CONSISTENCY ISSUES IN FUNDING, RECRUITMENT, AND CUSTOMER ACQUISITION PROCESSES IN ENTREPRENEURIAL FIRMS

Vom Fachbereich Wirtschaftswissenschaften
der Technischen Universität Kaiserslautern
zur Verleihung des akademischen Grades
Doctor rerum politicarum (Dr. rer. pol.)
genehmigte

D i s s e r t a t i o n

vorgelegt von

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Tag der mündlichen Prüfung:	10.09.2018
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(2018)

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ABBREVIATIONS

2SLS	Two-Stage Least Square
AIC	Akaike Information Criterion
ANOVA	Analysis of Variance
AVE	Average Variance Extracted
CFAs	Confirmatory Factor Analyses
CFI	Comparative Fit Index
CR	Composite Reliability
df	Degrees of Freedom
DV	Dependent Variable
GEM	Global Entrepreneurship Monitor
HDI	Human Development Index
IFI	Incremental Fit Index
IMC	Integrated Marketing Communication
MANOVA	Multivariate Analysis of Variance
NFI	Normed Fit Index
pmWOM	Prosocially-Motivated Word-of-Mouth
RMSEA	Root Mean Square Error of Approximation
SD	Standard Deviation
SE	Standard Error
SEM	Structural Equation Modeling
TLI	Tucker–Lewis Index
VIF	Variance Inflation Factor
WOM	Word-of-Mouth

INTRODUCTION

New ventures play a pivotal role for the creation of new jobs, are an important source of innovation, and drive economic growth (Kuratko, 2005). Entrepreneurs, however, cannot independently create and grow new ventures in a vacuum, but have to rely on the support of key stakeholders to do so successfully (cp. Choi & Shepherd, 2005). In this context, extant research identifies financial resource providers (e.g., Brinckmann, Salomo, & Gemuenden, 2011), employees (e.g., Williamson, 2000), and customers (Pitkänen, Parvinen, & Töytäri, 2014) as key stakeholders for new ventures. At the same time, given the high uncertainty in the new venture environment (Gruber, 2007), the certain liabilities new ventures suffer from due to their newness (Stinchcombe, 1965) as well as their lack of an operating history in the market (Reuber & Fischer, 2005; Zott & Huy, 2007), potential key stakeholders may be reluctant to engage in relationships with them. Therefore, research that provides an understanding of the processes and factors that facilitate the initiation of such relationships and that, ultimately, help new ventures to secure stakeholder support is important.

Previous research also suggests that stakeholder perceptions and evaluations of new ventures are decisive for initiating stakeholder relationships and securing their support (Delmar & Shane, 2004; Suchman, 1995). In this context, there is compelling empirical evidence across academic fields that consistency issues are of paramount importance in shaping the perceptions and decision-making of key stakeholders (e.g., Baum, Schäfer, & Kabst, 2016; Kuo & Rice, 2015; Meyers-Levy & Tybout, 1989). However, while the field of entrepreneurship research has grown dramatically over the last 25 years (cp. Bruton, Ahlstrom, & Obloj, 2008), consistency issues have not yet received comparable attention in the extant entrepreneurship literature.

Against this background, the goal of this dissertation is twofold. First, this doctoral thesis aims to contribute to the discussion on the factors that help entrepreneurs to overcome the challenges entailed in securing stakeholder support. In this context, it secondly seeks to deepen our understanding on the role of consistency phenomena for the initiation of key stakeholder relationships in the areas of funding, recruitment and customer acquisition for new ventures.

This thesis consists of five chapters. Chapter one elaborates on the principle of cognitive consistency and provides an overview of what extant research refers to as cognitive consistency theories (e.g., Abelson et al., 1968; Harmon-Jones & Harmon-Jones, 2007; Simon, Stenstrom, & Read, 2015). Moreover, it describes the most prominent theoretical representatives in this context, namely balance theory (Heider, 1946, 1958), congruity theory (Osgood & Tannenbaum, 1955), and cognitive dissonance theory (Festinger, 1957). Chapter one further outlines the role of individuals' preference for cognitive consistency in the context of financial resource acquisition, the recruitment of employees and the acquisition of customers in the entrepreneurial context.

Chapter two is co-authored by Prof. Dr. Matthias Baum and presents two separate studies in which we empirically investigate the hypothesis that social entrepreneurs face a systematic disadvantage, compared to for-profit entrepreneurs, when seeking to acquire financial resources. Further, our work goes beyond existing research by introducing biased perceptions as a factor that may constrain social enterprise resource acquisition and therefore possibly stall the process of social value creation. On the foundation of role congruity theory (Eagly & Karau, 2002), we emphasize on the question whether social entrepreneurs provide signals which are less congruent with the stereotype of successful entrepreneurs and, in such, are perceived as less competent. We further test whether such biased competency perceptions feed forward into a lower probability to receive funding.

Chapter three is also co-authored by Prof. Dr. Matthias Baum as well as by Eva Henrich. The aim of this chapter is to further our understanding of the early recruitment phase and to contribute to the current debate about how firms should orchestrate their recruitment channels in order to enhance the creation of employer knowledge. We introduce the concept of integrated marketing communication into the recruitment field and examine how the level of consistency regarding job or organization information affects the recall and the recognition of that information. We additionally test whether information consistency among multiple recruitment channels influences information recognition failure quota. Answering this question is important as by failing to remember the source of recruitment information, job seekers may attribute job information to the wrong firm and thus create an incorrect employer knowledge.

Chapter four, which is co-authored by Prof. Dr. Matthias Baum, introduces customer congruity perceptions between a brand and a reward in the context of customer referral programs as an essential driver of the effectiveness of such programs. More precisely, we posit and empirically test a model according to which the decision-making process of the customer recommending a firm involves multiple mental steps and assumes reward perceptions to be an immediate antecedent of brand evaluation, which then, ultimately shapes the likelihood of recommendation. The level of congruity/incongruity is set up as an antecedent state and affects the perceived attractiveness of the reward. Our work contributes to the discussion on the optimal level of congruity between a prevailing schema in the mind of the customer and a stimulus presented. In addition, chapter four introduces customer referral programs as a strategic tool for brand managers. Chapter four is further published in Psychology & Marketing.

Chapter five first proposes that marketing strategies specifically designed to induce word-of-mouth (WOM) behavior are particular relevant for new ventures. Against the background that previous research suggests that customer perceptions of young firm age may influence customer behavior and the degree to which customers support new ventures (e.g., Choi & Shepherd, 2005; Stinchcombe, 1965), we secondly conduct an experiment to examine the causal mechanisms linking firm age and customer WOM. Chapter five, too, is co-authored by Prof. Dr. Matthias Baum.

CHAPTER 1 THEORETICAL PERSPECTIVES ON CONSISTENCY PERCEPTIONS

Abstract

Securing the support of key stakeholder groups is a challenging task particularly for smaller and younger firms. In this paper, I argue for the importance of turning to consistency theories and their underlying notion that individuals strive to maximize cognitive consistency as guiding principle in overcoming the challenges that may arise particularly when initiating stakeholder relationships. After providing a brief introduction on the principle of cognitive consistency as well as on balance, congruity, and cognitive dissonance theory as its most prominent representatives, I outline the role of consistency considerations in the context of the acquisition of funding from venture capitalists, the recruitment of employees and the acquisition of customers. To do so, I incorporate empirical evidence across academic fields while I further argue for how considering consistency issues may add to our understanding in the context of funding, recruitment, and customer acquisition beyond what we already know.

1.1 INTRODUCTION

New ventures depend on the support of key stakeholders, such as customers, (potential) employees and financial investors (cp. Choi & Shepherd, 2005). Securing the support of these stakeholder groups, however, is a challenging task particularly for smaller and younger firms (e.g., Fu, Ke, & Huang, 2002; Gao, Yu, & Cannella, 2016). Moreover, while stakeholder relationships are also of great importance for established firms (e.g., Berman, Wicks, Kotha, & Jones, 1999), a core difference for new ventures is that these relationships usually are yet to be initiated. Direct personal experiences with new ventures have not yet happened, uncertainty prevails. In this vein, past research generally assumes that key stakeholders are hesitant to support new ventures due to their short market history (e.g., Stinchcombe, 1965; Zott & Huy, 2007). The question how new ventures can establish key stakeholder relationships is thus vital.

While concepts of cognitive psychology have proven fruitful in explaining venture creation and growth phenomena focusing on entrepreneurial cognitions (Mitchell et al., 2002), I argue for the importance of stakeholder cognitions when seeking to initiate stakeholder relationships, and, ultimately, to secure their support. I further suggest that cognitive consistency serves as underlying basis and guiding principle in overcoming the challenges that may arise in this regard. Ever since Heider's (1946) early formulation on structural balance and the subsequent dominance of cognitive consistency theories in social psychology (see Greenwald et al., 2002), consistency-based explanations have informed academic endeavors across fields (see e.g., Hinojosa, Gardner, Walker, Cogliser, & Gullifor, 2017, for a review). About half a century later, scholars still suggest “that cognitive consistency theories should play a greater role in the understanding of human reasoning and decision-making” (Simon, Snow, & Read, 2004, p. 814) and refer to the sheer desire for cognitive consistency as “fundamental principle of human thought” (Gawronski & Strack, 2012, p. 2).

In addition, I argue for the particular importance of venture capital as a financial resource for new ventures as well as for the unique role of employees and customers among their many potential stakeholders. On that premise, I further seek to outline the role of consistency considerations especially with regard to the acquisition of funding from venture capitalists, the recruitment of employees and the acquisition of customers. Against the background of the financial needs of new ventures, knowledge that facilitates the access to external financial capital is relevant. Further, entrepreneurs need to provide information and employ strategies that lower the barrier for possible stakeholders to engage in exchange relationships with their ventures. In order to do so effectively, deepened insights on the individual-level processes through which new information is perceived and through which initial beliefs about new ventures and their founders are formed are valuable.

To begin with, I provide a brief overview on the principle of cognitive consistency and the most prominent theoretical endeavors that have emerged from it (see Abelson et al., 1968, for a substantial review on the theories of cognitive consistency).

1.2 THEORETICAL BACKGROUND

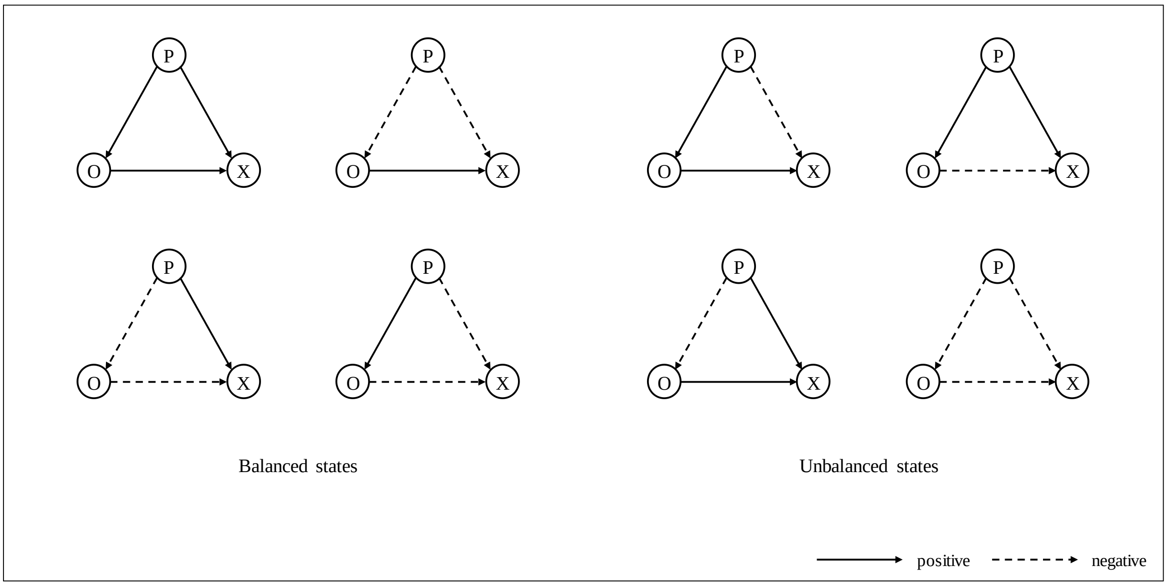
1.2.1 Cognitive Consistency

Cognitive consistency is an umbrella term that subsumes a prominent set of phenomena and constructs (Gawronski, 2012). While having being introduced rather independently (Abelson et al., 1968), an overarching tenet of the theories on the psychology of cognitive consistency exists: Consistency theories share the assumption that individuals strive to attain and maintain consistency in their cognitive structures as an end in itself (cp. Fishbach, Ratner, & Zhang, 2011). In turn, perceived inconsistency produces an unpleasant state that individuals seek to resolve (e.g., Harari, 2000). Cognitive consistency theories are substantially informed by Gestalt theory whose central tenet lies in the proposition that human cognition is shaped by the interrelation between cognitive elements (e.g., Simon, Stenstrom, & Read, 2015; see Asch, 1946 for a synthesis). While the core of consistency theories has also been challenged (e.g., Bem, 1967), there is no reason to doubt that consistency theories made a strong imprint on the field of social psychology (Greenwald et al., 2002). Among the many academic endeavors in this context, Heider's (1946, 1958) balance theory, congruity theory (Osgood & Tannenbaum, 1955), and Festinger's (1957) theory on cognitive dissonance are frequently listed among the most influential (Gross & Wiedmann, 2015; Simon et al., 2015).

