor Loadings

Variable	Factor 1 Benevolence	Factor 2 Justice	Factor 3 Consistency (Components of Integrity)	Factor 4 Congruence	Factor 5 Ability, Evidence of	Factor 6 Ability, Human Capital
Benevolence 1 - Other's Welfare	**0.9483**	0.0615	-0.0179	0.0341	-0.0099	0.0209
Benevolence 2 - Other's Needs	**0.8037**	0.2551	-0.0255	0.0575	0.0189	0.0871
Benevolence 3 - Wouldn't Hurt	0.2754	**0.5571**	0.0106	-0.0651	0.0513	0.0747
Benevolence 4 - Important to others	**0.9825**	0.0477	-0.0214	0.0153	0.0152	-0.0037
Benevolence 5 - Help Others	**0.9711**	0.0557	-0.0106	0.009	0.0116	0.008
Integrity 1 - Sense of Justice	0.2217	**0.7734**	0.0066	0.0733	0.0682	0.1264
Integrity 2 - Stick to Word	-0.0278	0.0708	**0.8816**	0.0363	0.113	0.016
Integrity 3 - Fair with Others	0.1092	**0.6619**	0.1357	*0.3718*	0.0738	0.0527
Integrity 4 - Consistent Actions	-0.0546	-0.0021	**0.8774**	0.1479	0.178	-0.0001
Integrity 5 - People Like Values	0.0742	0.1444	0.1769	**0.7288**	0.1002	0.073
Integrity 6 - Strong Principles	0.1594	*0.3551*	*0.3159*	**0.5111**	0.0471	-0.043
Ability 1 - Very Capable	0.0204	0.0398	0.0731	0.0591	**0.9244**	0.1376
Ability 2 – Successful	0.0019	0.0217	0.1031	0.0499	**0.8395**	-0.0194
Ability 3 – Knowledge	0.0758	0.1362	0.012	0.1079	*0.4152*	**0.6185**
Ability 4 - People Confident in Skills	-0.0549	0.0407	0.073	**0.5083**	0.2798	0.0931
Ability 5 - Specialized Capabilities	0.0625	0.1809	0.017	0.031	0.2638	**0.5938**
Ability 6 - Well Qualified	0.0004	0.0425	0.1377	0.0423	**0.9425**	0.0982

N = 260; Varimax Rotation

Hypotheses 1-4 suggest that espoused benefit magnitude, scope, frequency, and focus (respectively), will be positively related to investor espoused prosocial impact (IEPI). Because IEPI is standardized per-backer, it is limited to the range 0-1. The observed values of IEPI range between 0.0978 to 0.6316. Given this, the most appropriate statistical model is a beta regression, a GLM approach that assumes the beta, rather than normal, distribution, governed by the beta law (Ferrari & Cribari-Neto, 2004).

I regressed the count-based measures of magnitude, scope, frequency, and prevention/promotion focus on IEPI, controlling for the loan amount requested. The count-based measures were used because the Likert-coded index measures exhibited suppressed variance. In practice, few projects provide information that suggests negative magnitude, scope, or frequency. In contrast, it is more common to simply provide no information at all from which magnitude, scope, or frequency may be judged. Accordingly, the count variables were used. These results are shown in Table 11.

Table 11. Beta Regression on IEPI

Variables	**IEPI**
Loan Amount, Logged	-0.10
Magnitude, Count	0.07*
Scope, Count	-0.03†
Frequency, Count	-0.39
Prevention Focus, Count	-0.02
Promotion Focus, Count	-0.03
Constant	0.15
LR $\chi^2(6)$	7.03
Log Likelihood	253.29

N = 260 * = $p < .05$ † = $p < .10$

The coefficient estimate for magnitude is positive and significant, suggesting support for Hypothesis 1 ($\beta = 0.07$, $p = 0.047$). The coefficient for scope approaches

significance, but does not reach significance at the 0.05 level. Contrary to the relationship predicted in Hypothesis 2, scope's coefficient estimate also suggests a negative relationship between scope and investor espoused prosocial impact (β = -0.03, p = 0.081). This surprising result is further examined in the discussion section. I fail to find support for Hypotheses 3 (frequency) and 4 (focus), in light of the apparent non-significance of the coefficient estimates for those hypotheses: (H3: β = -0.39, p = 0.130; H4-prevention β = -0.02, p = 0.581; H4-promotion β = -0.03, p = 0.486).

Next, I test Hypotheses 5 and 6, which predict that Investor Espoused Prosocial Impact (IEPI) will be positively related to Investor Espoused Prosocial Motivation (IEPM), as moderated by Investor Espoused Affective Commitment (IEAC). This is tested in the level 2 (investor narratives) data. As the entrepreneur-level data is non-independent in level 2, I use a hierarchical, mixed-effects regression model, estimated with maximum likelihood, in order to correct for the possible downward bias on standard error estimates resulting from this non-independence. This model is shown in Table 12.

