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Personality in Crowdfunding

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Synonymns

Personal Traits in Crowdfunding; Five-Factor Theory in Crowdfunding;
Big Five in Crowdfunding

Definition

Personality in crowdfunding refers to the role of personal psychological traits of various stakeholders (typically entrepreneurs) in the alternative venture financing (or -debt) process that brings together entrepreneurs and investors in the crowd via a specialized online marketplace.

Introduction

Crowdfunding presents an exciting new way for entrepreneurs to fund both for- and non-profit ventures, but also to test customer demand for their product and service ideas. Hereby, a large number of investors in the crowd each invest small sums into a startup project, utilizing the scale and speed of information-systems enabled online platforms. If the target amount is reached, it is paid out, if not, it is usually returned to investors (the “all-or-nothing” principle). Crowdfunding is also more informal than classical bank lending or venture capital with lower hurdles for entrepreneurs and investors. Here traditional financial cues are limited or even absent. Adding to this, investor feedback mechanisms in crowdfunding are very limited and often purposefully constrained by platform design. That is, platforms attempt to portray a positive picture of current and past campaigns that protects their reputation and motivates

investors in the crowd. There is no downvote-option and failed campaigns tend to ‘disappear’ from the site making it difficult to evaluate projects’ true chances of success. To overcome this considerable information asymmetry between entrepreneurs and investors, therefore “soft” information in the form of linguistic cues in narratives of the campaign page and pitch video can help. While linguistic styles and soft information in crowdfunding pitches have been shown to impact crowdfunding success in terms of the amount collected, failure probability, and the size of the investor pool reached recent studies highlight a role for entrepreneurs’ personalities as factors that impact investors’ decision-making in the crowd (e.g., Allison et al. 2024; Isaak, Neuhaus and Bostandzic 2024; Maurer et al. 2024).

Personality traits are an essential form of heterogeneity between human beings and are known to be highly stable in adult life. They are partly driven by genes, but also by childhood socialization. People exhibit personality traits to different degrees, which ultimately shapes their (entrepreneurial and investment) behavior in society. The most widely accepted categorization scheme for personality traits is the Big Five (Five Factor Theory), which are – openness, conscientiousness, extraversion, agreeableness, and neuroticism (hence, the acronym OCEAN). Personality is typically measured by the use of standardized inventories, but occasionally also by means of linguistic analysis of narratives.

Personality Cues in Campaign Narratives

Neuhaus, Isaak, and Bostandzic (2021) systematically investigate the intricate relationship between entrepreneurs’ personality traits and crowdfunding success across 27 extant studies. The authors map out the current landscape, highlight inconsistencies, and pinpoint areas where further inquiry is needed. The core focus of the study revolves around the Big Five personality traits, alongside other significant related attributes such as the Dark Triad, narcissism, self-efficacy, locus of control and their influence on crowdfunding outcomes. The study sheds light