1.2.2 Balance Theory, the Principle of Congruity, and Cognitive Dissonance

The earliest theoretical endeavor on cognitive consistency is credited to Heider (1946, 1958), who was concerned with the relations between attitudes (Olson & Maio, 2003). In this context, Heider addresses consistency issues between people and their environment (Zajonc, 1960). More precisely, Heider’s (1946) seminal work examines the relations between triads of three “entities” (p. 107): Two individuals (in this context frequently related to as P and O) and an impersonal unit (e.g., an event or an object, frequently related to as X). Importantly, a relation between two entities can either be characterized as sentiment or unit relation (Cartwright & Harary, 1956; Feather, 1964). Examples for such relations include that P likes O (i.e., an attitudinal relation) or that P owns X (i.e., a unit relation) (Heider, 1946). According to balance theory, “a balanced state exists if all three relations are positive in all respects, or if two are negative and one positive” (Heider, 1946, p. 110). From there, the theory posits that, in the event of non-existence of balance, individuals will perceive tension and strive towards relief through restoring a balanced state (Heider, 1958). Figure 1-1 depicts examples of both balanced and unbalanced states in triad relations.

Figure 1-1: Balanced and Imbalanced States according to Heider (1958)



Adapted from Zajonc (1960)

Osgood and Tannenbaum's (1955) congruity theory generates predictions on attitude change in non-specific communication situations. More specifically, the theory revolves around situations where an individual receives a message in which a source (e.g., a newspaper) makes an assertion about a specific object or concept (e.g., a politician) (Tannenbaum, 1967). Formally, the variables taken into account relating to attitude change here comprise (1) an individual's already formed attitudes about the source of the communicated message, (2) an individual's already formed attitudes about the object or concept evaluated by this very source, and (3) the evaluating assertion's nature (positive or negative) that is conveyed in the message (Osgood & Tannenbaum, 1955). Compared to balance theory, rather than necessarily being only positive or negative, pre-communication attitudes may vary in their degrees of polarization in both directions respectively (Dean, 2002). Accordingly, congruity theory proposes that in case no consistent triad exists, attitude change may occur toward both the source and the evaluated object/concept at the same time (instead of toward either one of the two) in order to restore consistency (cp. Olson & Maio, 2003). Therefore, the content of a message may alter the attitudes of its recipient toward both its source and topic (cp. Ratneshwar & Chaiken, 1991).

Congruity theory also claims that attitude change is determined by the degree of extremity of each attitude, namely in the way that a weaker attitude would be changed first (cp. Gross & Wiedmann, 2015). A possible change in attitudes is further predicted to happen in the direction of increased congruity with the individual's pre-existing beliefs (Dean, 2002; Osgood & Tannenbaum, 1955).

Finally, referred to as the most influential among consistency theories (Feather, 1967; Petty, Wheeler, & Tormala, 2003) and to as one of the most powerful in social psychology as such (Gawronski, 2012; Jones, 1985), cognitive dissonance theory extended the scope of the previously prevailing understanding of consistency in that it includes the relations between all of an individual's cognitive elements (e.g., values, beliefs, attitudes) (Olson & Stone, 2005). In this regard, cognitive dissonance theory has served as the basis for an increased understanding of the dynamic interplay between these elements as well as also between affect, motivation and cognition (cp. Harmon-Jones, 2000). By the same token, however, the theory's core is and has been related to as extremely simple (cp. Aronson, 1968): Two mutually relevant cognitive elements in a person's cognition "are in a dissonant relation if, considering these two alone, the obverse of one element would follow from the other" (Festinger, 1957, p. 13). Further, in the presence of dissonance, the affected individual experiences inner discomfort, which in turn, functions as a motivational driver to reduce or eliminate this condition (Harmon-Jones & Mills, 1999).

1.2.3 Where Does the Desire for Consistency Come from?

As aforementioned, the core of consistency theories revolves around the premise that individuals have a basis desire for cognitive consistency. Where, however, does such desire come from?

While empirical evidence has been offered, according to which individuals vary in the degree to which they prefer consistency in their lives and among their cognitions (Cialdini, Trost, & Newsom, 1995), the state of consistency among cognitive structures is desirable as it is expected to generally support the perception of order and stability in the world (Friedman & Arndt, 2005). In turn, and in the event that cognitions appear to not follow from one another, if they are inconsistent, it is argued that "there would be no basis for valuing oneself and feeling safe and secure" (Pyszczynski, Greenberg, & Solomon, 1997, p. 9). Moreover, in the majority of situations, people value consistency in others and inconsistencies may signal negative personality traits (Cialdini, 2009). Accordingly, empirical evidence for example shows that individuals with unstable attitudes are evaluated more negatively than those who avoid attitudinal shifts (Allgeier, Byrne, Brooks, & Revnes, 1979).

Cognitive rules further exist "to organize the information stored by the individual in a way that is likely to be useful to him, directly or indirectly, for affective or behavioral purposes" (Abelson, 1968, p. 133). In this regard, an additional explanatory basis for the human desire for consistency revolves around the notion that consistency among cognitions is necessary to apprehend and comprehend one's environment in an economical way (Tannenbaum, 1968). The striving for and appreciation of consistency are "manifestations of a tendency toward simplicity or order" and individuals, simply put, prefer their "cognitive food prepared so that it is easy to swallow" (Heider, 1979, p. 16; Simon, Snow, & Read, 2004). In this vein, information that is consistent with one's beliefs is processed easier and more fluently (Winkielman, Huber, Kavanagh, & Schwarz, 2012; Yoon, Sarial-Abi, & Gürhan-Canli, 2012). Such desire for consistency against the background of cognitive efficiency is in line with the notion that individuals employ strategies to lessen the cognitive load in their everyday life (Neuberg & Newsom, 1993).

While the starting point for examining the sources of a need for consistency has been mainly outlining the positive effects of cognitive consistency that individuals appreciate, a central theme in social psychology is that striving for consistency originates from a desire to reduce, eliminate or avoid cognitive *inconsistency* (cp. Abelson, 1983). In this regard, Festinger (1957) argues that when experiencing inconsistency between cognitions, individuals undergo psychological discomfort that calls for alleviation. In fact, minimizing cognitive inconsistency has been formulated as the basic premise for all early consistency theories (cp. Tannenbaum, 1967). Moreover, as Abelson (1983) outlines, this cognitive principle also forms a constitutive element of later emotion theories (e.g., Mandler's (1982) schema-incongruity theory). Around the same time, Croyle and Cooper (1983) also find physiological evidence for one of the theory's backbones: Individuals experience inconsistencies as an actual arousal process, lending further support to the original proposition that inconsistencies actually provoke a bodily condition similar to hunger that entails an inherent need to be reduced (Festinger, 1957).

1.3 CONSISTENCY ISSUES IN FUNDING, RECRUITMENT, AND CUSTOMER ACQUISITION

1.3.1 The Role of Venture Capitalists and the Relevance of Consistency in Funding

The possession of financial resources has been shown to play a pivotal role for new venture (NV) success (Song, Podoynitsyna, Bij, & Halman, 2008). In addition, it is considered relatively easy to transform financial capital into other resource types needed (Wiklund, Patzelt, & Shepherd, 2009).

Among the various forms of new venture financing that exist (cp. e.g., Bruton, Khavul, Siegel, & Wright, 2015), venture capital investors are an important source to seek financial resources from (Harrison & Mason, 2000). With acquiring venture capital, new ventures get access to more than just financial resources. Venture capitalists usually actively engage in the management of the ventures in their portfolio (Sahlman, 1990) and may further provide marketing experience, recruitment help and possibly create reputational benefits (De Clercq, Fried, Lehtonen, & Sapienza, 2006). Through venture capitalists, new ventures may additionally get introduced to potential customers and suppliers (Gorman & Sahlman, 1989).

Given the benefits of venture capital acquisition for new ventures, providing an understanding of the decision-making processes of venture capitalists is important as it may help entrepreneurs to more efficiently approach these potential funders (Shepherd, 1999). In this regard, prior research has made the case on focusing on the way venture capitalists combine pieces of information to come to an overall judgment of whether to fund a new venture (Shepherd, Zacharakis, & Baron, 2003). In the context of venture funding – especially in the venture capitalist decision process – consistency issues are important for at least two reasons.

First, the degree to which venture capitalist decision-making is consistent is an indicator for their decision quality (Shepherd et al., 2003). While decision-making consistency can be expected to change over longer periods of time (Brehmer & Brehmer, 1988), Zacharakis and Meyer (1998) empirically show that in the short run, venture capitalist decision-making is fairly consistent. Inconsistent decision-making, in turn, would on the one hand make it more difficult for new ventures to approach decision makers efficiently. On the other hand, it would also hinder resource providers from communicating their decision criteria in order to allow for new ventures that are a good fit to self-select into the screening process.

Second, we know that, when making decisions, individuals are generally likely to have a systematic preference for information that is consistent with their preexisting beliefs or attitudes, whereas inconsistent information is often not taken into account (Fischer, Schulz-Hardt, & Frey, 2008). This is in line with Festinger (1957), who proposes that new information is a possible source of dissonance (cp. Olson & Stone, 2005) and that individuals therefore may expose themselves to new information selectively (Feather, 1967). In addition, there is reason to believe that this so-called selective information processing is impacted by information quantity (Kardes, Cronley, Kellaris, & Posavac, 2004). Put simply, the preference for consistent information is likely to be stronger when individuals are exposed to high (vs. low) amounts of information (cp. Fischer et al., 2008).

The judgments of whether or not a new venture receives an investment are usually made under extreme time pressure (Shepherd et al., 2003) and in an environment characterized by high uncertainty (Shepherd & Zacharakis, 1999). Moreover, venture capital investment decisions are shaped by a particularly pronounced information asymmetry (Cumming, Schmidt, & Walz, 2010; Proimos & Wright, 2005). In addition, investors assess a multitude of data points during the stages of their management process (cp. Hall & Hofer, 1993) – a condition that is, as Zacharakis and Meyer (2000) outline, predestined to generate information overload.

In the light of the above, I argue that venture capitalists, due to their working conditions, are particularly likely to exhibit a strong preference for consistent information. At the same time, the literature on human cognition unequivocally provides a rationale for the notion that these circumstances under which venture capitalists operate are likely to produce cognitive bias (Baron, 1998; Shepherd & Zacharakis, 1999). In fact, Zacharakis and Shepherd (2001) empirically show they actually are.

1.3.2 The Role of Human Resources and the Relevance of Consistency in Recruitment

Besides financial capital, human capital represents an important resource influencing firm performance (Hitt, Bierman, Shimizu, & Kochar, 2001). In addition, employees are increasingly considered the source of competitive advantage (Katz, Aldrich, Welbourne, & Williams, 2000), are a decisive success factor for firm performance (Dal Zotto & Gustafsson, 2008) and a critical resource for the survival and growth of new ventures (Zimmerman & Zeitz, 2002). In a parallel vein, past research indicates that new ventures are more likely to fail if they do not manage to get the needed employees to join them (Brüderl, Preisendörfer, & Ziegler, 1992). Moreover, together with the founder, employees shape the new venture (Engelen, Heinemann, & Brettel, 2009). In other words, the importance of the role of employees is particularly pronounced in newly founded firms (cp. e.g., Ciavarella, 2003). For new ventures recruiting employees, however, is one of their biggest challenges (Williamson, Cable, &

Aldrich, 2002). Liabilities that relate to their newness (Stinchcombe, 1965) result in major difficulties in the context of attracting competent employees (see Cardon & Stevens, 2004).

The notion that consistency issues play a role in recruiting is reflected by a long line of research in human resource management (e.g., Dimarco & Norton, 1974; Enz, 1988; Kaplan, Berkley, & Fisher, 2016). One prominent example in this regard is the concept of strength of the human resource management system (Bowen & Ostroff, 2004).

Labelled groundbreaking for considering employee perceptions important in the human resources practices-firm performance link (Nishii, Lepak, & Schneider, 2008), the work of Bowen and Ostroff (2004) identifies a high degree of consistency along with high distinctiveness and consensus as an integral feature of a strong human resource management system. They theorize that high consistency in human resource practices, achieved for example through consistent human resource management messages, contributes to an organizational climate that will ultimately feed forward to increased firm performance. Human resource management consistency perceptions are relevant due to being one important driver that helps "motivating employees to adopt desired attitudes and behaviors that, in the collective, help achieve the organization's strategic goals" (Bowen & Ostroff, 2004, p. 204). Inconsistencies in HR communications, in turn, may elicit cognitive dissonance (Pereira & Gomes, 2012).

Consistency issues or, more precisely, the notion that individuals value consistency, is not only relevant for human resource management practices directed at employees but also in the context of recruiting. In this vein, Hinojosa, Walker and Payne (2015) provided empirical evidence for the applicability of consistency considerations at the prerecruitment phase. Past research shows that job seekers' person-organization (p-o) fit perceptions, i.e., the degree to which they *perceive* to fit into an organization (Cable & Judge, 1996), positively impacts organizational attraction (Judge & Cable, 1997). Against this background, Hinojosa, Walker and Payne (2015) showed that individuals with the intention to pursue a certain job that is offered by an organization with which they perceive low fit process relevant information more thoroughly in order to reduce the dissonance they experience as a consequence of such discrepancy.

Moreover, further empirical evidence exists that underlines the importance of consistency considerations in the actual recruitment process. Based on a data set of 1,091 individuals, Baum, Schäfer and Kabst (2016) show that recruitment advertisement which is consistent with an organization's image are regarded as more attractive. They additionally demonstrate that such consistency perceptions directly affect the perceived attractiveness of the organization and makes it appear more credible in the eyes of job applicants.