Table 12. Hierarchical Mixed-Effects Regression on IEPM

Variables	IEPM
NAICS (Ref. Cat. = 11, Agriculture)	
23, Construction	-0.05
31-33, Manufacturing	-0.04
42, Wholesaling	-0.26*
44-45, Retailing	-0.03
48, Transportation	0.00
51, Information	0.15
54, Professional Services	-0.15
61, Educational Services	-0.16
62, Health Care	0.01
72, Arts and Entertainment	0.01
81, Other Services	-0.03
Loan Amount, Logged	0.00
Sex, Female = 1	0.00
Investor Espoused Prosocial Impact (IEPI)	0.15*
Investor Espoused Affective Commitment (IEAC)	0.25*
IEPIxIEAC Interaction	0.02*
Constant	0.35
Wald $\chi^2(14)$	1820.76*
Log Likelihood	-13387.22

N = 11,338 * = $p < .05$
N Groups = 260; Avg. Obs. per Group = 43.6

Hypothesis 5 predicted that Investor Espoused Prosocial Impact (IEPI) will be positively related to Investor Espoused Prosocial Motivation (IEPM). I found support for this relationship ($\beta = 0.15$, $p = 0.001$). Hypothesis 6 predicted that Investor Espoused Affective Commitment (IEAC) would positively moderate the IEPI-IEPM relationship. The main effect of IEAC on IEPM was positive and significant ($\beta = 0.25$, $p = 0.001$); the interaction of IEPI with IEAC was also positively related to IEPM and significant ($\beta = 0.02$, $p = 0.011$). Thus, I also find support for Hypothesis 6.

Next, I test Hypotheses 7 and 8-10. Hypothesis 7 predicts that Investor Espoused Prosocial Motivation will be positively related to Prosocial Funding Behavior. This dependent variable is a time variable – Time to Funding. Thus, I use a

form of survival analysis as my statistical method. Again, this is consistent with prior means of measuring fundraising performance on prosocial crowdfunding platforms, such as Kiva (Allison et al., 2015; Allison et al., 2013; Moss et al., 2015). I deal with threats to statistical conclusion validity by using a form of survival analysis known as a Cox proportional hazards model (Cox, 1972). Often called Cox regression, Cox models accommodate both right censoring of data and non-normality of data by modeling the chances of an event occurring – in this case, full loan funding – given the observed values of the independent variables (Cox & Oakes, 1984). Cox models output hazard ratios. These values reflect the effect of the corresponding independent value on the loan funding outcome. For hazard ratios > 1, the effect of increasing values of the independent variable is positive (i.e., greater likelihood of the loan becoming fully funded). For hazard ratios < 1, the effect of increasing values of the independent variable is negative (i.e., the loan is less likely to become fully funded). This model is shown in Table 13.

Table 13. Cox Regression on Prosocial Funding Behavior

Variables	Survival Analysis Time to Funding in Days Hazard Ratios
NAICS (Ref. Cat. = 11, Agriculture)	
23, Construction	5.23*
31-33, Manufacturing	2.78*
42, Wholesaling	0.38
44-45, Retailing	0.90
48, Transportation	0.50
51, Information	88.10*
54, Professional Services	0.69
61, Educational Services	2.82
62, Health Care	6.19*
72, Arts and Entertainment	1.30
81, Other Services	0.92
Loan Amount, Logged	1.25
Sex, Female = 1	2.63*
Investor Espoused Prosocial Motivation (IEPM)	0.05*
Benevolence	3.61*
Integrity	1.37
Ability	1.65
IEPMxBenevolence Interaction	0.45*
IEPMxIntegrity Interaction	0.73
IEPMxAbility Interaction	0.73
LR $\chi^2(20)$	98.54*
Log Likelihood	-1140.21

N = 260 * = $p < .05$
Time at Risk = 2,150.59 days

While the coefficient estimate for the effect of Investor Espoused Prosocial Motivation (IEPM) on prosocial funding behavior, measured as the speed with which funding takes place, was significant, the effect was in the opposite direction from my hypothesis (HR = 0.05, $p = 0.001$). The size of the effect is relatively small; this could suggest that more prosocially motivated funders spend a bit longer connecting with the entrepreneurs by reading their narrative. This would then result in a slightly longer funding time. In light of this surprising result, I examine the alterative dependent variable, dollars per day, in a post-hoc analysis. Thus, I fail to find support for Hypothesis 7 in this analysis. Turning to the effects of trust cues, benevolence had

a significant main effect on funding, and benevolence made it more likely that a loan would be funded more quickly (H8 main effect: HR = 3.61, $p = 0.002$). The interaction of benevolence with IEPM, though significant, had the effect of increasing the amount of time it took for a loan to be funded (H8 interaction effect: HR = 0.45, $p = 0.013$). Again, this surprising result will be further examined in the discussion section. Finally, the remaining moderation hypotheses (H9 and H10) were not significant in either their main or interaction effects (H9 main effect: HR = 1.37, $p = 0.627$; H9 interaction effect: HR = 0.73, $p = 0.434$; H10 main effect: HR = 1.65, $p = 0.200$; H10 interaction effect: HR = 0.73, $p = 0.168$).

Post-hoc

Given the unexpected findings of my main analysis, I undertook two additional analyses. First, I examine the effect of an alternate dependent variable specification, the number of dollars raised by the venture per day. Other than a significant coefficient estimate for the loan amount control variable, and slightly more significant p-values for coefficients that were already significant at $p < .05$ in the main model, the results of this alternate DV specification were identical in terms of direction of effect and significance. This model is shown in Table 14.

Table 14. Linear Regression on Prosocial Funding Behavior

Variables	Dollars per Day Coefficient Estimates (B)
NAICS (Ref. Cat. = 11, Agriculture)	
23, Construction	5261.54*
31-33, Manufacturing	2801.46*
42, Wholesaling	-1657.58
44-45, Retailing	-9.52
48, Transportation	390.37
51, Information	8690.24*
54, Professional Services	-410.01
61, Educational Services	185.52
62, Health Care	4617.75*
72, Arts and Entertainment	-1923.62
81, Other Services	-800.37
Loan Amount, Logged	2854.50*
Sex, Female = 1	1281.85*
Investor Espoused Prosocial Motivation (IEPM)	-7171.98*
Benevolence	4802.82*
Integrity	1879.01
Ability	734.79
IEPMxBenevolence Interaction	-3234.60*
IEPMxIntegrity Interaction	-1220.77
IEPMxAbility Interaction	-319.21
Constant	-51995.12
R^2	0.272
F (20,239)	4.45*

N = 260 * = $p < .05$

In addition, I also examined the count-operationalizations and appropriate transformations of all variables. None of these produced results more significant than those shown in Table 13.

