

UNCOVER SUCCESSFUL ENTREPRENEURS' CROWDFUNDING BEHAVIORS THROUGH TWITTER

Yang Song; Guohua Zeng
University of Amsterdam
Amsterdam, the Netherlands
y.song@uva.nl ; zeng.guohua.01@gmail.com

Abstract

Social media provides new platforms for entrepreneurs to communicate with each other. In this paper, we extracted data based on the use of social media for entrepreneurs. We used social network analysis and Twitter sentiment analysis to identify the success of entrepreneurs' crowdfunding behaviors. In order to get the performance data, we extracted data from Kickstarter, which is mainly used for crowdfunding. We aim at predicting entrepreneurs' crowdfunding success through their social media behaviors.

Keywords

Social media, entrepreneurship, performance, Twitter, crowdfunding

Introduction

Social media has a pioneering role in the field of communication in today's society. It eliminates the barriers of time and space, and broadens the way human beings communicate and build networks. Startup founders usually find it difficult to raise funding especially at the early stage (Cosh, Cumming, and Hughes 2009, 1494-1533). Most of them are not eligible for bank loans or debt due to the fact that their businesses' operating history is limited. The use of social media provides more opportunities for entrepreneurs to find information and resources. In 2009, McKinsey conducted a survey on companies' use of Web 2.0 social media platforms. It revealed measureable results, which stemmed from better interaction with followers and fans, and from increased awareness of companies' products. Significant benefits led to higher revenues and more innovative business outcome.

Crowdfunding, which typically involves collecting small amounts of money from a large number of people (Ordanini et al. 2011, 443-470), is being used as an alternative way of financing projects, in particular for artists, cultural practitioners, designers, programmers, researchers, and small creative social entrepreneurs. In order to get the best crowdfunding outcome, social media is also

used by entrepreneurs for crowdfunding activities. In this paper, we aim at uncovering entrepreneurs' behaviors through social media behaviors. We will discuss how social media behaviors lead to the success of crowdfunding.

Theoretical framework

Networking is strongly related to entrepreneurship, which is "the process by which individuals - either on their own or inside organizations - pursue opportunities without regard to the resources they currently control" (Jarillo 1989, 133-147; Stevenson and Jarillo 1990, 17-27). Entrepreneurs might meet with an obstacle when they are about to use their resources. As a consequence, they have to take advantage of their existing social networks or try to establish new relationships. It has been long that good social networks are a well-known advantages in business world especially in entrepreneurship (Schwienbacher, A., Larralde, B., 2010). Social media provides a new platform for entrepreneurs' to expand their social networks. Previous studies indicate a positive relationship between the intensity of entrepreneurs' social interactions through Twitter and advancement through effectuation process (Fischer and Reuber 2011, 1-18). Online social network structures and online networking behaviors contribute to the success of startups (Nann et al. 2010, 6483-6496).

There are certain factors that are crucial for innovative startups: a unique idea, a great and courageous team and financial support. However, having a good idea will not lead to success easily. The most challenging part is getting the money during early stages to transform the idea into a rewarding business model. Crowdfunding is one of the way for creative entrepreneurs to raise funding. Depending on the crowdfunding project, the entrepreneurs need to choose the right crowdfunding model and platform to raise funding. There are a lot of factors that might lead to the success of crowdfunding projects. In the following section, we will discuss how entrepreneurs use social media to raise crowdfunding money via actual entrepreneurs' behaviors data.

Data and methodology

This paper uses both qualitative and quantitative methods. We select 100 individual entrepreneurs from Kickstarter in order to get their performance data. Meanwhile, we track down all their behaviors on Twitter and set up our own database. We analyze the content of their Twitter posts and network of these entrepreneurs, and categorize the quantitative results into behavior patterns. Both social network analysis and sentiment analysis will be used for our analysis. Our conclusions are drawn by comparing these patterns with classic entrepreneurs' behaviors and the success factors of crowdfunding.

Implications

Social media counts for startups. Putting effort into using online social media and using these platforms consciously contributed to their financial success. Thus, startups which are popular among online fans and followers, managed to raise larger amount of funding in the early-stages. Nevertheless, little is known about the full extent of social media, it is presumed that it will have greater effect on businesses in the future.

The use of social media and online social networking is increasing. This paper in particular studied how entrepreneurs use social media to raise funding. This study analysed whether startups' social media usage is able to influence investors' decisions, especially the amount of total funding given. Our pilot study showed innovative startup companies were able to benefit from communicating on social media platforms. Startups, which were using Twitter effectively, focusing on valuable social media metrics, received larger amount of crowdfunding in total.

As it is still controversial in what extent social media will change the business world, it is recommended to conduct further researches.

REFERENCES

- Cosh, Andy, Douglas Cumming, and Alan Hughes. 2009. "Outside Entrepreneurial Capital*." *The Economic Journal* 119 (540): 1494-1533.
- Fischer, Eileen and A. Rebecca Reuber. 2011. "Social Interaction Via New Social Media: (How) can Interactions on Twitter Affect Effectual Thinking and Behavior?" *Journal of Business Venturing* 26 (1): 1-18.
- Jarillo, J. Carlos. 1989. "Entrepreneurship and Growth: The Strategic use of External Resources." *Journal of Business Venturing* 4 (2): 133-147.
- Nann, Stefan, Jonas Krauss, Michael Schober, Peter A. Gloor, Kai Fischbach, and Hauke Führes. 2010. "Comparing the Structure of Virtual Entrepreneur Networks with Business Effectiveness." *Procedia - Social and Behavioral Sciences* 2 (4): 6483-6496.
- Ordanini, Andrea, Lucia Miceli, Marta Pizzetti, and A. Parasuraman. 2011. "Crowd-funding: Transforming Customers into Investors through Innovative Service Platforms." *Journal of Service Management* 22 (4): 443-470.
- Schwiebacher, A., Larralde, B.. 2010. "Crowdfunding of Small Entrepreneurial Ventures." *SSRN Electronic Journal* (SSRN Electronic Journal).
- Stevenson, Howard H. and J. Carlos Jarillo. 1990. "A Paradigm of Entrepreneurship: Entrepreneurial Management." *Strategic Management Journal* 11 (, Special Issue: Corporate Entrepreneurship): 17-27.