1.3.3 The Importance of Customer Acquisition and the Relevance of Consistency in Customer Acquisition Processes

To survive and grow, firms are reliant on having paying customers for their products (Hennart, 2014). However, customers are more than a source of financial revenue. In today's marketplace, customers are considered a source of competence (Prahalad & Ramaswamy, 2000). Moreover, customers help firms to innovate (Nijssen, Hillebrand, De Jong, & Kemp, 2012) and are a key source of market information (Slappendel, 1996). The latter may be particularly important for small firms, as they are not likely to possess the financial resources to collect independent market information on their own (Verhees, Meulenberg, & Pennings, 2010). Customers may additionally shape the brand of a firm (Muniz & O'Guinn, 2001) and acquire new customers themselves (e.g., Ryu & Feick, 2007). Regarding the financial value of customers for a firm, Gupta, Lehmann and Stuart (2004) find that the value based on a firm's customers serves as a good proxy for the value of that firm itself. In this vein, they refer to customers as "the most critical aspect of a firm (p. 7). Many firms are therefore becoming aware of the advantages of a more intensive customer focus and are putting the customer at the center of the organization's attention (Jaramillo, Grisaffe, Chonko, & Roberts, 2009).

While Pitkänen, Parvinen and Töytäri (2014) argue that acquiring the first customer for a new product is particularly important for new ventures, Venkataraman, Van De Ven, Buckeye and Hudson (1990) propose that new ventures that are dependent on a small number of customers are even more likely to actually fail than those who manage to acquire a greater customer base. In addition, the role of customer acquisition may be further especially pronounced for new ventures as customers can function as an important reputation signal for them (Reuber & Fischer, 2005). The acquisition of customers is, however, more costly than being able to retain existing ones (Hennart, 2014). This highlights on the hand the importance of an effective customer relationship management but on the other hand also the necessity of having efficient processes to acquire them.

In their seminal work on relationship marketing, Sheth and Parvatiyar (1995) state that understanding what motivates individuals to enter a relationship with a firm is important for marketing managers and scholars. They further argue that the fundamental need for cognitive consistency is responsible for the notion that individuals are naturally inclined to avoid consuming products or services that are not consistent with their current belief system. Empirical evidence further demonstrates that a need for consistency is responsible for consumers to buy products that match the way they perceive themselves (Sirgy, 1985). In a parallel vein, Albert, Ambroise and Valette-Florence (2017) recently showed that a congruity between how consumers see themselves and a brand's image positively affects the degree to which these consumers identify with that brand, their attitude and commitment towards it as well as their behavioral intentions. From a consistency perspective, an understanding of (potential) customer preferences and their belief system is thus fundamental for designing effective marketing strategies.

While consistency issues appear to be decisive with regard to the firm-consumer dyad, for brands to be designed and to appear inherently consistent may be just as crucial. In this vein, Beverland, Wilner and Micheli (2015), reviewing the literature on consistency in the brand management field, state that consistency is among the "cornerstones of competent brand management practice" (p. 590). By the same token, Swait and Erdem (2002) refer to the consistency principle as "essential for successful marketing strategy" (p. 304). In line with this, Keller (1999) argues that in order to maintain favorable brand associations, maintaining brand consistency is critical. At the same time, high levels of consistency with regard to marketing activities and brand elements foster high brand awareness (Keller, 2008). In addition, brand consistency as such is regarded an essential component of brand equity (Luo, Raithel, & Wiles, 2013). Moreover, while "[a] brand enhances the value of a product beyond its functional purpose" (Farquhar, 1989, p. 25), and while brands yield multiple advantages that may directly and/or indirectly impact customer behavior (cp. e.g., Keller & Lehmann, 2006), Stahl, Heitmann, Lehmann and Neslin (2012), based on a large set of real-world data, find that brand equity positively and significantly affects customer acquisition.

Moreover, marketing relationships between firms and their potential customers are commonly characterized by the fact the former possess higher, more detailed amounts of information about their products or services offered than the latter (e.g., Mishra, Heide, & Cort, 1998). In the case of such information asymmetry, firms are advised to provide signals to influence buyer choice (Micheli & Gemser, 2016). Signals, in the broadest sense, are "activities or attributes of individuals in a market which by design or accident, alter the beliefs of, or convey information to, other individuals in the market" (Spence, 1974, p. 1). In the context of customer acquisition, Erdem and Swait (1998) show that brands may function as effective means to bridge likely information gaps as they convey important product information about which potential customers are imperfectly informed. In this regard, they state that brand signals comprise all of a firm's marketing mix strategies as well as all of its activities that can be linked to that brand. Importantly, Erdem and Swait (1998) stress the need for consistency in designing marketing mix elements and strategies in order to send brand signals that are perceived as clear and credible. They empirically show that, all else being equal, brand credibility is higher for brands that are promoted with consistent marketing mix elements. Thus, maintaining consistency in marketing mix design constitutes a key element for maintaining brand equity (Erdem & Swait, 1998). In a similar vein, Eggers, O'Dwyer, Kraus, Vallaster and Güldenberg (2013) conceptualize brand consistency as an integral part of brand authenticity and find that marketing brands in a consistent manner may substantially enhance brand trust.

The relevance of consistency issues for customer acquisition considerations is further mirrored by the extant literature on the strategic importance of fit across various fields. If fit between a brand and another entity, e.g., a brand extension, a sponsorship event, or a firm-external endorser, is high, individuals experience cognitive consistency and react in a favorable way (see Becker-Olsen & Hill, 2006). In a similar vein, Park, Milberg and Lawson (1991) conceptualize and empirically demonstrate that while customer evaluations of brand extensions are shaped by the perceived fit between the existing brand and its extension, consistency perceptions form a decisive basis upon which their fit is evaluated. A poor fit resulting from cognitive inconsistency, in turn, may fuel unwanted associations and beliefs (Aaker & Keller, 1990).

1.4 DISCUSSION AND IMPLICATIONS

The goal of this chapter was threefold: I consulted the extant literature across various domains (1) to briefly introduce the concept of cognitive consistency and the most prominent theoretical endeavors in this regard, (2) to outline the merits of obtaining financing by venture capitalists as well as the particular importance of customers and employees for new ventures, and (3) to demonstrate the role of cognitive consistency in the respective acquisition and recruitment processes. While cognitive consistency theories have informed academics for over half a century, several unsolved issues in this context remain. There is reason to believe that considering consistency issues may add to our understanding in the context of funding, recruitment, and customer acquisition beyond what we already know.

As outlined above, venture capitalist decision-making is decisively shaped by how the founders of new ventures are perceived. Although such perceptions are ideally objective (Malmström, Johansson, & Wincent, 2017), venture capitalists operate in an environment that is highly prone to cognitive bias. In this context, recent research shows that gender stereotyping may bias the distribution of venture capital (Malmström et al., 2017). Similarly examining the gender effect on financing entrepreneurial ventures, Eddleston, Ladge, Mitteness and Balachandra (2016) argue that individuals who belong to a group whose stereotype is incongruent with the role these individuals assume are evaluated more negatively as such a coupling creates an inconsistency in the mind of the evaluator. Research on the impact of inconsistency perceptions on venture capital decision-making, however, thus far has been limited to the domain of gender stereotypes. The literature is further silent on the processes involved between cognitive inconsistencies based on role incongruity perceptions and venture capitalist funding likelihood.

With regard to the recruitment of employees, we know that the employer knowledge of job seekers has a decisive impact on their application behavior (Collins, 2007). While the task to create (and sustain) favorable employer knowledge is a necessity for firms independent of their age, new ventures face additional challenges in this regard. Similar to small businesses (cp. e.g., Williamson, 2000), new ventures are likely to be relatively unknown and are therefore required to be particular effective in creating an awareness about them as legitimate employer and in building up employer knowledge. As aforementioned, failing to so in time, and, therefore, potentially failing to recruit, may be lethal. In addition, their shortage in financial resources requires new ventures not only to be effective but also to operate particularly cost-efficiently in the creation of employer knowledge. Against this background, there is reason to believe that the consistency principle does not only affect the type of employer information individuals prefer (cp. e.g., Fischer et al., 2008), but that presenting information in a consistent manner may facilitate the creation of employer knowledge. This view is nurtured by the marketing literature on effective advertisement (e.g., Edell & Keller, 1989) and further supported by Chapman, Uggerslev, Carroll, Piasentin & Jones (2005) who, after conducting a meta-analytic review on applicant attraction outcomes, argue for the particular importance of information consistency in achieving recruitment success.

Finally, and based on the extant literature, I argued for the necessity of effective customer acquisition processes and the relevance of cognitive consistency also in this regard. Compared to their established counterparts, new venture are to operate particularly effectively and efficiently in attracting new customers, too. Against this background, relying on word-of-mouth (WOM) strategies may be greatly suitable for new ventures. Besides their well-established effectiveness in shaping consumer behavior (cp. e.g., Packard & Berger, 2017), WOM strategies entail significantly lower costs than traditional marketing techniques (Trusov, Bucklin, & Pauwels, 2009). In the light of the above, I expect considering the principle of cognitive consistency may be also fruitful when designing strategies that induce customer WOM behavior.

CHAPTER 2 THE SOCIAL ENTREPRENEUR'S VULNERABILITY TO ROLE INCONGRUITY PREJUDICE – A MULTI-STUDY APPROACH [1]

Abstract

Are social entrepreneurs perceived as less competent, only because they are social entrepreneurs? We observe if social entrepreneurs are less likely to receive funding than 'regular' entrepreneurs and whether competence perceptions are a mechanism explaining this relationship. Study 1, a field-study of 5,721 ventures, finds that social entrepreneur status negatively affects the likelihood to receive funding. Study 2, a conjoint experiment with 4,928 decisions nested within 308 individuals, confirms this finding and shows that competence perceptions mediate the negative effect of social entrepreneur status on funding likelihood. Implications for theory and practice are discussed.

[1] Chapter two is co-authored by Prof. Dr. Matthias Baum.

2.1 INTRODUCTION

Social enterprises are "organizations that pursue innovation with a social objective" (Moss, Short, Payne, & Lumpkin, 2011, p. 805) and important players in society and economy, tackling the world's most pressing societal and environmental problems (Di Domenico, Haugh, & Tracey, 2010, p. 682). Given their increasing relevance, research has recently made considerable efforts in improving our understanding on what facilitates the process of social enterprise creation (e.g., González, Husted, & Aigner, 2017) and which factors determine or constrain social enterprise success.

With regard to the latter, access to resources, in particular to financial resources, represents a key constraint for social enterprises – their success and sustainability (e.g., Calic & Mosakowski, 2016). While attracting financial resources is a crucial challenge for any entrepreneur (Greene, Brush, Hart, & Saparito, 2001) and of paramount importance for any entrepreneurial process (e.g., Cassar, 2004; Shane & Venkataraman, 2000), the challenges and constraints social enterprises face in this regard are particularly salient and complex (e.g., Zhao & Lounsbury, 2016). However, surprisingly, there is little empirical work that provides an understanding on the mechanisms that constrain social enterprises when seeking to acquire financial resources. The few existing scholarly endeavors on this issue have predominantly focused on conscious processes and "hard facts" leading to lower funding of social enterprises (e.g., Austin, Stevenson, & Wei-Skillern, 2006).

Literature on biases in judgment and decision-making clearly shows that besides conscious processing, also unconscious processes determine how we evaluate individuals (e.g., Moore, Tetlock, Tanlu, & Bazerman, 2006; Zajonc, 1968). We argue that social enterprises face comparable resource disadvantages because of such unconscious processes leading to a devaluation of social entrepreneurs' competency. One theory that helps to explain why social enterprises might be prone to negative competency perceptions (competency-bias) is role congruity theory (Eagly & Karau, 2002). Role congruity theory submits that individuals' competency perceptions are not only based on their actions, but also how they fit into stereotypical role definitions. Social entrepreneurs deviate from common stereotypes of successful entrepreneurs, which should lead to a devaluation of the perceived competency of social entrepreneurs in the context of resource acquisition.

Our work makes several important contributions to theory and social entrepreneurship research. First, we introduce role congruity theory to the field of social entrepreneurship for improving our understanding of social enterprises' resource disadvantages. Role congruity theory was developed as a framework to explain why women suffer from biased perceptions when assuming a leadership role (Eagly & Karau, 2002) but has furthermore served as a useful lens of analysis to consider contextual effects in prejudice beyond that. We use this logic to enter biased perceptions as a factor that constraints social enterprise resource acquisition and therefore stalls the process of social value creation. In doing so, this work further heeds calls for research in social entrepreneurship that advances our knowledge in the context of resource acquisition (Dacin, Dacin, & Matear, 2010; Shepherd, 2015).

Second, we theoretically argue and empirically show that social enterprises are less likely than for-profits to receive funding (Study 1 and Study 2) and that this likelihood is decisively shaped by the degree to which the founders of social enterprises are *perceived* as competent (Study 2). Our results further indicate that such competence perceptions, in turn, are prone to cognitive bias caused by the social entrepreneurs' vulnerability to role incongruity prejudice (Study 2). Untangling the reasons behind such systematic disadvantage is important as resource constraints limit the founding and growth of social enterprises (Calic & Mosakowski, 2016). In addition, the dearth of support from commercial lenders and investors contrasts with the increasing obligation for social enterprises to engage with the market economy (Katre & Salipante, 2012) and the "especially acute pressure to go beyond public funding and tap into commercial sources" (Zhao & Lounsbury, 2016; p. 644). And indeed: The 2016 Global Entrepreneurship Monitor (GEM) special report on social entrepreneurship indicates that in the Western Economies more than 25 % of nascent social entrepreneurs turn to private investors or venture capitalists for funding (Bosma, Schøtt, Terjesen, & Kew, 2016) showing the practical relevance of understanding funding decisions for social enterprises.

Finally, we test theory by applying multilevel analyses to a large data set of 5,721 new ventures from 109 countries across all continents as well as by a conjoint experiment and data on 4,928 decisions nested within 308 individuals. Our work thus adds empirical rigor to a research field in which the understanding of related phenomena is limited by small sample sizes (e.g., Renko, 2013; Short, Moss, & Lumpkin, 2009) and that is largely dominated by case studies and qualitative work (Hoogendoorn, Pennings, & Thurik, 2010).