As a final step, I examined a structural model using the alternate dependent variable, dollars per day (DPD), in order to examine the effect of modeling indirect effects of IEPI, IEAC, and their interaction, on the mediator, IEPM, and upon the ultimate dependent variable, DPD. Because many industry sectors only have a single venture operating, I collapsed my industry control, NAICS, into two groups. Because 65% of ventures are in the retail trade, I called this variable *Retailing.* Retail is coded as 1 for ventures in retailing. It is coded 0 otherwise. The 2nd and 3rd most common

NAICS industry sectors in my data are agriculture (39 cases), and manufacturing (24 cases). I also generated a single trust cues factor, *BIA*, consisting of the benevolence, integrity, and ability indices, equally weighted. BIA's theoretical range is 1-7, its observed minimum is 3.61, maximum is 6.38. BIA's average is 4.40, standard deviation is 0.38, and its median value is 4.33.

This structural model is shown in Table 15.

Table 15. Structural (Moderated Mediation) Model

Variables	Coefficient Estimates (B)
Investor Espoused Prosocial Motivation (IEPM) ←	
Investor Espoused Prosocial Impact (IEPI)	0.24*
Investor Espoused Affective Commitment (IEAC)	0.35*
IEPIxIEAC Interaction	0.03
Constant	0.07
Dollars Per Day (DPD) ←	
NAICS (Ref. Cat. = 11,31, other non-Retailing)	
44-45, Retailing	-1041.54*
Loan Amount, Logged	3582.40*
Sex, Female = 1	1568.51*
Investor Espoused Prosocial Motivation (IEPM)	107933.70*
Investor Espoused Prosocial Impact (IEPI)	2743.82
Investor Espoused Affective Commitment (IEAC)	-3138.10
IEPIxIEAC Interaction	1941.05
Benevolence Integrity Ability Index (BIA)	7764.26*
IEPMxBIA Interaction	-26215.51*
Constant	-59444.09
Log likelihood	-1151.40

N = 260 * = $p < .05$
Maximum Likelihood SEM

The two equations (omitting controls, which are included as covariates in the second equation) for this model are:

```
m = a0 + a1x + a2w + a3xw
y = b0 + b1m + b2x + b3w + b4xw + b5z + b6mz
Where:    x = IEPI              z = BIA
          w = IEAC              y = DPD
          m = IEPM
```

The model provides several interesting insights. First, it confirms the influence of IEPI and IEAC on IEPM, though the moderation of IEPI-IEPM by IEAC is not significant in the structural model. Second, I find some evidence in support of Hypothesis 7, as the effect of IEPM on fundraising performance (dollars per day) is positive and significant, indicating that higher levels of IEPM result in more dollars raised per day ($\beta = 107933.70$, $p = 0.002$). Third, with the BIA index variable, I again find a significant, positive main effect on fundraising performance ($\beta = 7764.26$, $p = 0.001$), however the interaction effect remains negative, though significant ($\beta = -26215.51$, $p = 0.001$). This indicates that Hypotheses 8-10 remain unsupported in their proposed moderating influence on crowdfunding performance. Finally, the direct effects of IEPI and IEAC on fundraising performance are non-significant. This suggests that the model proposed in this dissertation is essentially correct in that IEPI and IEAC influence IEPM, which in turn influences fundraising performance. Thus, I find evidence in favor of full mediation of these relationships.

CHAPTER FIVE: DISCUSSION

In this monograph, I develop theory on how entrepreneurs might influence prosocial investors in a crowdfunding environment. I suggest that prosocial impact, prosocial motivation, and affective commitment are constructs that can explain how some crowdfunders perceive the purpose and effect of their investments, which in turn influences their prosocial funding behavior. In brief, entrepreneurs who clearly display to prosocial investors how their funding is helping others will be more likely to reach their fundraising goals.

Evaluation of Results

The empirical results provided several important implications for theory and for future research. I will address these implications in the order in which they are presented in Chapter 4. My factor analysis of the prosocial cues of magnitude, scope, and frequency found that all items for each of these factors were very closely in agreement. This suggests that future crowdfunding research may simplify its content analysis coding procedure by using a single item measure instead of adapted multi-item scales, while retaining high construct validity. Alternatively, since the count-based measures exhibited better variance than Likert-scale coded measures, future research may wish to focus on count-based coding of these prosocial cues.

Factor analyses also uncovered interesting detail to the trust cues of benevolence, integrity, and ability. The prior literature has acknowledged the bi-dimensionality of integrity (consistency and values congruence). My work also suggests that ability, as measured by items adapted from prior work (Mayer & Davis, 1999) may be bi-dimensional. Specifically, ability seems to be comprised of an

"evidence of ability" factor – evidence of success in the past, and a "human capital" factor – skills and capabilities that suggest future success.

