

The Secret to Crowdfunding? Get Warm and Fuzzy

by Chad Brooks, BusinessNewsDaily Contributor | February 20, 2013 05:23am ET

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Pulling at investors' heartstrings is the key for entrepreneurs seeking to crowdfund a startup.

A University of Oklahoma study discovered that certain types of language used by entrepreneurs affect success in generating investment. Specifically, entrepreneurs are more successful in raising **microloan funding** when they spend little time discussing

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THE EFFECT OF ENTREPRENEURIAL RHETORIC ON MICROLENDING INVESTMENT: AN EXAMINATION OF THE WARM-GLOW EFFECT

- *Journal of Business Venturing*, 2013
- Resource acquisition is a challenge
- Even greater challenge in international, developing country context
- Microlending can alleviate some of the issue
- Restricts entrepreneurs to an *entrepreneurial narrative*
 - No in-person or other-channel communication
- How does the language entrepreneurs use affect social entrepreneurs' ability to raise funds from investors?

Theory: Warm Glow Effect

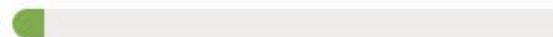
- Warm Glow (Andreoni, 1990; Baumann, Cialdini, & Kendrick, 1981; Cialdini, Darby, & Vincent, 1973).
- A positive affective state which one feels after taking actions to help those in need.
 - VS Altruism, Egoistic motivation



Maribel is a young 18-year-old Ecuadorian woman. She was born in Saquisilí which belongs to the Republic of Ecuador. Currently she is

A loan of \$1,175 helps Yajaira Maribel to invest in the shop and make her business grow, with the income allowing her to support her family.

6% funded, \$1,100 to go



Select amount to lend

Double Your Impact!!

Anonymous matches loans to this borrower

Repayment Term

17 months (Additional Information)

Repayment Schedule

Monthly

Pre-Disbursed:

Jun 23, 2015

Listed

Jul 16, 2015

Currency Exchange Loss:

N/A

Your funds will be used to backfill this loan



Maribel is a young 18-year-old Ecuadorian woman. She was born in Saquisilí which belongs to the Republic of Ecuador. Currently she is single and is a student. She has her own business, which consists of a small shop. The lack of financial resources led her to work from a very young age in order to be able to meet her needs. In spite of having a job which demands a lot of her time and effort, she has not denied herself an education and has been an important support for her family. Maribel decided to devote herself to having her own business because of the lack of financial resources at home and this has been her great contribution to her family.

Today she is asking for a loan to invest in the shop. Maribel thanks Fundación Alternativa in Ecuador and Kiva for making the growth in her work and personal life possible.

Translated from Spanish

[View original language description ↓](#)

Repayment Term	17 months (Additional Information)
Repayment Schedule	Monthly
Pre-Disbursed:	Jun 23, 2015
Listed	Jul 16, 2015
Currency Exchange Loss:	N/A

Your funds will be used to backfill this loan
Repayments will go to you

FIELD PARTNER [Learn more](#)



Fundacion Alternativa administers this loan.

Social Performance Badges:



[Anti-Poverty Focus](#)



[Entrepreneurial Support](#)



[Innovation](#)

What to know about this partner:

[Field Partner:](#) **Fundacion Alternativa**

[Field Partner Risk](#)

Two Views on Words

- “Words are the voice of the heart.”
~ Confucius
- “I was reading the dictionary. I thought it was a poem about everything.”
~ Stephen Wright

ENTREPRENEURIAL NARRATIVES AND RHETORIC

- There is a rich history surrounding the value of Political rhetoric (Flowers et al., 2003)
- Politicians use specific types of rhetoric to convince followers and get supporters to commit resources.
- Does the rhetoric politicians use to convince others to support them work for social entrepreneurs?

DICTION – A CATA Program
Developed for Political Rhetoric



DICTION

The Text-analysis Program

DICTION Master Variables

Certainty (“Language indicating resoluteness, inflexibility, and completeness and a tendency to speak ex cathedra.”)

Optimism (“Language endorsing some person, group, concept or event or highlighting their positive entailments.”)

Activity (“Language featuring movement, change, the implementation of ideas and the avoidance of inertia.”)

Realism (“Language describing tangible, immediate, recognizable matters that affect people’s everyday lives.”)

Commonality (“Language highlighting the agreed-upon values of a group and rejecting idiosyncratic modes of engagement.”)

DICTION Calculated Variables

Insistence (“The Insistence Score is a measure of code-restriction which calculates a text’s dependence on a limited number of often-repeated words.”)

Embellishment (“the ratio of descriptive to functional words”)

Variety (“a measure of linguistic dispersion”)

Complexity (“word size”)

Is it good to be warm and fuzzy?

HECK YES!

- IVs measured with CATA – Computer Aided Text Analysis via DICTION
- Our study found the most effective political rhetoric was closer to Nixon's 'Checker's' speech than Bush's 'mission accomplished.'
- N = 6,051 (wow that's a lot)

Independent Variables

Accomplishment		9.95x10 ^{-1**}
Blame		1.02x10 ^{0*}
Present Concern		1.00x10 ^{0*}
Leveling Terms		1.01x10 ⁰
Concreteness		9.98x10 ⁻¹
Tenacity		9.96x10 ^{-1*}
Variety		3.99x10 ^{-1**}
Model χ^2	1.40 x10 ^{3***}	1.44 x10 ^{3***}
Df	62	69

Warm Glow and Social Crowdfunding

- “The research indicates that this is the case because lenders are more likely to fund a project in an effort to feel better about themselves, known as the "warm glow phenomenon," said Oklahoma doctoral candidate and the study's lead author, Thomas Allison. The research used a technique called computer-aided text analysis to examine 6,000 entrepreneurs.
- "Our research suggests that how entrepreneurs discuss themselves when requesting funding shapes whether investors feel good about helping them," Allison said. "This is important because it suggests emotions are important to the process of raising funds for a new venture."
- The research found that when entrepreneurs use a large amount of accomplishment rhetoric, they appear less needy, reducing the level of internal reward a lender would feel."
- Source: Business News Daily 2/20/13