2.2 THEORY AND HYPOTHESES

2.2.1 The Impact of Social Entrepreneur Status on the Likelihood to Receive Funding

The quest to attract financial resources is acknowledged to be a major challenge in entrepreneurship (e.g., Ebben & Johnson, 2006). Managing this challenge successfully is crucial in a venture's beginning but also vital at each stage of the organizational life cycle (Fisher, Kotha, & Lahiri, 2016). While previous studies provide ample evidence that the providers of financial capital take various criteria into account when assessing a new venture (e.g., Hall & Hofer, 1993; Shepherd, 1999; Shepherd, Ettenson, & Crouch, 2000; Silva, 2004), we know that they are generally more likely to invest in organizations that pose low risk and potentially generate a high return (e.g., Katila, Rosenberger, & Eisenhardt, 2015; Tyebjee & Bruno, 1984).

In our research context, we are especially interested in how prioritizing social value creation affects the likelihood to attract financial resources. We thus focus our theorizing on the factors that distinguish social enterprises from classical ventures and which may lead to additional challenges for social entrepreneurs in the process of resource acquisition.

While traditional ventures commonly only engage in business relationships in which they are able to demand realistic fees for the values they create, social enterprises commonly address the poor (Cobb, Wry, & Zhao, 2016; Mair & Martí, 2006), those suffering from inequality (Dacin et al., 2010; Zhao & Wry, 2016), the homeless (Dees, 1998), or those with limited access to education (Jay, 2013) – groups of individuals who might not be able to financially compensate social enterprises for their services rendered (Sharir & Lerner, 2006). In addition, many of the environments social enterprises operate in are characterized by economies where institutional arrangements that support markets are non-existent, weak or ineffective (Mair & Marti, 2009). In addition, also relationships that social enterprises engage in with institutional players in stronger economies are far from effective and cost-efficient due to their bureaucratic nature and their resistance to social change (Renko, 2013). Due to the clients they assess and with regard to the efficiency of the markets they operate in, there is reason to believe that social enterprises have a natural disadvantage in generating incomes.

However, the resulting economic situation that social enterprises see themselves confronted with is also expected to have consequences that indirectly affect their financial success. In line with this, we know that the possession of financial resources is decisive for acquiring and successfully configuring other impactful resources (e.g., Brinckmann, Salomo, & Gemuenden, 2011). In this regard, Austin, Stevenson and Wei-Skillern (2006) state that the lack of financial resources may, for example, make it difficult for social enterprises to adequately compensate and thus attract skilled staff – a crucial element in the success and survival of an organization.

The very nature of many client relationships, the markets social enterprises address, their necessity to oftentimes cooperate with ineffective and inefficient institutions and the downstream consequences this has can thus be expected to be a hindering force on securing a sufficient return on capital investment. Furthermore, and despite the fact that commercial and social dimensions are by no means mutually contradictory within the same organization (e.g., Pache & Santos, 2013), their integration may cause intraorganizational tension (Austin et al., 2006). In accordance with the existence of such "idiosyncratic hurdles" (Lehner, 2013, p. 3), empirical evidence further suggests that nascent social entrepreneurs are less likely to build a viable enterprise due to the unique challenges they face when prioritizing social value creation (Renko, 2013).

Based on the above, we argue that these challenges arising from the unique nature of social enterprises and the consequences they entail also translate into attractiveness perceptions of financial resource providers who seek to minimize their investment risk (Tyebjee & Bruno, 1984). Further, the ability of resource providers to achieve a return on their investment decisively depends on how the venture performs financially in the future (Allison, McKenny, & Short, 2013; Certo, 2003). We therefore hypothesize:

Hypothesis 1:	*Social entrepreneurs are significantly less likely to receive funding than for-profit entrepreneurs.*

2.2.2 Why Social Entrepreneurs are Perceived Less Competent in a Financing Situation

People generally do hold positive attitudes toward social entrepreneurs. Policy makers and educators have a strong interest to motivate more people to become social entrepreneurs (Hockerts, 2017). They are oftentimes even referred to as heroic (cp. Dacin, Dacin, & Tracey, 2011) and embraced by popular culture (Calic & Mosakowski, 2016). However, while there is a positive connotation regarding social entrepreneurs in general, we have to emphasize the situation-specific connotations and prejudices on social entrepreneurs in the context of seeking investment.

Based on role congruity theory, we argue that the devaluation of social entrepreneurs is particularly present in certain situations – for instance, a situation in which their competence is assessed in the context of financial resource acquisition. According to role congruity theory "prejudice often results from the mismatch between beliefs about the attributes typically possessed by members of a social group (that is, their stereotype) and beliefs about the attributes that facilitate success in valued social roles" (Eagly & Diekman, 2005, p. 19). Stereotypes thus play an important role - even though they are often highly inaccurate (Snyder, Tanke, & Berscheid, 1977). As a result, evaluations on the basis of stereotypical beliefs about a group form a breeding ground for prejudice and biased devaluation (Eagly & Diekman, 2005). Following this view, the key-eliciting condition for prejudice towards social entrepreneurs to occur is their entry into a role to which they are mismatched according to stereotypical beliefs (cp. Eagly, 2004). Roles are social positions that entail expectations on how a role incumbent behaves and acts (Jain, George, & Maltarich, 2009; Merton, 1957).

Not least due to lacking conceptual clarity and the novelty of applying the principles of entrepreneurship in order to create social value, capital providers should have expectations about social entrepreneurs that diverge from the stereotypical role of a successful entrepreneur. Parhankangas & Renko (2017) posit that the operating logics of social entrepreneurs are less well-known and that, therefore, expectations about them are usually ill-formed. They further provide the empirical evidence that this poses additional challenges for social entrepreneurs when seeking to attract funding.

There is further reason to believe that people tend to perceive social and commercial logics as mutually exclusive. Social enterprises are often referred to as hybrid organizations (e.g., Battilana, Sengul, Pache, & Model, 2015; Wry & York, 2017) which integrate *potentially* conflicting commercial and social logics (Estrin, Mickiewicz, & Stephan, 2016). Moreover, social enterprises are different from for-profit enterprises with regard to the relative priority given to social as compared to economic value creation (Mair & Martí, 2006). These viewpoints reflect that role perceptions of social entrepreneurs seem to vary significantly from those of regular entrepreneurs.

This assumption is further mirrored by Zahra and colleagues (2009) who suggest that for some the values that go along with what is understood by the term social are incongruent with a market and thus a business logic. Further, such incongruity arises as the idealized entrepreneur is typically described with masculine words such as competitive, aggressive, status-seeking, or detached in the sense of individualistic (cp. Ahl, 2006; Marlow, 2002) attributes quite different from what the connotation 'social' may provoke.

The central thesis that can be derived from the above theorizing is that social entrepreneurs face devaluation from actors in capital markets as stereotyped beliefs about them do not align with the requirements of the for-profit entrepreneur role. Even though they generally enjoy positive regard, social entrepreneurs encounter bias as their stereotype does not fit to what capital providers believe is a potentially successful entrepreneur. In this regard, we posit that social entrepreneurs are perceived less favorably than business entrepreneurs as potential occupants of successful entrepreneur roles.

The notion that social entrepreneurs suffer from devaluation simply due to what is stereotypically ascribed to the connotation 'social' is further nurtured by prior scholarly endeavors that have empirically validated the conceptualization of being other-focused and apparent competence as orthogonal (e.g., Tiedens, 2001). In a similar vein, more recent work provides evidence that individuals hold distinct stereotypical views of firms (Aaker, Vohs, & Mogilner, 2010). Across three experiments, Aaker and colleagues not only show that people do hold stereotypes about nonprofit and for-profit firms and that these stereotypical beliefs are formed based on whether or not a firm prioritizes commercial logics but that firms are evaluated merely based on the knowledge that an organization is a for-profit or not. All else equal, the sole manipulation of the internet domain name (dot-org versus dot-com) indicating the organization type, resulted in significantly different perceptions and evaluations of a firm's competence. Firms billed as not for-profits are judged lower on competence and competence-related traits (Aaker et al., 2010). From this discussion, we formally derive the following hypothesis.

Hypothesis 2:	*Social entrepreneurs are perceived as less competent than for-profit entrepreneurs in the context of financial resource acquisition.*

2.2.3 The Role of Competence Perceptions for Funding Decisions

We expect that perceived competency influences funding decisions and that it partially mediates the negative effect of social enterprise status on funding decisions. Previous research indicates that founder competencies are correlated with the performance of social enterprises (e.g., Chandler & Jansen, 1992). The idea that founders themselves decisively shape their venture as well as its outcomes is mirrored by the credo of resource providers to 'invest in people, not in ideas' (Kollmann & Kuckertz, 2010, p. 744). In addition, this importance of the founder is underlined by a plethora of findings from venture capital research (e.g., MacMillan, Zemann, & Subbanarasimha, 1987; Shepherd, 1999). The degree to which resource providers perceive (social) entrepreneurs as competent thus plays a critical role in their assessment. Accordingly, we assume that the more competent a founder or founding team is perceived, the more likely it is to receive funding.

Hypothesis 3: *Perceived founder competence positively impacts the likelihood to fund a venture.*

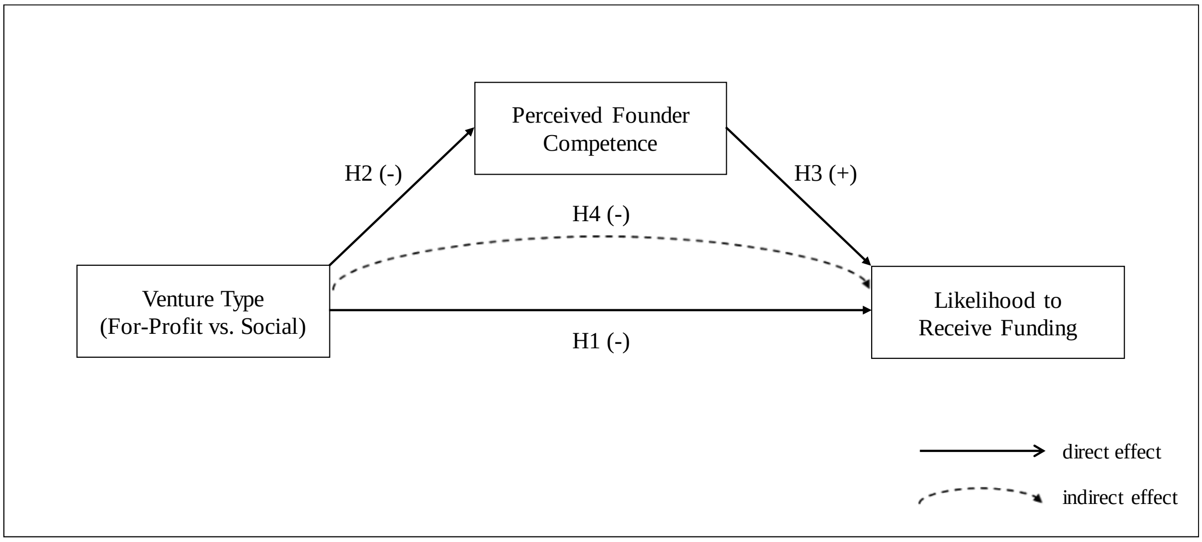
We expect that perceived competency partially mediates the effect of social entrepreneurship on the likelihood of receiving funding. Due to its very nature (cp. Drover, Wood, & Zacharakis, 2017) the assessment of founders is highly susceptible to bias (Barnes, 1984; Slovic, Fischhoff, & Lichtenstein, 1977; Tversky & Kahneman, 1974) and resource providers do not solely rely on objective, "hard" facts (e.g., Hisrich & Jankowicz, 1990). Therefore, resource providers assess social entrepreneurs on the basis of competence perceptions which are, in turn, shaped by role incongruity prejudice as outlined in the hypotheses above.

Yet, we do not expect that competency perception fully but rather partially mediates the effect of social entrepreneurship on funding likelihood. Despite the significance of the founders for the shape of the enterprise (e.g., Nelson, 2003), we know that there are also success factors to new ventures that are founder-independent (e.g., Sandberg & Hofer, 1987; Song, Podoynitsyna, Bij, & Halman, 2008). Resource providers accordingly should also rely on a number of criteria that pertain to the economic environment of the new venture (e.g., Franke, Gruber, Harhoff, & Henkel, 2008). When making the decision of whether or not to invest in social enterprises, resource providers also take into account the fact that their founders prioritize social over commercial logics and the immediate economic consequences this may entail. Accordingly, we derive the following hypothesis:

Hypothesis 4: *The negative effect of social enterprise status on the likelihood to receive funding is partially mediated by the perceived competency of the founder.*

Our hypothesized relationships are summarized in the conceptual model shown in Figure 2-1.

Figure 2-1: Conceptual Model



Note: Venture Type: 0 = For-Profit Enterprise; 1 = Social Enterprise.

In the two studies that follow, we first evaluate the basic premise of our work (Hypothesis 1) using a large, cross-country sample (Study 1). Ensuring optimal experimental control, Study 2 then validates the results obtained in Study 1. Further, it explores the components that build the empirical basis for introducing biased perceptions as a factor that constraints social enterprise resource acquisition (Hypothesis 2, 3 & 4).