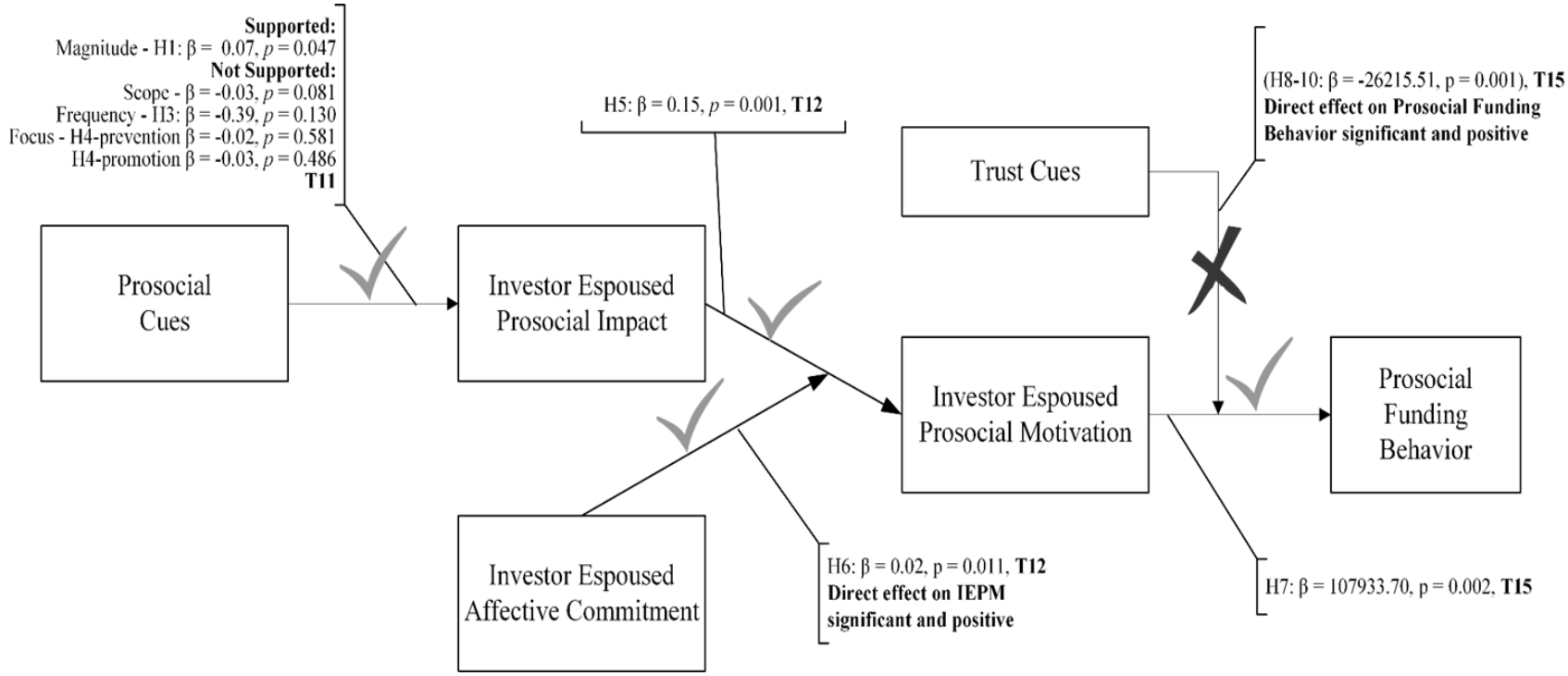

Figure 10. Evaluation of Results

Turning to the hypothesis tests, Figure 10, above, presents the hypothesized relationships and the empirical findings. Hypotheses 1-4 predicted positive effects of Magnitude, Scope, Frequency, and Focus on Investor Espoused Prosocial Impact (IEPI). Magnitude – the degree of impact on beneficiaries – had this expected effect. This suggests that entrepreneurs who articulate a clear prosocial impact for their funding requests do engender greater perceptions of prosocial impact among investors, which is in turn espoused by those investors.

Frequency and Focus were not significantly related to IEPI. In the case of frequency, this seems to be because nearly all of the funding appeals on the Kiva crowdfunding platform examined are for one-time initiatives. For example, entrepreneurs often ask for funds to purchase inventory to sell in small retail shops. It is uncommon for entrepreneurs to clearly connect their funding request to a clearly-stated ongoing purpose. In my data, 3 cases of 260 had information about frequency (1.15%)

Focus was also non-significant. I expected that prevention focus would be positively related to IEPM and promotion focus negatively related to IEPM. This was expected because solving a problem has more emotional impact than growing and expanding an existing business (e.g., Grant, 2007). This is still likely to be true. Unexpectedly, the entrepreneurs on this crowdfunding platform are very focused on promotion, and prevention is uncommon. Many were working to build-up established businesses by ordering more inventory, or by buying equipment for increasing the efficiency of their work. 92.8% of entrepreneurs were promotion-focused; in comparison, only 13.5% of entrepreneurs included any information about prevention,

with the other 86.5% including no information about prevention at all. An examination of other data from the Kiva crowdfunding platform suggests this is true of the population, and not an artifact of this sample. Thus, while I continue to believe that prevention focus will be more powerful in influencing entrepreneurs to provide funding, it seems that among these entrepreneurs, the emphasis on promotion is likely to preclude finding any such effect until a much larger sample can be examined, perhaps using a computer-aided text analysis methodology.

