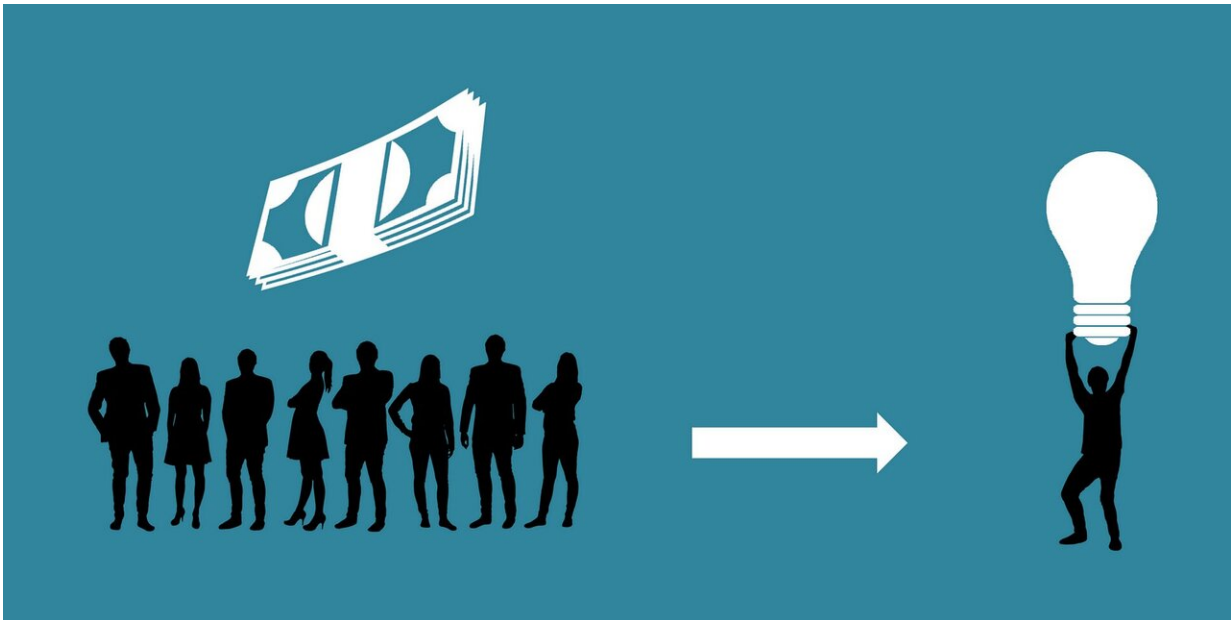


Crowdfunding: Entrepreneurs should resist the urge to promise to save the Earth

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Entrepreneurs seeking funds on business-oriented crowdfunding platforms should avoid over-emphasising the social or environmental benefits of their start-ups or products if they are to maximise potential investment, a new study from the University of Bath and Polytechnic University of Milan shows.

Language emphasising the social good of a product can be highly

effective on micro-lending platforms, such as Kiva.org that target investors with social consciences, but can be counterproductive on more business-focused platforms such as Kickstarter where potential backers look more to the potential return, effectiveness or usefulness of the product.

"Conventional wisdom suggests that, in general, backers appreciate projects that go beyond proponents' pure self-interest. However, our results show that too much pro-social orientation may be detrimental," said Dr. Daniela Defazio of the University of Bath's School of Management.

"A 'too much of a good thing' effect can be at work in crowdfunding platforms that do not specifically target a pro-social audience," she said. "Entrepreneurs should be aware of it when preparing the description—or 'framing'—of their projects. A moderate emphasis on pro-social framing is beneficial but too much emphasis can backfire."

Defazio said the study focused on technology and design projects in Kickstarter, categories where investors' self-interest in returns and benefits and functional values were deemed to be important. She said it was important that social benefits should not obscure the business value, product functionality, or the potential for financial return.

"Some platforms have a clear pro-social mission and the results from studies based on platforms like Kiva.org consistently show that pro-social motives are a plus. On the other side, results of the effect of pro-social framing on reward-based platforms like Kickstarter are mixed," Defazio said.

"Evidence suggests that even the most socially conscious individuals continue to be driven by their self-interest. They appreciate products' pro-social attributes but only when they are provided in combination

with—and not at the expense of—product functionality," she added.

The study, by Bath's Defazio, and Dr. Chiara Franzoni and Professor Christina Rossia-Lamastra of the Polytechnic University of Milan's School of Management, showed that too strong an emphasis on [social benefits](#) may also raise questions in investors' minds about credibility and the financial prospects of a project, as well as obscuring key messages about project's financial effectiveness. This latter problem is exacerbated by the issue that space provided by a [platform](#) to describe a project may be limited and entrepreneurs may be seeking funds amongst a crowd of competitors.

"Because the title and blurb are made only of a few words—approximately 10—placing pro-social cues in those may overshadow other project attributes," she said.

Defazio said there were some indications that the platform's 'crowdedness' - the number of projects vying for funds—might change the effect of pro-social emphasis. As the number of competing projects rose, the study found that pro-social angles might actually help a project stand out from the crowd. More work needed to be done to pinpoint this effect, she added.

Defazio said the study's results would help entrepreneurs seeking funds but also direct the attention of crowdfunding platform managers to the importance of how textual information about projects—the title and the blurb—are organised in large, crowded platforms.

The study examined the title, short description, and [project](#) description of 8631 technology and design projects posted on Kickstarter from January 2016 to September 2017. It analysed the probability of success of the crowdfunding campaigns in relation to the emphasis given to the pro-social orientation of the business idea.

More information: Daniela Defazio et al, How Pro-social Framing Affects the Success of Crowdfunding Projects: The Role of Emphasis and Information Crowdedness, *Journal of Business Ethics* (2020). [DOI: 10.1007/s10551-020-04428-1](https://doi.org/10.1007/s10551-020-04428-1)

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