2.3 STUDY 1

2.3.1 Sample and Data Sources

The dataset used in Study 1 was derived from multiple independent sources. Venture-level data came from the Entrepreneurship Database Program at Emory University. The program collected data from 8,666 ventures during their application processes for participating in one of more than 100 different accelerator programs during 2013, 2014, 2015 and 2016. The particular strength of this dataset lies in the degree to which it overcomes the biases new venture data regularly entail. Datasets in our research context are typically biased towards more established ventures or to those that receive funding. Further, entrepreneurs – especially in that quantity – usually have very little incentive to provide sensitive financial insights. However, leveraging relationships with existing accelerator programs allows the Entrepreneurship Database Program to collect high quality data, which, in turn, allows reliable research.

Country-level data were obtained from two commonly accepted sources, namely, the Human Development Index (HDI) of the United Nations (Jahan, 2016) and the World Governance Indicators (Kaufmann, Kraay & Mastruzzi, 2016).

2.3.2 Measures

Likelihood to receive funding (dependent variable). The Entrepreneurship Database Program gauged the amount of equity financing received with the question: "How much equity financing did your venture obtain from all outside sources: - since founding?" To account for the likelihood to receive funding, we created the dichotomous variable *funding likelihood*, taking the value of 1 if a venture has received funding and 0 otherwise (cp. Chen, Yao, & Kotha, 2009; Guerzoni, Aldridge, Audretsch, & Desai, 2014).

Venture type (independent variable). Respondents were asked to provide information on their venture type. Responses were coded 0 for for-profit ventures, i.e., ventures whose primary goal is economic value creation, and 1 for not-for-profit ventures (cp. Deeds & Hill, 1996; Knox, Blankmeyer, & Stutzman, 2007).

Control variables. To rule out alternative explanations for our results, we included various variables that might have influenced our findings. Past research states that social media, such as Facebook or Twitter, are increasingly applied as powerful tools to exert positive influence on new venture performance (Fischer & Reuber, 2011). They are further argued to be effective for mitigating uncertainty about such firms (Fischer & Reuber, 2014). We, therefore, controlled for the surveyed ventures' social media presence captured with a dummy variable (1

= the venture possesses at least a Facebook page, a Twitter account or a LinkedIn group or page, and "0" otherwise). Intellectual property contributes to a sustainable competitive advantage (Hall, 1992) and has been formerly suggested to stimulate the attraction of financial investments (Mazzoleni & Nelson, 1998). We thus included a dummy that accounted for the ventures' possession of intellectual property (1 = possession of at least one patent, copyright or trademark, and "0" otherwise). Creditworthiness is an essential element of organization-level legitimacy (Stinchcombe, 1965) and higher liquidity makes the failure of new ventures less likely (Wiklund, Baker, & Shepherd, 2010). Therefore, we controlled for whether or not the ventures had obtained borrowed funds with a dummy variable (1 = the ventures had obtained financial resources from at least one of the following: a bank, a non-bank financial institution, a government agency or from another company, and "0" otherwise). Prior research shows that women entrepreneurs are disadvantaged due to their gender when seeking to acquire start-up capital (Fay & Williams, 1993; Marlow & Patton, 2005). Gender was therefore included as a further control by creating a dummy coded "1" when the founding team was all female or, in case the venture had been founded by only one person, when the entrepreneur was female and "0" otherwise. Empirical evidence on the effect of the size of the founding team size on venture growth is compelling. New ventures founded by a team have the advantage over those started by individuals (cp. Barringer, Jones, & Neubaum, 2005). Thus, we controlled for whether or not the venture had been started by a team (1 = the venture had been started by a team and "0" otherwise).

According to institutional theory (e.g., DiMaggio & Powell, 1983), the socio-cultural environment a venture operates in plays a crucial role for its survival (Myloni, Harzing, & Mirza, 2007). As this study uses cross-country data, we additionally control for the institutional environment of the ventures surveyed. Specifically, we used the degree to which corruption is constrained in the country a venture operates in as well as the United Nations HDI. Control of corruption is generally perceived to be of importance to entrepreneurship (Bowen & De Clercq, 2008; Lim, Morse, Mitchell, & Seawright, 2010). Following previous studies (e.g., Walter & Block, 2016), we relied on the measure for control of corruption by Kaufmann, Kraay & Mastruzzi (2016) who track this as one of six World Governance Indicators on behalf of the World Bank. The measure ranges from approximately -2.5 to +2.5 whereas greater values imply better corruption control (Kaufmann, Kraay, & Mastruzzi, 2010). The HDI of the United Nations is widely acknowledged (Chliova, Brinckmann, & Rosenbusch, 2015) to account for country differences regarding three elementary abilities that impact the level of human development (the ability to lead a long and healthy life, to acquire knowledge and to achieve a decent standard of living) (Jahan, 2016).

2.3.3 Results

The main focus of our work pertains to the resource acquisition processes of new ventures. We, therefore, excluded ventures from our analyses which were founded before 2006 and thus older than ten years. After further removing cases with incomplete data, the final sample consisted of n = 5,721 cases. Table 2-1 provides an overview of the descriptives and correlations of the variables included in our analysis. For example, 19.0 % of the ventures in the sample have received equity funding. To control for the risk of multicollinearity, the variance inflation factor (VIF) values were computed. Most of the variables score very low on VIF values, while control for corruption and HDI almost pass the threshold of five, suggesting that multicollinearity could be an issue between the two variables as both correlate strongly (Chatterjee & Price, 1991; Neter, Wassermann, & Kutner, 1983). We, therefore, checked different control-specifications in our regressions (see table 2-2 Models 2-3) showing that our main predictor is not influenced by inclusion or exclusion of these controls and that multicollinearity is not an issue for our hypothesis test.

As Study 1 uses self-reported survey data, common method variance may be a concern (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). However, the variables of main interest (funding likelihood; venture type) do not rely on respondent perceptions but are based on factual data, and can be, in principle, independently validated from other sources. With regard to common method variance, this type of data offers the least problems (Podsakoff & Organ, 1986). In order to further test if common method variance is of concern, we applied Harman's One-Factor Test and controlled for the effects of a single unmeasured latent method factor follwing Podsakoff and colleagues (2003). These tests both suggest that common method bias should not be an issue for our results. To additionally rule out potential endogeneity problems due to omitted variables (cp. Bascle, 2008), we used the two-stage least square (2SLS) method with instrumental variables as recommended by Antonakis, Bendahan, Jacquart, and Lalive (2010) and obtained similar results to the ordinary least squares approach.

Table 2-1: Descriptive Statistics: Means, Standard Deviations, and Correlations (Study 1)

	Variable	Mean	SD	VIF	1.	2.	3.	4.	5.	6.	7.	8.	9.
1.	Funding Likelihood	0.190	0.395		1								
2.	Venture Status	0.110	0.313	1.021	-.121**	1							
3.	Social Media Presence	0.650	0.479	1.023	.075**	.005	1						
4.	Borrowed Funds	0.080	0.276	1.016	.060**	-.057**	-.017	1					
5.	Intellectual Property	0.460	0.499	1.034	.147**	-.089**	.101**	.076**	1				
6.	Team Composition	0.870	0.336	1.107	.105**	-.085**	-.016	.009	.065**	1			
7.	Team Size	0.815	0.389	1.104	.086**	-.019	.058**	-.004	.029*	.292**	1		
8.	HDI	0.735	0.167	4.566	.131**	.040**	.083**	-.081**	.053**	-.040**	-.023	1	
9.	Control of Corruption	0.175	1.064	4.554	.117**	.062**	.053**	-.071**	.017	-.055**	-.060**	.882**	1

Note: N= 5,721. **Correlation is statistically significant at 0.01 level (2-tailed). SD = standard deviation. VIF = variance inflation factor.
Funding Likelihood has been defined as dichotomous variable: 1= funding received; 0 = no funding received.
Venture Status has been defined as dichotomous variable: 1= social; 0 = for-profit.
Social Media Presence has been defined as dichotomous variable: 1= venture is present on social media; 0 = venture is not present on social media.
Borrowed Funds has been defined as dichotomous variable: 1= the venture obtained borrowed funds; 0 = no borrowed funds obtained.
Intellectual Property has been defined as dichotomous variable: 1= possession of intellectual property; 0 = no possession of intellectual property.
Team Composition has been defined as dichotomous variable: 1= (all) founder/s was/were female; 0 = at least one male founder was present.
Team Size has been defined as dichotomous variable: 1= founding team; 0 = individual founder.

Since our dependent variable is dichotomous and the variables included in our analyses are multilevel in nature, mixed effects binary logistic regression analysis was performed to test Hypothesis 1 and to control for any potential problems due to nested data.

Hypothesis 1 predicts that social entrepreneurs are significantly less likely to receive funding than for-profit entrepreneurs. Table 2-2 reports the results of the logit model and shows that ventures which did not prioritize economic value creation were less likely to receive funding than those ventures which do (Model 2: $b = -1.401$; $p < 0.001$). Our analysis thus provides support for Hypothesis 1.

Regarding our controls, all except one were significant in our model. Social media presence, borrowed funds, the presence of a founding team, and the possession of intellectual property all had positive main effects on the likelihood to receive funding. Additionally, the absence of male entrepreneurs was linked with lower incidence of funding acquisition. Concerning the institutional-level controls, to our surprise, only the degree of human development in a country had a positive main effect in our model.

Table 2-2: Results of the Multilevel Binary Logistic Regression Analysis (Study 1)

	DV: Funding Likelihood							
	Model 1		Model 2		Model 3a		Model 3b	
Variable	b	SE	b	SE	B	SE	b	SE
Venture Status			-1.401***	0.179	-1.394***	0.179	-1.414***	0.179
Social Media Presence	0.344***	0.077	0.345***	0.078	0.341***	0.078	0.357***	0.078
Borrowed Funds	0.552***	0.116	0.501***	0.116	0.508***	0.116	0.481***	0.116
Intellectual Property	0.664***	0.071	0.611***	0.072	0.611***	0.072	0.610***	0.072
Team Composition	0.882***	0.141	0.814***	0.143	0.814***	0.143	0.812***	0.143
Team Size	0.492***	0.107	0.485***	0.108	0.477***	0.107	0.498***	0.108
HDI	2.198**	0.762	2.007*	0.776	2.807***	0.525		
Control of Corruption	0.118	0.114	0.158	0.117			0.403***	0.085
Constant	-5.021***	0.560	-4.699***	0.568	-5.243***	0.418	-3.337***	0.185
Log-Likelihood	-2628.443		-2585.397		-2586.338		-2588.635	
Wald chi-square	244.29***		288.53***		287.72***		283.98***	

Note: N (Level 2) = 109; N (Level 1) = 5,721; *p < 0.05; **p < 0.01; ***p < 0.001. DV = dependent variable.
Funding Received has been defined as dichotomous variable: 1= funding received; 0 = no funding received.
Venture Status has been defined as dichotomous variable: 1= social; 0 = for-profit.
Social Media Presence has been defined as dichotomous variable: 1= venture is present on social media; 0 = venture is not present on social media.
Borrowed Funds has been defined as dichotomous variable: 1= the venture obtained borrowed funds; 0 = no borrowed funds obtained.
Intellectual Property has been defined as dichotomous variable: 1= possession of intellectual property; 0 = no possession of intellectual property.
Team Composition has been defined as dichotomous variable: 1= (all) founder/s was/were female; 0 = at least one male founder was present.
Team Size has been defined as dichotomous variable: 1= founding team; 0 = individual founder.

We conducted several robustness checks to validate our findings.

First, we repeated the analyses with various specifications in which we systematically excluded control variables in order to check if our results are dependent on inclusion of specific control variables. Then, we entered only data for one year at the time for checking if the effects are time dependent. All these different specifications provided comparable results as above yielding additional support for our findings.

In addition, we performed a robustness check using *funding amount received* as alternative dependent variable (including the same set of controls as in our previous analysis). This variable was measured as the amount of equity financing the firms had received since they were founded. With this, we can account for the possibility that social enterprises may in fact be less likely to receive funding but that when they do, they receive greater amounts compared to for-profit ventures. The results of this additional analysis confirm our finding ($b = -1.684$, $p = 0.000$). The detailed results of this robustness check may be obtained from the authors upon request.

2.4 STUDY 2

Next to empirically assessing our theorizing on biased perceptions in the context of social entrepreneurship, Study 2 serves to strengthen the causal inference about the impact of social entrepreneur status on the likelihood to receive funding and to address the limitation of Study 1.

We apply a metric conjoint experimental design to study the impact of venture type (prioritization of social vs. economic value creation) on the evaluations of financial resource providers. Besides venture type, we manipulated several other important variables that have been shown to unfold a significant impact on funding decisions (timing of entry, key success factor stability, lead time, competitive rivalry, sales resources and capabilities, industry related competence). Adding additional variables to our conjoint profiles further strengthens the validity of our study as we know from prior work researching the decision-making processes of resource providers that in this context various criteria are considered (e.g., Macmillan, Siegel, & Narasimha, 1985; Shepherd, 1999).

Conjoint analysis is a technique that handles situations in which individuals have to make choices between options that simultaneously differ across a set of attributes (Green, Krieger, & Wind, 2001). Each attribute represents an independent variable, is thus to be theoretically justified within the respective research context and is represented by one of typically two levels or categories (e.g., high or low, short or long, social or for-profit) (Shepherd, Patzelt, & Baron, 2013). Together, these attributes combine for a set of profiles the decision makers assess (Behrens & Patzelt, 2016). These assessments, in turn, represent the dependent variables to gauge (Patzelt, Shepherd, Deeds, & Bradley, 2008).