Scope, though not significant at my 0.05 cutoff, was significant at $p < 0.10$. However, the effect of scope on IEPI was negative, which was contrary to my hypothesis. This was surprising given Grant's logical prediction that helping more people in ones' prosocial work would lead to greater perceptions of prosocial impact (e.g., 2007). An alternate perspective is provided by the marketing literature on charitable giving and charity appeals. This work suggests that fundraising appeals which focus on a single identifiable victim perform better than those that focus on a large number of people who aren't clearly identified (Small & Loewenstein, 2003; Small et al., 2007). Thus, it may be that the logical appeal of helping more people (scope) is outstripped by the emotional impact of helping a single, very clearly identified person (e.g., Galak et al., 2011). The implication of this is that ventures with greater scale – those helping many people around the entrepreneur – may be less desirable funding targets for social investors who make largely affect-driven decisions. Scale is likely to remain an important positive factor for social investors who engage in due-diligence, invest larger amounts, and make primarily logic-based decisions.

I found support for Hypotheses 5, 6, and 7. Overall this suggests that the Job Impact Framework (Grant, 2007), as adapted and applied here to this form of crowdfunding, may be a feasible explanation for investor decision-making in crowdfunding. While the moderation effects predicted by Hypotheses 8-10 were found to be negative influences on funding performance, one possible explanation for these findings may be that they tend to be correlated with an entrepreneur's past success. That is, an entrepreneur must already be somewhat successful to have evidence of ability and be able to be benevolent to others around him or her. As a result, such entrepreneurs may be seen as needing less help, and may be funded more slowly (e.g., Small et al., 2007).

Overall, while this theory on prosocial investing cannot explain all crowdfunding behavior, it appears that it is one useful explanation for particularly prosocial forms of crowdfunding. By looking at prosocial behavior as an explanation for crowdfunding, we have learned that at least some prosocial cues – in this case, magnitude of impact – have a positive effect on investor-espoused constructs, whose effect is transmitted on to prosocial funding behavior. These findings confirm the adapted theory (e.g., Grant, 2007). They also tell us a significant amount about how to model prosocial investor funding decisions. This study has provided evidence that the decision to engage in prosocial investing is a result of a person's perceived prosocial impact having an effect on their prosocial motivation. It appears that an investors' affective commitment to beneficiaries strengthens that effect.

While this study found less support for later extensions of the prosocial behavior model used in the job design theory literature (Grant & Sumanth, 2009), my

results are only inconsistent with that work inasmuch as I found no positive moderating effect of trust cues upon the prosocial motivation – prosocial [funding] behavior relationship. I did however find statistically significant, positive direct effects of the trust cues of benevolence, integrity, and ability on prosocial funding behavior. Overall then, there is good evidence that prosocial behavior theory can provide a useful theoretical framework for these types of prosocial investing.

Limitations

This research was designed to focus on a particular type of crowdfunding: crowdfunded microlending. This debt-based form of crowdfunding provided three strong advantages that were important to ensure the detection of effects of unknown magnitude. First, this research context allowed me to hold constant the variable rewards found in other types of crowdfunding. Rewards, as found on rewards-based crowdfunding platforms, such as Kickstarter, vary from project to project. Their value and quality vary as well. This introduces a potentially large confounding effect that is difficult to control for since the quality and value of a reward is largely in the eye of the beholder.

Second, this context allowed me to hold financial returns constant across all investors. Specifically, on Kiva, investors are repaid the funds they loan, but they are not compensated with interest. Thus, loan-to-loan, there is no variation in financial reasons for investing. This is not the case with the emerging area of equity crowdfunding since different ventures offer different terms, and different (hard to estimate) levels of risk. Using a debt-based form of crowdfunding eliminated that potential confounding effect.

Finally, investors on Kiva are unable to contact or communicate with entrepreneurs. This is not the case with either rewards-based or equity-based crowdfunding. Investor contact with entrepreneurs introduces an unobserved influence on investor decisions. The choice of a debt-based crowdfunding platform allowed me to ensure that the only contact investors had with the entrepreneurs was via the crowdfunding entrepreneurial narrative posted to the crowdfunding platform. While these advantages allowed for substantially enhanced reliability, it did require potential trade-offs in generalizability.

The main tradeoff is that other crowdfunding platforms may have characteristics that could them materially different from the crowdfunding platform I studied. One proposition arising from crowdfunding research to date is that social factors may play a role in regulating behavior on the platform (Allison & Townsend, 2013). This emergent order can be viewed as an extension of forum theory which suggests that a democratic forum will, once created, be regulated by the participants (Craig & Gross, 1970).

As a result, crowdfunding research that is single-platform in scope will necessarily be exposed to these forum effects which may make behavior on one crowdfunding platform hard to generalize to other crowdfunding platforms. To-date, there have been no published crowdfunding studies that have examined multiple platforms as part of a single study. This should be an objective of future research as it will begin to tell scholars about the nature of cross-platform generalizability in crowdfunding. For this specific study, the theories developed are likely to be most applicable to relatively prosocial forms of crowdfunding, such as that found on Kiva,

Zidisha, GoFundMe, and similar platforms. I expect it will also be applicable to many rewards-based crowdfunding platforms, such as Kickstarter and IndieGoGo. Those platforms place significant emphasis on helping others. Finally, I would not expect these results to be predictive of outcomes on equity-based crowdfunding platforms, such as WeFunder and CrowdCube. Nevertheless, in terms of number of ventures backed, donation, debt, and rewards-based crowdfunding (over a million crowdfunding campaigns to date on Kiva, Kickstarter, and IndieGoGo alone) greatly outstrips the number of ventures funded on equity crowdfunding platforms (less than one thousand funded on WeFunder and CrowdCube to date). This gap only continues to grow even as equity crowdfunding has gained SEC approval for participation by non-accredited investors (e.g., Heminway & Hoffman, 2010). Thus, as it seems that non-equity crowdfunding is likely to remain important to entrepreneurs, it is likely that the relationships described in this research will remain of value in describing and predicting prosocial funding behavior.