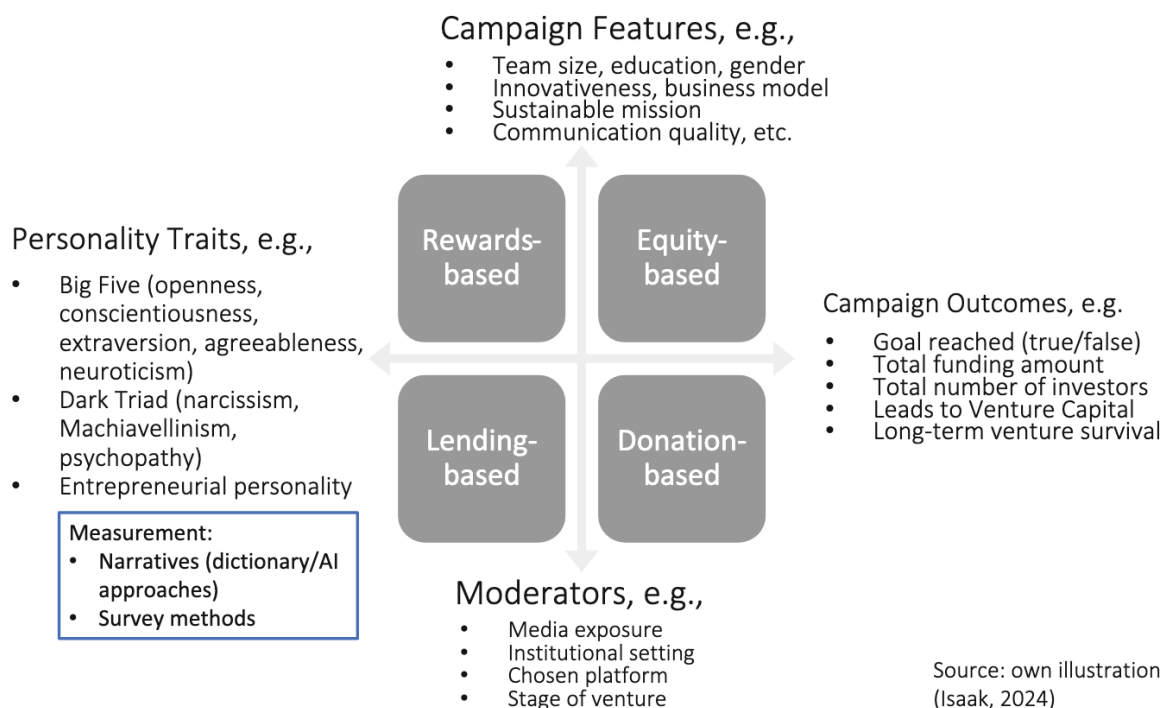
on how perceived personality traits can significantly sway investor decisions in crowdfunding platforms in light of the different forms of crowdfunding. One of the critical insights from the study is the positive correlation between openness and crowdfunding success, suggesting that entrepreneurs who display this trait are more likely to appeal to the crowd. Conversely, narcissism shows a complex, inverted u-shaped relationship with success, indicating that while a certain level of self-confidence can be advantageous, excessive narcissism displays may deter potential backers.

Since this initial literature review, a number of current and work-in-progress studies are worth mentioning (not exhaustive): First, using an AI-based approach, authors find initial evidence in U.S.-equity crowdfunding that neuroticism is a particularly strong negative risk signal for investors in the crowd (Isaak, Neuhaus, and Bostandzic 2021). Building on the same approach (the use of IBM personality insights, a discontinued product), the study by Allison, Anglin, Davis, Oo, Seyb, Short, and Wolfe (2024) examines the role of crowdfunding in donations in the context of catastrophic events (e.g., COVID-19), finding an impact of personality traits on charitable appeals. Second, a survey study and the first journal publication in this area, finds that third-party ratings of personality are related to both investment intention and correlated with actual crowdfunding outcomes (Isaak, Neuhaus, and Bostandzic 2024). Similarly, the survey study by Nayer, Rosenboim, and Malul (2024) in Israel finds that agreeableness and extraversion positively impact campaign funding success. Third, Maurer, Creek, Allison, Bendickson and Sahaym (2024) using a social role theory lens, find that displays of entrepreneurial personality (Obschonka and Stuetzer 2017) in the first 10 seconds of crowdfunding video pitches impact campaign success.

These recent studies provide us a first and growing body of knowledge on the role of personality and crowdfunding by contextualizing this relation to the setting of catastrophic

events, to diverse geographical regions, or by examining new personality dimensions (e.g., entrepreneurial personality). Yet, considerable gaps in our knowledge remain (Neuhaus, Isaak, and Bostandzic 2021): for instance, there is the need to investigate the non-linear dynamics of personality traits and their impact on crowdfunding success, differentiating by the type of crowdfunding. Similarly, diverse methodological approaches are needed (e.g., qualitative interviews, etc.).

In sum, personality cues (particularly as conveyed by entrepreneurs in their investor pitch) seem to play a role in investor decision making, presumably by impacting entrepreneurs' perceived trustworthiness and, by extension, probabilities of success. This implies that investors' first impressions matter particularly in online crowdfunding.



Personality in Crowdfunding, Fig. 1 The research domain of personality and crowdfunding

Cross-References

[Crowdfunding](#)

[Quality Signals in Equity Crowdfunding](#)

[Investor Types in Venture Capital Investments](#)

[Social Venture Crowdfunding](#)

[Venture Capital Screening](#)

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