Conjoint analysis is a well-established method to investigate decision-making situations. One particular strength of conjoint analysis is that it permits researchers to gather real-time data on how individuals actually decide – a key feature to overcome potential methodological weaknesses (e.g., introspection or self-report bias) of alternative, retrospective attempts such as surveys or interviews (Fischhoff, 1988; Monsen, Patzelt, & Saxton, 2010; Shepherd & Zacharakis, 1997). As such, conjoint analysis has increasingly seen use in entrepreneurship research (e.g., Drover, Wood, & Zacharakis, 2017; McKelvie & Gustavsson, 2011; Wood & Williams, 2014) and has been found particularly well-suited to assess the decision-making behavior of resource providers (e.g., Shepherd & Zacharakis, 1999; Shepherd, Zacharakis, & Baron, 2003; Shepherd et al., 2000).

2.4.1 Experimental Design and Sample

Each new venture profile presented consisted of eight attributes (independent variables), with each of them varying across two levels (see Appendix A for all attributes and corresponding attribute levels). As this yields 256 (2^8) possible attribute level combinations entailing a hardly manageable task with a significant risk of fatigue and low result reliability (Green & Srinivasan, 1990), we employed orthogonal fractional factorial design as proposed by Hahn and Shapiro (1966). In doing so, we follow common practice in conjoint analysis (e.g., Monsen et al., 2010; Shepherd et al., 2013). Employing orthogonal design allowed us to reduce the number of venture profiles to eight, resulting in 16 profiles (fully replicated). To familiarize our study participants with the assessment task, we chose to include a practice profile which was, however, excluded from later analyses (see Appendix B for a sample profile). In total, the experimental task contained of 17 profiles. That is, we gathered decision data of eight different profiles from each decision maker and checked for test-retest reliability of the responses on original and replicated attribute combinations (Shepherd & Zacharakis, 1997).

At the outset, the scenario was described. To avoid differing interpretations on our study's independent variables, especially with regard to the attribute levels social vs. for-profit, we next briefed participants about the exact meaning of each attribute level employed in the experiment. After that, participants were presented the profiles (including the three dependent variables). The experiment concluded with a post-experiment questionnaire in which we surveyed data for control variables.

The participants of Study 2 were recruited among professionals in the financial sector who at the same time purse an academic degree in a German business school. This has the particular advantage that our sample is confronted with profit-driven decision-making on a daily basis while the rationale that shapes the processes underlying their decisions relies on profound theoretical business knowledge. The invitation to take part in our study was followed by 719 individuals. However, 414 individuals terminated the experiment prior to assessing all venture profiles and were thus excluded from our analysis, representing 42.4% response rate. The final sample of our study therefore consists of 308 decision makers. 38.2 % of our participants were female and the average age was 21.63 years. In line with previous applications of conjoint analysis (e.g., McMullen & Shepherd, 2006; Monsen et al., 2010), we included all decisions on both, the eight test and the eight retest profiles, in order to increase the reliability of the results by considering the slight differences between the decisions of the test and retest judgments. We further assessed the possibility of nonresponse bias. For the variables of interest in our study (e.g., perceived founder competence), we found no significant differences between persons who responded early versus those who responded late. Thus, the chance for nonresponse bias is minimal (Armstrong & Overton, 1977).

2.4.2 Measures

All our dependent variables were assessed on 7-point Likert-type scales.

Perceived founder competence (dependent variable). To gauge how participants perceive the founders' competence based on the information given, they were first told that the respective venture concept has been elaborated by two persons and then asked to answer the following question: "How competent do you consider these two persons?" The answer was assessed on a scale anchored by (1) not competent at all and (7) very competent. Competence perceptions have been similarly evaluated by Thompson and Ince (2013).

Likelihood to receive funding (dependent variable). We assessed the likelihood to receive funding by gauging our participant's desirability to fund each venture. Adapted from Riquelme and Rickards (1992), we measured the desirability to fund anchored (framed by the described instructions and independent variables) by the end points (1) "I would by no means invest in the venture" and (7) "I would invest in the venture right away".

Independent variables (manipulated on the venture profiles). *Venture type* is the main independent variable we sought to test with regard to its impact on perceived founder competence and the likelihood to attract financial resources. From research on venture capitalist decision-making behavior, we know, however, that resource providers take various criteria into account prior to making an investment decision (e.g., Hall & Hofer, 1993; Shepherd, 1999; Shepherd, Ettenson, & Crouch, 2000; Silva, 2004). To enhance validity and to realistically frame the assessment tasks, we included and manipulated additional dimensions that have been shown to shape the perceptions of resource providers with regard to new venture attractiveness. Taken from the extant literature, we included *timing of entry, key success factor stability, lead time, competitive rivalry, sales resources and capabilities, and industry-related competence* as further independent variables. Past research has frequently highlighted the importance of the decision on when to enter an industry. Timing in this context may, for example, affect a new venture's future market share (Bowman & Gatignon, 1996) or its level of entrepreneurial learning (Lévesque, Minniti, & Shepherd, 2009). If the key success factors of the industry a new venture operates in remain stable, venture capitalists are likely to consider its survival likelihood higher than for those which operate in industries where this is not the case (Shepherd, 1999). The same holds true for new ventures with long lead times, low competitive rivalry and high industry-related competence (Shepherd, 1999). Sales resources and capabilities are decisive for new ventures as realizing first sales with a new product is considered a crucial milestone (Pitkänen, Parvinen & Töytäri, 2014).

The variable manipulations are all based on the respective constructs' theoretical definitions, or, if available, adapted from existing research. All manipulated independent variables have two levels (high and low). The full specifications are shown in the Appendix C.

Post-experiment questionnaire (control variables). To account for possible differing predispositions of our sample with regard to their valuation of social issues we controlled for pro-environmental attitudes using 6-item scale of Jones, Willness and Madey (2014) ($\alpha = .88$). A sample item is "I really care about the environment". To account for further possible individual difference, we followed convention (e.g., Wuebker, Hampl, & Wüstenhagen, 2015) and included general demographic variables of the decision makers. Specifically, we survey participant age (in years), sex (coded 0 = men, 1 = women), and monthly income (coded 1 = <500 €; 2 = 500 – 1,000 €; 3 = 1,000 – 2,500 €; 4 = 2,500 – 5,000 €; 5 = >5,000 €).

2.4.3 Results

Table 2-3 provides an overview of the descriptive statistics of the level-2 variables[2].

Table 2-3: Descriptive Statistics of Level-2 Variables: Means, Standard Deviations, and Correlations (Study 2)

		Mean	SD	N	1.	2.	3.	4.
1.	Age	22.27	4.24	306	1			
2.	Sex (0 = male; 1 = female)	0.38	0.49	308	-.088	1		
3.	Income	2.30	0.77	305	.266**	-.082	1	
4.	Pro-Environmental Attitudes	3.68	1.19	308	.133*	-.093	-.059	1

Note: *p < 0.05; **p < 0.01. SD = standard deviation.

Due to its experimental nature, the independent variables of our study were exogenously manipulated. Doing so, we are able to make explicit causal claims based on our model as such experimental data is not vulnerable to endogeneity problems (Antonakis et al., 2010). Further, the application of an experimental design reduces the threat of common method variance (Brannick, Chan, Conway, Lance, & Spector, 2010; Podsakoff et al., 2003). Manipulating instead of empirically assessing the independent variables is especially important in case the dependent variable is based on perceptual, self-reported data (Baum & Überschaer, 2016). Therefore, common method bias should not be a serious issue in Study 2.

Our sample consists of 308 decision makers. In order to test if our decision makers produced reliable assessments of the new venture profiles, we checked test-retest reliabilities for our two dependent variables. The responses for founder competence perceptions and likelihood to fund were significantly reliable (p = .00 respectively) with mean test-retest

[2] As it is usually the case in orthogonal designs, the correlations between our level-1 variables are zero. We thus do not include them in the correlations table.

reliabilities of .72 (perceived competence) and .70 (likelihood to fund). Both values are comparable to those of other studies (e.g., Holland & Shepherd, 2013: mean test–retest reliability of .72; Shepherd, 1999: mean test–retest reliability of .69).

Although our conjoint experiment applied provides 16 venture assessments per decision maker that we included in our analysis, and, therefore, 4,928 observations for our entire sample, these observations are not independent in that there may be autocorrelation as each of the 16 assessments is nested within our decision makers (cp. e.g., Choi & Shepherd, 2004). We, therefore, applied multi-level regression analysis using the R software multilevel package (Bliese, 2013). Multi-level analyses grant the researchers the possibility to account for varying variance at the different levels. In addition, compared to conventional ordinary least squares regression, multilevel analyses produce less biased standard errors and allow improved model specification (Snijders & Bosker, 1999).

In table 2-4 we provide the results from our multi-level regression analyses. Looking at the control variables in Model 4, neither the age of the decision makers nor their pro-environmental attitudes significantly influence the degree to which they perceive founders as competent. In contrast, decision maker gender as well as their income have significant effects on perceived founder competence. Regarding Model 5b, except the decision makers' pro-environmental attitudes, none of the control variables significantly affects a venture's likelihood to receive funding. Similar to Shepherd, Ettenson and Crouch (2000), timing of entry, key success factor stability, lead time, competitive rivalry, sales resources and capabilities, and industry-related competence positively and significantly affected all dependent variables of interest across all models.

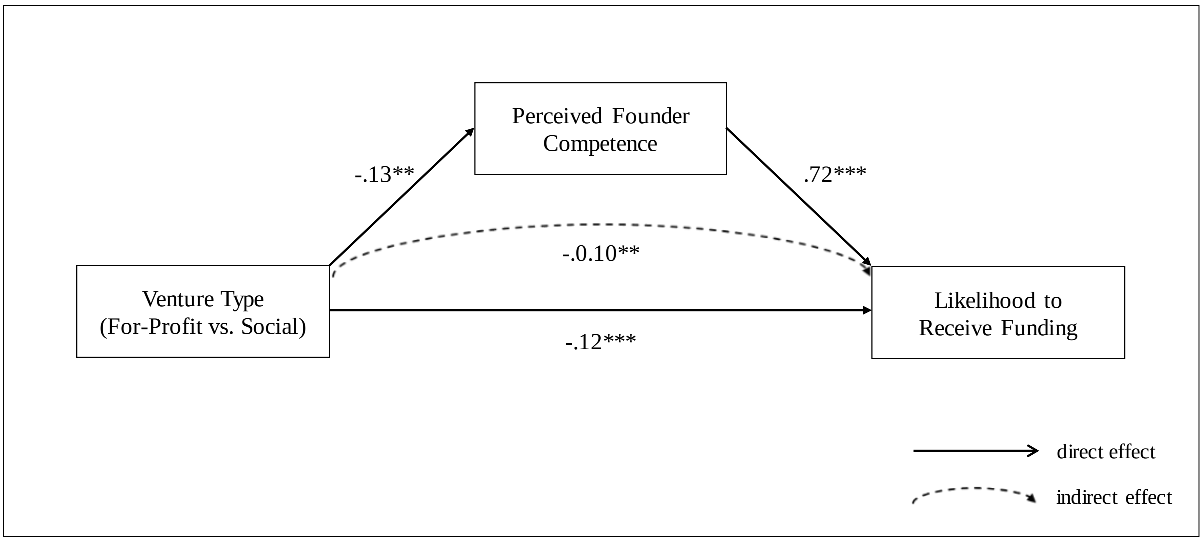
Table 2-4: Hierarchical Linear Modelling of Resource Providers' New Venture Assessments

	DV: Perceived Founder Competence		DV: Funding Likelihood			
	Model 4		Model 5a		Model 5b	
Variable	b	SE	b	SE	b	SE
Constant	2.756***	0.153	2.056***	0.173	0.075	0.132
Perceived Founder Competence					0.719***	0.011
Age	0.002	0.003	0.005	0.004	0.004	0.003
Sex (0 = male; 1 = female)	0.145*	0.061	0.158*	0.070	0.054	0.051
Income	-0.077*	0.035	-0.062	0.040	-0.007	0.029
Pro-Environmental Attitudes	-0.004	0.025	0.044	0.028	0.047*	0.021
Timing of Entry	0.400***	0.037	0.577***	0.040	0.289***	0.030
Key Success Factor Stability	0.511***	0.037	0.668***	0.040	0.300***	0.030
Lead Time	0.266***	0.037	0.379***	0.040	0.187***	0.030
Competitive Rivalry	0.342***	0.037	0.550***	0.040	0.304***	0.030
Sales Resources and Capabilities	0.669***	0.037	0.646***	0.040	0.165***	0.031
Industry Related Competence	1.162***	0.037	0.951***	0.040	0.116***	0.032
Venture Status	-0.127***	0.037	-0.223***	0.040	-0.131***	0.030
Marginal R^2	0.249		0.234		0.574	
Conditional R^2	0.341		0.312		0.616	

Note: *p < 0.05; **p < 0.01; ***p < 0.001; n = 4,928 decisions nested within 308 individuals. DV = dependent variable. SE = standard error.
Timing of Entry has been defined as dichotomous variable: 1 = pioneer; 0 = late follower.
Key Success Factor Stability has been defined as dichotomous variable: 1 = high; 0 = low.
Lead Time has been defined as dichotomous variable: 1 = long; 0 = short.
Competitive Rivalry has been defined as dichotomous variable: 1 = low; 0 = high.
Sales Resources and Capabilities has been defined as dichotomous variable: 1 = high; 0 = low.
Industry Related Competence has been defined as dichotomous variable: 1 = high; 0 = low.
Venture Status has been defined as dichotomous variable: 1 = for-profit; 0 = social.