Another potential limitation of this work is that I find relatively inconclusive effects about the antecedents of investor espoused prosocial impact (IEPI). While magnitude had a strong relationship with IEPI, the other three prosocial cues did not. One possibility may be that emotional considerations impinge upon investor choices and make them less likely to consider the logical appeal of helping more people (scope), more often (frequency). I discuss the role of emotion in entrepreneurial finance in the section of that name, below. However, the most likely possibility is that crowdfunding entrepreneurs in this study simply didn't provide information salient to scope and frequency in their crowdfunding entrepreneurial narratives. This may occur

because the narratives' short average length precludes discussing such information. This is a potential data limitation, and as a result, studies of longer format narratives may be necessary to conclusively address this issue.

I also found no evidence of support for trust cues as positive moderators of the IEPM-prosocial funding behavior relationship. I did find a main effect of trust cues on prosocial funding behavior, but no moderating effect. Past work on trust cues has examined high/low moderation, rather than continuous interactions (Grant & Sumanth, 2009). Thus, it may be that trust exhibits threshold effects – high levels of trust cues do result in positive moderation, but low levels result in no effect. This could explain the non-significance that I found. Future work may wish to conceptualize trust cues as having a threshold effect, and operationalize them to match this different theoretical conceptualization. Another possibility is that trust cues moderate other relationships, such as that between prosocial cues and IEPI. Broadly this points to the issue that we don't know anything about the role of trust in crowdfunding. There are no published studies that look at trust. Future crowdfunding research should certainly make examining trust a focus. I discuss one aspect of this – governance – in the below section on governance challenges.

Directions for Future Research

This work suggests the importance of further research examining three core questions in crowdfunding research: the role of emotion in entrepreneurial financing, governance challenges in crowdfunding, and the role of funder experience and growth. I address each of these three potential areas for future research below.

Emotion in Entrepreneurial Financing

First, it was clear in conducting this research project that the crowdfunding appeals coded in this paper were remarkably emotional. The moving stories told by entrepreneurs likely have a strong effect on funding outcomes. The stories they tell are those of difficult lives, lived with enormous courage and selflessness. The young single father of a toddler, "Kaitano [who] will pay school fees for his three brothers he is looking after." The fishmonger, "a widow with 6 children." So many share their desperate wish to send their children to school, to be able to afford better food and shelter for their families.

Prior entrepreneurial narrative research (Martens, Jennings, & Jennings, 2007) has paid limited attention to the emotional impact of entrepreneurial narratives. Instead, the identification created by entrepreneurial narratives has been the focus. Turning towards the role of emotion may have potential for advancing our understanding of the persuasive impact of entrepreneurial narratives on investors. There has been some prior research on economic (financial), hedonistic (pleasure-seeking), and altruistic (selfless helping) motives in prior research on entrepreneurial financing (Sullivan & Miller, 1996). The study focused on angel investors (Sullivan & Miller, 1996). However, it found little traction. One reason may be the problems with conceptualizing investing behavior as "altruistic". Economics research has traditionally ascribed socially minded economic behaviors to either altruistic or egoistic motives (Simon, 1993). Altruistic activity is by definition motivated by the wish to assist other people without regard to personal benefits.

Adopting an altruism conceptualization sets a very high and inflexible standard vis-à-vis investing. Since investments by definition are expected to yield a benefit, Sullivan and Miller's work was forced to claim "partial altruism." The type of behavior they characterized as partially altruistic may be better understood as a form of prosocial/helping behavior. They found many angel investors who, being former entrepreneurs, wanted to "give back" and help novice entrepreneurs (Sullivan & Miller, 1996). Thus, adopting a prosocial behavior lens may allow future research to better understand the role of emotion in entrepreneurial finance. For example, a study could be performed using conjoint analysis where two financially identical funding opportunities are presented to a group of participant investors. The manipulation would be whether there is an emotional appeal in one narrative versus no such appeal in the other.

The types of investors described in Sullivan and Miller's (1996) work may be motivated to invest preferentially in those they can help and mentor because they find it emotionally satisfying, and it makes them 'feel good.' This type of 'feeling good' reason for engaging in prosocial investing behavior has been described in prior crowdfunding research in the context of warm-glow theory (Allison et al., 2013). Warm-glow theory suggests that much apparently altruistic behavior is partially motivated by the pursuit of a positive affective state which one feels after taking actions to help those in need (Andreoni, 1990; Baumann et al., 1981; Cialdini et al., 1973). Feeling good, also called positive affect, can be modeled and treated as "psychic income" (Thurow, 1978). This stems from a tradition in which the economics literature has sought to explain apparent "irrationality" in financial

choices[8] such as job selection and charitable giving through constructs such as psychic income, social income, and warm glow (e.g., Andreoni, 1989; Hicks, 1940; Thurow, 1978).

Indeed, there is good evidence to suggest that people are willing to give up financial income for affective well-being in some situations. For example Kahneman and Deaton found that personal income in excess of USD ~75,000[9] did not contribute to emotional well-being, with the prescriptive implication that surplus income would be best used on goods that increase well-being (2010). Applied to prosocial investing, this suggests that potential investors might prefer to purchase investments that promise affective returns instead of or in addition to financial returns. Overall, the results of this study, which suggest that investors do engage in prosocial investing, indicate that adopting an affect-based view of crowdfunding, and conceptualizing "warm glow" as a key benefit funders gain by participating, may be beneficial for future research. Warm glow may be an important outcome of prosocial funding behavior. For example, a future study could ask funders how good they feel about themselves before and after funding, and combine this with the value of the extrinsic reward they get for investing, in order to predict crowdfunding performance.