We assessed the relationship between venture type and competence perception. Hypothesis 2 argued that social entrepreneurs, compared to for-profit entrepreneurs, are perceived less competent in a financing situation. As we could observe a negative and significant coefficient for venture type (Model 4: $b = -0.13$, $p = 0.000$), Hypothesis 2 is supported. We further assessed if social entrepreneurs compared to for-profit entrepreneurs are less likely to receive funding. In this regard, we observed that the coefficient for venture type was negative and significant (Model 5a: $b = -0.22$, $p = 0.000$). This provides additional support for Hypothesis 1 as it again indicates that the likelihood to receive funding is significantly lower for social entrepreneurs than it is for for-profit entrepreneurs. In order to test Hypothesis 3, arguing for a positive effect of competence perceptions on funding likelihood, we added perceived founder competence as additional predictor variable and re-ran the regression (Model 5b). Competence perception is a significant predictor of funding likelihood ($b = 0.72$, $p = 0.000$) and both marginal R^2 (Δmarginal $R^2 = 0.34$) and conditional R^2 (Δconditional $R^2 = 0.30$) are improved strongly by entering this variable. Still, the venture type coefficient remained negative and significant (Model 5b: $b = -0.13$, $p = 0.000$), which is a first indicator for a potential partial mediation. Hypothesis 4 states that social enterprises are less likely to receive funding and that this relationship is partially mediated by the perceived competency of the founder. We thus applied Structural Equation Modeling (SEM) with the current set of controls. To account for the multilevel structure of our data, we used the MLmed Macro for SPSS (see Rockwood & Hayes, 2017 for detailed information). Figure 2-2 reveals that social enterprise status is negatively associated with perceived founder competence ($b = -.13$: $p < 0.01$) and that perceived founder competence is positively associated with the likelihood to receive funding ($b = .79$; $p = 0.000$). Venture type also exhibited direct effects with the likelihood to receive funding ($b = -.12$; $p = 0.000$). Further, our testing indicates that venture type has a significant indirect effect on the likelihood to receive funding through perceived founder competence ($b = -.10$: $p < 0.01$), which supports the prediction of partial mediation. However, and despite the experimental character of Study 2, the potential for endogeneity bias exists due to the fact that in order to assess Hypothesis 4, we estimated the causal effect of one measured dependent variable (i.e., perceived founder competence) on a second measured dependent variable (i.e., likelihood to receive funding) (cp. Antonakis, Bendahan, Jacquart, & Lalive, 2014). To ensure the robustness of our findings in this regard, we – as applied in Study 1 – ran a 2SLS regression model with instrumental variables. As the results remained robust, Hypothesis 4 is further supported.

Figure 2-2: Results of the Multilevel-Pathmodel (Study 2)



Note: Venture Type: 0 = For-Profit Enterprise; 1 = Social Enterprise. Model fit: -2 Log likelihood = 33397.77; AIC = 33405.77.
**p < 0.01; ***p < 0.001; n = 4928 decisions nested within 308 individuals.

2.5 DISCUSSION AND LIMITATIONS

2.5.1 Discussion

The goal of our studies was to deepen our understanding about the mechanisms that constrain social enterprises when seeking to acquire financial resources. In this regard, we find evidence for our hypotheses and our general understanding by different methods and from different samples. More precisely, two complementing studies first allowed us to show that prioritizing social value creation over strict economic goals does indeed unfold significant negative effects on the likelihood to receive funding from financial resource providers. Our results thus empirically support what prior work in the field of social entrepreneurship has only conceptually outlined (e.g., Austin et al., 2006). In doing so, our results further add to the literature of resource provider decision-making (e.g., Franke, Gruber, Harhoff, & Henkel, 2008; Hall & Hofer, 1993; Zacharakis & Meyer, 1998). To our knowledge, our studies are the first to consider the prioritization of social value creation as a criterion used by venture capitalists to make their investment decision.

We were additionally able to show that, all else equal, social entrepreneurs are perceived as significantly less competent than traditional entrepreneurs. Based on role incongruity theory (Eagly & Karau, 2002), we infer that these competence assessments stem from the wide-held beliefs that prioritizing social value is not compatible with commercial logics and that social entrepreneurs are less suited than traditional entrepreneurs to found and grow a viable enterprise.

The result that the motivation to prioritize social value creation leads to a systematic devaluation of social enterprise founders shall be regarded as particularly critical. From the literature on new venture financing we know that, regardless of how attractive a new venture may appear, the way the founders are perceived is what most decisively shapes investment decisions (Macmillan et al., 1985). We shed light on the possibility that social enterprises face a systematic disadvantage when seeking to attract financial resources due to biased perceptions caused by the social entrepreneurs' vulnerability to role incongruity prejudice. This theory-driven approach to understand the constraints social enterprises face provides initial empirical evidence for the assumption that biased perceptions lead to a devaluation of social entrepreneurs, which, in turn, negatively impacts the likelihood of social enterprises to receive funding. These findings are in line with the notion that the decision-making task of whether or not to provide financial resources to a new venture is susceptible to bias due to its very nature (Zacharakis & Meyer, 2000). The results are further consistent with prior research indicating that resource providers do not solely rely on objective information in the decision-making process (e.g., Hisrich & Jankowicz, 1990).

In the light of our findings, applying role incongruity theory serves as a new and useful theoretical lens of analysis to view the constraints that social enterprises face in the context of resource acquisition. In this study, we examined the role of prejudice stemming from incongruity perceptions in the context of *new* social enterprises. However, role incongruity theory further suggests that social entrepreneurs may also face prejudice even if they have already successfully navigated their enterprise through its first years. In this regard, Eagly and Karau (2002) theorize that deviation of the injunctive norms of the social entrepreneur role (i.e., applying business logics successfully) would lead to less positive reactions of others. Future work may thus examine the favorability of commercially successful social entrepreneurs in the eyes of different stakeholders. This suggestion is in line with initial evidence by Costanzo and colleagues (2014). Based on four case studies, they conclude that balancing the expectations of multiple stakeholders may pose the risk for social enterprises to undermine the authenticity of their social motivation (Costanzo et al., 2014). The noteworthiness of this call is additionally echoed by Dacin and colleagues (2011) who point out that future research is needed that provides an understanding of the management of diverse stakeholders and the impression management for social enterprises in this regard.

In addition, prejudice toward social entrepreneurs may lead, again all else equal, to actual less competent performances. Applicable to effectively any social group (Brown & Pinel, 2003), the stereotype threat framework (Steele, 1997; Steele & Aronson, 1995) suggests that stereotypes have the power to impact thought and behavior. In this regard, Steele and Aronson (1995) experimentally show that a sole stereotypical belief – a suspicion – about a group's competence actually decreases their likelihood to perform well. Social entrepreneurs may thus suffer from prejudice in multiple ways: One, there is reason to believe that they face devaluation rooted in incongruity perceptions between their role as a social entrepreneur and how classical entrepreneurs are mentally prototyped. Two, social entrepreneurs are at risk of confirming to the negative stereotype about their competence and that their performance actually suffers.

Our findings with regard to the social entrepreneur's vulnerability to role incongruity prejudice additionally set the stage for future work that equips social entrepreneurs with the knowledge on how to respond to such biased perception. For example, Aaker and colleagues (2010) provide initial evidence that once cues are provided that enhance the way nonprofits are perceived with regard to competence, existing stereotypes may lose their impact. Thus, future studies are needed that identify strategies for social entrepreneurs that most effectively signal their competence.

2.5.2 Limitations

Our work has some limitations that need to be acknowledged and which present additional opportunities for future research.

Study 1 relied on cross-sectional data from a field study. While this provides initial empirical evidence for the proposed relationship between venture type and the likelihood to receive funding and while it enhances the external validity of our findings, the results are limited by the data collection method used. This data includes only ventures that have self-selected themselves into applying for an accelerator program, and, therefore, into taking part in the program's survey. Moreover, and unlike in an experimental setting, the data collection did not take place in a controlled environment. This left us unable to reduce potential random noise and to manipulate venture type – the independent variable of main interest – to rule out potential reverse causality a priori. Social venture type leads to, as we argue, a lower likelihood to receive funding. However, theoretically a reverse logic is also possible: A lower funding likelihood for social enterprises may lead founders to choose a for-profit type for their ventures. In order to reduce the threat of these problems, we controlled for potential common method variance and endogeneity. We further tested the robustness of the impact of venture type on funding likelihood with different operationalizations of our dependent variable and under various model specifications. All these empirical tests enhanced the confidence in our findings. Nevertheless, Study 1 alone does not allow to draw any conclusions on the mechanisms that explain the relationship between the constructs of interest. Study 2, however, allows us to address this limitation and to delve deeper into the process of resource provider decision-making. By manipulating our independent variables through the study's experimental character, we were additionally able to provide a better causal test of the proposed relationships.

One potential shortcoming to Study 2 pertains to the issue of the external validity of its results due to the hypothetical nature of the situations our decision makers were confronted with. More precisely, one important drawback our conjoint design implies in this regard is that it lacks the immediacy and emotional involvement decision makers most likely experience in a non-artificial setting (McKelvie & Gustavsson, 2011). Despite this justified criticism, however, evidence, especially in the context of mapping resource provider decision-making, leads to the conclusion that the advantages of the high internal validity our method conveys give good reason for its application (Riquelme & Rickards, 1992; Shepherd et al., 2000). While such prior applications further served us as best practice in the design of our scenarios, the real world environment in which such decisions are made is dramatically richer with regard to the information they are based upon (e.g., Zacharakis & Shepherd, 2001). As a consequence, information overload may occur in this context (Zacharakis & Meyer, 2000). This, in turn, may increase the decision makers' susceptibility to bias (Baron, 1998). Taken together, future work may thus replicate our findings in a real world setting to enhance the external validity of our results and consider a less conservative test to gauge the effect of biased prejudice due to role incongruity perceptions.

Moreover, the nature of our sample may be considered both a potential limitation and an opportunity for future research. More precisely, the decision makers did not have to decide upon investing their own money. While this is generally the case for many financial resource providers – such as, for instance, venture capitalists who manage and invest funds of their outside limited partners (De Clercq et al., 2006) - future work is needed to replicate our findings among resource providers who invest their own money (e.g., business angels) and verify if they react adequately. However, as we have actual data on social enterprises and funding decisions of real investors in Study 1, we can compensate for the limitations of the sample in Study 2 and also enhance the external validity of our findings. Additionally, this study sheds light on only one of possibly many mechanisms that drive the impact of social venture type on the likelihood to receive funding. For example, drawing on cognitive theory, Franke and colleagues (2008) show that the founder team quality assessment is shaped by venture capitalist experience. Prior investments in social enterprises made and the learning that results from it may thus prevent decision makers from otherwise biased perceptions.

Nevertheless, we do maintain that introducing a biased perception perspective and our findings in this regard are important in making a valuable first step to better understanding factors that constraint social enterprises in the resource acquisition process.

2.6 CONCLUSION

Elaborating on the peculiarities and idiosyncrasies of social enterprises, this study shows that social entrepreneurs face a systematic disadvantage, compared to for-profit entrepreneurs, when seeking to acquire financial resources. Drawing on role incongruity theory (Eagly & Karau, 2002), we further show that social entrepreneurs provide signals which are less congruent with the stereotype of successful entrepreneurs and, in such, are perceived as less competent. This again feeds forward into lower probability to receive funding. In this regard, we offer a novel perspective on the factors that constrain social enterprises from attracting important financial resources. Our results may serve social entrepreneurs as a valuable insight in that it sensitizes those seeking funds to the possibility of biased perceptions. At the same time, these findings provide a starting point for future research to identify strategies for social entrepreneurs to counteract prejudice effectively.

CHAPTER 3 THE IMPACT OF CONSISTENCY ACROSS RECRUITMENT CHANNELS ON INFORMATION RECOGNITION AND RECALL [3]

Abstract

Firms use a variety of channels to provide information to potential recruits. This paper examines how the level of information consistency across such different recruitment channels impacts information recognition and information recall of potential applicants. Using an experimental setup (n=424), we show that recognition and recall effects are significantly improved once potential applicants were exposed to consistent recruitment information. In turn, inconsistency showed a significant effect on false information recognition. Partial inconsistency provided lower levels of true recall and recognition than consistent recruitment information, but also provided significantly less false recall than inconsistent recruitment information.

[3] Chapter 3 is co-authored by Prof. Dr. Matthias Baum and Eva Henrich.

3.1 INTRODUCTION

In times where the most talented job seekers have plentiful options to critically assess and compare possible future employers (Van Hoye & Lievens, 2007), organizations have to efficiently orchestrate their recruitment activities (Breaugh & Starke, 2000). Especially the early phase in the recruitment process is considered to be of paramount importance due to its impact on both job seeker decision processes and the attraction of applicants to an organization (Allen, Mahto, & Otondo, 2007; Turban, 2001). During the first stages of the recruitment process, applicants collect and store memories and associations about potential employers (i.e., *employer knowledge*) which set the base for all subsequent application decisions (Cable & Turban, 2001; Turban, 2001). Accordingly, previous studies report that applicants' stored information about an organization and their provided jobs plays a paramount role in the recruitment process (Chapman, Uggerslev, Carroll, Piasentin, & Jones, 2005). Empirical evidence shows that job and organizational information positively impact recruitment material attractiveness and application intentions (Allen et al., 2007), help applicants to self-select into organizations that fit to their personal values (Dineen, Ling, Ash, & DelVecchio, 2007), and ultimately enhance their application likelihood (Collins, 2007). Yet, while we have a comprehensive understanding of the positive outcomes of employer knowledge in the recruitment process, research investigating on the cognitive processes involved in creating such knowledge is virtually absent.

Particularly it remains puzzling how firms should orchestrate their recruitment channels in order to enhance the creation of employer knowledge. Some research indicates that more and more diverse information helps applicants to build holistic images about a potential employer (Lievens & Highhouse, 2003) and thus provides more realistic job previews (Breaugh, 2008). Other research from the marketing arena instead argues that organizations should provide similar information across different channels in order to enhance learning allow for consistent brand images (Navarro, Sicilia, & Delgado-Ballester, 2009).