[8] Financial irrationality is any choice that does not maximize value, consistent with rational choice theory. Such models frequently miss variables that are valued by decision makers – such as positive affect – and result in predictions that are at variance with empirical observations. This irrationality is thus a misnomer; in fact, it is a model failure caused by incomplete assumptions. See: (Herrnstein, 1990). (Boudon, 2003; Satz & Ferejohn, 1994). (Lehtinen & Kuorikoski, 2007).
[9] United States Dollars, Nominal, year 2010.

Governance Challenges in Crowdfunding

The potential importance of emotion for crowdfunding, discussed above, does raise worries about governance issues. A significant concern is that entrepreneurs will make emotional appeals to funders, and then not deliver on their promises (e.g., Mollick, 2014). This study heightens that issue in that I find that crowdfunding appeals are quite laden with emotionally powerful appeals. One of the substantive challenges facing crowdfunding is that it presents a "perfect storm" of governance challenges. Crowdfunding presents a scenario where investors are diffused – there are many investors, each with a small stake, often with no dominant outside investors. Critics point out that abuses arising from large-scale appeals to the public for risk capital led in part to modern securities regulations (Heminway & Hoffman, 2010).

The sole governance avenue available to crowdfunding investors is contractual via contract and civil law. In spite of these concerns, to-date only a small fraction of crowdfunded ventures have been accused of fraud or sued by states attorneys general (Johnston, 2014; Silver, 2014). One reason for this may be the social nature of crowdfunding to date. Both rewards-based and debt-based crowdfunding have constructed platforms where investments are made via social means (strong communities) and often for social ends (public goods and social works); this social emphasis may serve to reinforce stronger ethics among entrepreneurs (e.g., Marz, Powers, & Queisser, 2003). Future research should borrow from the body of work on governance in the management literature to adapt governance perspectives that work for crowdfunding, much as I have done here in adapting prosocial behavior work to this context.

Another governance-type concern that some has raised is to what extent it is ethical and appropriate for wealthy or famous entrepreneurs to seek funds through crowdfunding. Is it legitimate for people with access to capital via other means to use crowdfunding? For example, Zach Braff, Spike Lee, and other well-known artists have been criticized for turning to crowdfunding when they are able to fund projects in other ways. Mike Rowe, a television host associated with Discovery Communications, received an electronic message from a follower asking if he would produce a show similar to *Dirty Jobs* if his fans paid to have such a show made. On reflection, Rowe wrote:

> After that post, thousands of you encouraged me to do that very thing. Hundreds more pledged money to help pay for *Somebody's Gotta Do It*. That was humbling and initially, pretty exciting. But when it came down to actually taking your money to produce a show with my name in the title, I couldn't do it. It felt vaguely icky…like inviting friends to my wedding and then charging them for dinner.

Instead of launching a crowdfunding campaign, Rowe approached TV networks and eventually signed a series order with Time Warner's CNN. This personal account suggests two possible research directions: First, what is the role of crowdfunding not only in providing capital, but also in providing ideas and testing demand for those ideas? Second, it suggests the need to conduct research on attitudes among crowdfunding investors as to the "appropriate" role of crowdfunding. Many seem to view crowdfunding as being primarily legitimate for independent, relatively "needy" firms and entrepreneurs. As an example, Oculus, a firm developing a virtual reality platform, was warmly accepted by crowdfunding investors and received a multi-million-dollar infusion of capital in return for rewards on the crowdfunding platform Kickstarter. Less two years later, Oculus was acquired by Facebook, Inc. for

$2 billion. Some criticized this outcome as if the funders had an equity stake, they would have realized a 145,000% return. If a company did this to shareholders, it would be a major corporate-governance infraction. This strong reaction raises novel questions about how crowdfunding investors view entrepreneurs and what is viewed as an appropriate or desirable exit.

Funder Experience as a Counterpoint to Emotional Pressures

A counterpoint to concerns that too much emotion will lead crowdfunders to make bad decisions is the potential for crowdfunders to gain experience over time and become skilled at sorting good versus bad crowdfunding projects. Overall this is part of the larger issue of how crowdfunding investors change and learn over time, a topic which we currently know nothing about. For example, I discussed previously that the identifiable victim effect may be responsible for the negative main effect of scope on IEPI. Research on the identifiable victim effect tells us that prosocial motivation changes significantly when people are presented with groups or categories of people needing help. People feel more sympathetic towards needy parties when those parties are in a smaller reference group (Fischhoff, Lichtenstein, Slovic, Derby, & Keeney, 1984). Those people that are part of a small reference group are much more likely to receive assistance than those who are part of a larger group (Slovic, 2007; Small et al., 2007).

In the context of crowdfunding, newly minted, novice, investors start out with no reference group – they've not made prior investments of this type. They may tend to view investments as individual deals, and thus they may be more likely to have an affective response to the investments. However, as investors become more

experienced, they may see each investment in reference to the many investments they have made, will make, and can choose from – especially for social means of social investing, such as crowdfunding – rather than seeing each individual investment as a venture with a specific group worthy of help (i.e., a reference group of one). Assuming that experienced investors view each social investment in reference to social investments they have made in the past, or plan to make in the future, the identifiable victim effect may become diluted (e.g., Small et al., 2007). Examining whether repeat social investors respond differently to firm's emotional appeals and rhetorical strategies would be a way to determine whether this experience effect occurs.

CHAPTER SIX: CONCLUSION

Crowdfunding provides significant promise of the possibility of funding ventures that could not be funded before due to lack of access to funding sources via social networks and by allowing entrepreneurs to raise funding for niche projects where the search costs of finding capital would preclude the entrepreneur from proceeding. Crowdfunding is also a phenomenon worth examining in a variety of fields beyond entrepreneurship. Many funding appeals on crowdfunding platforms are not typical entrepreneurial ventures. For example, many of the requests for funding on websites such as Kickstarter are for personal, artistic projects (Mollick, 2014). One individual raised over $50,000 on a $10 goal to make potato salad. These types of unusual projects are not uncommon – though extreme success is. Support for them may be better conceptualized as informational cascades akin to fads, fashion, and cultural change (Bikhchandani, Hirshleifer, & Welch, 1992). Crowdfunding has also become an avenue for personal appeals for funds to provide for the family of a father that has died, to pay for surgery for an injured child, to pay for summer camp, to provide for funeral expenses, and others. Such crowdfunding appeals may be best understood under theories of charitable giving and victim perception (Small & Loewenstein, 2003; Small et al., 2007).

The internet-enabled explosion of crowdfunding platforms has resulted in a substantial reduction in the transaction costs of raising capital while off-loading the agency costs associated with monitoring risky early-stage firms to the crowd. While it is clear what the crowdfunding platforms get from this arrangement (a percentage of deal flow), and largely clear what entrepreneurs and ventures get (financial capital,

and perhaps product market intelligence), to date, it has been much less clear what investors get. This dissertation has sought to begin to close that gap by explaining some types of crowdfunding investing in terms of prosocial funding behavior.

Only since mid-2016 has equity crowdfunding been an option to entrepreneurs. While equity crowdfunding is certain to be an important area of research in the future, the majority of crowdfunding dollars continue to be in consideration for rewards (Kickstarter campaigns typically promise a product or service), or a debt obligation (Kiva). A minority of crowdfunding platforms are built around a donation model. The ability of large numbers of entrepreneurs to raise modest amounts of seed-level funding is perhaps the true niche of crowdfunding in entrepreneurial finance. In a review, conducted as part of this dissertation research, of half a million crowdfunding appeals on the two most popular crowdfunding platforms (websites), most entrepreneurs sought and received moderate amounts of funding, generally a few thousand dollars or less (USD). These typical outcomes may not merit headlines, but the money they raise is important to the entrepreneurs who ask for and receive it. These entrepreneurs have a clear reason to want investors to engage in prosocial funding behavior. However, until now, prosocial behavior has not been suggested as an explanation for crowdfunding.

Prior research has suggested that a significant reason internal stakeholders engage in prosocial behavior is to gain positive affective rewards (Donegani, McKay, & Moro, 2012; Staw et al., 1994). External stakeholders, such as potential investors, have fewer alternative, non-affective reasons to engage in prosocial behavior - for example, unlike internal stakeholders, external stakeholders cannot be promoted

(Bolino & Turnley, 2005; Moorman et al., 1998; Organ, 1997). Thus, affective rewards should be an even more salient influence for external stakeholders as in crowdfunding than it is for internal stakeholders. In looking at crowdfunding as prosocial investing behavior by these external stakeholders, I have sought to apply prosocial theory to crowdfunding. I've made adaptations and adjustments to effectively apply prosocial theory to this new space, the novel context of crowdfunding. The key changes have been to the prosocial impact, prosocial motivation, and affective commitment constructs, shifting their focus from helpers to investors, and making their measurement espoused rather than perceived. In these changes, I've adapted prosocial job design theory (e.g., Grant, 2007) to explain prosocial funding behavior of crowdfunding investors.

Overall, in this dissertation, I have extended and adapted theory on how the rhetoric of crowdfunded microlending appeals can influence the firm's external stakeholders to provide capital for the firm's prosocial mission. By extending the logic that predicts when internal stakeholders will behave prosocially to external stakeholders, I examine the individual and interaction effects of prosocial cues and trust cues on investment outcomes, as mediated by investor expressions prosocial impact, prosocial motivation, and affective commitment to the entrepreneurs they are funding. The findings support these antecedents of resource acquisition performance. They may also, with further confirmatory research, indicate an underlying rationale for why investors value firms that engage in prosocial activities.

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APPENDIX A. INSTITUTIONAL REVIEW BOARD FOR THE PROTECTION OF HUMAN SUBJECTS: HUMAN RESEARCH DETERMINATION REVIEW OUTCOME

The UNIVERSITY of OKLAHOMA

Institutional Review Board for the Protection of Human Subjects

Human Research Determination Review Outcome

Date: October 03, 2013

Principal Investigator: Thomas H Allison, BBA

Study Title: *ENTREPRENEURIAL RESOURCE ACQUISITION AT THE INTERSECTION OF SOCIAL INVESTING AND CROWDFUNDING: A THREE-ESSAY DISSERTATION*

Review Date: 10/3/13

I have reviewed your submission of the Human Research Determination worksheet for the above-referenced study. I have determined this research does not meet the criteria for human subject's research. The proposed activity for this study does not involve interaction with any subjects. Therefore, IRB approval is not necessary so you may proceed with your project.

If you have questions about this notification or using iRIS, contact the HRPP office at (405) 325-8110 or irb@ou.edu.

Cordially,

Fred Beard, Ph.D.
Vice Chair, Institutional Review Board