We address this puzzle by observing how consistency with regard to the communication of job or organization information across different recruitment channels impacts the recall and the recognition of that information. Generally defined as the degree to which each decision made reflects the intended whole (Swait & Erdem, 2002), consistency is here understood as the degree of similarity of information cues about an employer. To answer our research questions, we introduce the integrated marketing communication (IMC) concept into the recruitment domain. In marketing literature, this concept has been widely shown to have a more positive impact on information processing and recognition compared to non-integrated communication channels (Houston, Childers, & Heckler, 1987; Navarro et al.,2009). We therefore suggest to capitalize on the benefits of IMC by transferring this concept to the early recruitment phase and propose that this concept can be implemented to efficiently design recruitment activities across multiple channels. We then apply an experiment for testing our theoretically derived predictions. This way, we are able to manipulate the level of information consistency and test its impact on true and false information recall and recognition.

Our work contributes to intensifying our understanding of the early recruitment phase. First, by observing the effect of different levels of recruitment information consistency on prospective recruits' memory, we resolve the question if firms should rely on consistent recruitment messages across different channels or if a certain amount of variation in information is helpful to create an enhanced employer knowledge. In turn, our work suggests that by failing to remember the source of recruitment information, job seekers may attribute job information to the wrong firm and thus create an incorrect employer knowledge. In this regard, we show that the applicants' level of cognitive elaboration is not only impacted by the mere application of multiple communication channels but also by the modalities by which organizational or job information is communicated.

Second, we contribute to closing the gap between marketing and recruitment research. Our results underline the general importance for staffing managers and recruiters to become more familiar with concepts from the field of marketing. Further, the present findings suggest to adapt an IMC logic when designing recruitment material as strategic message consistency results in anchoring job and organization information in the head of the communication addressee: the applicant. Our interdisciplinary study is thus also of particular relevance for recruiters whose “task in recruiting is that of marketing jobs in a labor market” (Maurer, Howe, & Lee, 2006, p. 808).

The remainder of this paper is structured as follows. In the next section, we elaborate on the importance of information consistency in the light of marketing research and provide the theoretical framework for our work. Next, after detailing our research methodology and data analysis, the results obtained are presented and critically discussed. This article concludes with the limitations of our study and on this basis derives directions for future research.

3.2 INTEGRATED MARKETING COMMUNICATION

In response to a competitive environment characterized by information satiation effects (Navarro-Bailón, 2011) and increased information access (Blazevic et al., 2013) that may lead to information overload (Malhotra, 1984), IMC is considered to be the major development in communication for the last years (e.g., Kitchen, Brignell, Li, & Jones, 2004; Lee & Park, 2007). The concept of IMC has therefore received considerable attention from marketing practitioners (Madhavaram, Badrinarayanan, & McDonald, 2005) and scholars, particularly from the field of advertising (e.g., Duncan & Everett, 1993; Garretson & Burton, 2005). While IMC is primarily applied to explain customer reactions (e.g., Kotler & Keller, 2012; Schultz, 1991), some scholars explicitly widen its scope by including communication that addressees other than a firm's mere customer base. In this vein, according to Schultz and Schultz (2003), IMC is meant to target also any other "relevant external or internal audiences" (p. 43). Assuming this perspective, IMC might be an appropriate framework for studying recruitment communications as well.

The previous literature on IMC unequivocally identified the potential of information consistency for creating superior brand equity (Duncan & Everett, 1993; Kitchen, Kim, & Schultz, 2008; Low, 2000; McGrath, 2005; Naik & Raman, 2003). Consistency with respect to information content and the brand stimuli communicated is regarded as more effective in a highly fragmented mass communications environment that firms see themselves confronted with today (McGrath, 2005). Further, unlike messages conveying highly inconsistent information, strategically designing consistent firm communications may lead to an easier recall of information content due to a stronger image trace in the recipients' memory structure (Schultz, Tannenbaum, & Lauterborn, 1993).

While firms make use of various recruitment activities in the early phases (Baum & Kabst, 2014), effective IMC campaigns are also argued to require consistency in all contact points with their recipients (Duncan & Moriarty, 1998; Garretson & Burton, 2005) so that synergy effects can be generated (Kitchen et al., 2004; Naik & Raman, 2003; Smith, Gopalakrishna, & Chatterjee, 2006). In line with this, prior research states that the use of multiple media, e.g. television, print advertising, and the internet, causes a combined effect that "exceeds the sum of their individual effects" (Naik & Raman, 2003, p. 375). Thus, communicating firm information through various channels can maximize its benefits (Belch & Belch, 2003). However, variations and inconsistencies across multiple messages can negatively impact their success (Goodstein, 1993). As a consequence, consistency is not only helpful but crucial (Smith et al., 2006).

Thus far, the IMC concept has predominantly been applied to the marketing arena. However, in the recruitment field, a considerable amount of research has fruitfully provided recruitment scholars with theory and concepts to advance the extant knowledge regarding the effectiveness of firm activities on the application decisions of job seekers (e.g., Collins & Han, 2004). Arguing from a brand equity perspective, Baum and Kabst (2014) recently identified a positive interaction between recruitment websites and recruitment ads for creating applicant attraction, but also for enhanced job information. The authors suggested that combining different recruitment practices yields better learning effects of the recruitment material, which coin into more favorable recruitment outcomes. Further, recruitment scholars have explicitly encouraged staffing managers and recruiters to apply concepts derived from the field of marketing (Collins & Stevens, 2002). In this vein, and against the background of job seekers' being among the addressees of IMC from a theoretical perspective, transferring the concept of IMC to the recruitment area can be regarded as plausible and promising.

3.3 THE IMPACT OF INFORMATION CONSISTENCY IN RECRUITMENT

Similar to consumers, who in general cannot make decisions about purchasing a product or a service immediately after having been exposed to an ad (Keller, 1987), there is usually a lag between potential job applicants' recruitment activity exposure and their opportunity to apply. It can thus be assumed that recruitment activity effectiveness is very much dependent on the memory performance of the information recipient, the job applicant.

However, just as an individual's memory system is complex (Braun-Latour, Latour, Pickrell, & Loftus, 2004), so is its assessment. In this regard, recall and recognition are frequently applied in memory assessment (Ahn & La Ferle, 2008) and therefore considered standard memory measures (Morrin, 1999). Recalling a message requires individuals to independently produce the information this very message contained (Lynch & Srull, 1982). For recognizing pieces of information conveyed in a message an individual, however, is solely to answer whether or not the information presented during a second occasion was part of a message the individual had priorly received (Singh, Mishra, Bendapudi, & Linville, 1994). Recognizing is thus “the process of arriving at a decision about prior occurrence” (Mandler, 1980, p. 252). Following Anderson and Bower's (1972) dual-process hypothesis, recognition can be thought of as a subprocess of recall. Recalling information in a first step encompasses a memory search process resulting in the retrieval of a priorly presented piece of information. In a second step, the retrieved piece of information has to be recognized as being relevant to the respective recall task (Singh, Rothschild, & Churchill Jr., 1988).

Accordingly, a large body of research from the fields of marketing and advertisement has been dedicated to the improvement of the memory performance of firm message recipients to increase firm communication effectiveness (e.g., Campbell & Keller, 2003; Keller, 1987; Law, 2002; Lowrey, Shrum, & Dubitsky, 2003; Singh et al., 1994; Unnava & Burnkrant, 1991). In this regard, the impact of information repetition on the effectiveness of firm communication is considered a central issue (Campbell & Keller, 2003) and a general consensus exists that message repetition benefits memory (Law, 2002). The degree to which repetition yields favorable results with regard to memory performance, however, is dependent on how the message is delivered. First, repeating the same message across different channels arouses more attention than repeated exposure to the same information from a unique source (Chang & Thorson, 2004).

Second, and unlike same channel usage (Grass & Wallace, 1969), across channel exposure to the same message has a positive effect on information processing and elaboration. Thus, compared to non-integrated communication channels, information consistency across different communication channels results in higher information processing (Navarro et al., 2009). This consequently results in superior memory performance (Edell & Keller, 1989; Houston et al., 1987). The notion that communicating consistent recruitment information across various channels leads to better firm message memory is further supported by Unnava and Burnkrant (1991). Two experimental studies provided empirical evidence that repeating varied executions of an ad yields superior memorability than same ad executions (Unnava & Burnkrant, 1991).

There is thus not only reason to believe that information consistency across multiple channels yields the most favorable results when aiming to provide information to potential recruits but also that strategically aligning recruitment information with regard to consistency has a positive impact on the memory of the information conveyed. We thus hypothesize:

Hypothesis 1:	*Information consistency among recruitment channels has a significant positive impact on a) information recognition and b) information recall.*

Above, we theorized over the impact of information consistency across different recruitment channels on job applicant memory. However, there is reason to believe that the communication of inconsistent recruitment information may lead to the creation of an incorrect knowledge that job seekers hold about a firm. In turn, the communication of consistent information among recruitment channels may negatively impact incorrect employer knowledge creation. Our reasoning for this relationship builds on prior research from the stream of false memory creation and on the associative network model.

False memories are understood as "either remembering events that never happened, or remembering them quite differently from the way they happened" (Roediger & McDermott, 1995, p. 803). In the context of recruitment, false memories of job applicants can thus be referred to as remembering job or organizational information which has never been communicated by the firm or remembering such information differently from the way it has been presented. In this regard, when trying to access employer knowledge, job applicants may confuse which firm the communicator of a specific piece of information actually was.

The foundation of what we know today about false memories was laid in the middle of the last century over the course of studying the associative basis of memory (Seamon et al., 2002). In this regard, the theory of implicit associative response (Underwood, 1965) is among the most prominent in explaining false memory. It posits that words semantically associated with previously presented words are likely to be falsely recognized (Roediger & Dermott, 1995; Underwood, 1995). Empirical evidence of the impact of semantically associated content on false memory, however, has been provided not only in the context of word presentations but also when individuals were given whole sentences (e.g., Bransford & Franks, 1971) or prose material (Sulin & Dooling, 1974). As it is reasonable to assume that job or organizational attributes from distinct firms communicated in the recruitment context are semantically associated with each other, job applicants may be particular prone to false memory creation.

Further, a firm that sends out recruitment information can be considered the source of job or organization information memory (cp. Johnson, Hashtroudi, & Lindsay, 1993). This implies that job seekers do not only have to memorize job or organization information in terms of its content but also with regard to the source.

The notion that sending consistent information across multiple recruitment channels helps to prevent false information recognition is supported by the associative network model (Anderson, 1983). The associative network model has been frequently applied to advertising or marketing contexts and has received empirical support in these areas (e.g., Kelting & Rice, 2013). According to this model, memory is a network of nodes that represent stored information and links that connect these nodes. The model states that the connecting links between these nodes represent the strength by which they are mentally associated. Further, on the one hand, the associative network model posits that information content and source are stored into distinct nodes within the individual memory network (Keller, 1987). On the other hand, the link between any two nodes can be strengthened by repeating the association between information content and source (e.g., Burke & Srull, 1988; Kelting & Rice, 2013; Pham & Johar, 1997). Applying Anderson's (1983) network metaphor to the recruitment context, job or organization information repetition can be expected to prevent source confusion by job applicants. Repeating recruitment information may thus ultimately negatively impact the likelihood of job applicants falsely recognizing recruitment information. Such repetition can be achieved through same information exposure across different channels or, in other words, by sending consistent information.

There is thus reason to believe that information consistency leads job seekers to attribute recruitment information content to the source intended. We thus hypothesize:

Hypothesis 2:	*Information consistency among recruitment channels has a significant negative impact on information recognition failure quota.*

3.4 METHOD

We conducted an experiment in order to test our hypotheses regarding the impact of the information consistency level across different recruitment channels on applicant information recognition and recall. Participants were invited to take part in our study via mail, social networks, the internet, and during a lecture. Several emails were sent via a university mailing list to reach potential applicants. At last, email addresses from students were collected during a business introduction class. To increase the response rate, participants were offered the possibility to win one of three vouchers for amazon.de.

A total of 584 subjects responded to our study invitation. For these, we had to exclude 160 individuals because of missing values for the time 2 data collection. These missing values occurred because participants did not provide an email address for contacting them for the time 2 data collection or because they created different individual codes in time 1 and time 2 data collection and thus could not be matched for the final analysis. This left us with a final sample of n=424 participants of which 75.5 % were students and 17.2% were employees. 27.4% of all participants were actively searching for a job during data collection. 275 (64.9%) women and 149 (35.1%) men completed the study. The average age of all respondents was 25.59 years (SD=6.441).

3.4.1 Procedure

In order to assess the degree of information recognition, false information recognition and information recall, data was collected at two time points.

Time 1 data collection. To ensure anonymity and at the same time to allow for a time 2 collection, participants were asked in the beginning to create a personal and unique code to match their responses with those collected during the follow-up. Participants were then exposed to the recruitment materials and afterwards surveyed for demographics. Finally, they were asked to provide their email address to receive the invitation for the recall (time 2 data collection).

Time 2 data collection. One week after time 1, the participants received the invitation to take part in the second data collection during which their recall and recognition regarding the materials presented earlier during time 1 were assessed. No other variables were included. Up to three reminders were sent with a two-day interval. Subjects who had not responded after that period were eliminated from our data set to rule out further participation to ensure the comparability of the data collected. Thus, information recognition and recall of all participants were assessed one week after the first data collection phase.

3.4.2 Design

We designed experimental recruitment materials for a fictitious company, a consulting company named *Genius Consulting.* We chose to use three recruitment channels after conducting a pretest with four recruitment channels. As a high number of participants left the survey prior to having been presented a forth channel in this pretest, one channel was deleted to reduce the dropout rate. The final recruitment channels in our study were an employee testimonial, a company presentation, and a job advertisement. An employee testimonial was included in the design because company information conveyed by a testimonial is perceived as highly credible by job seekers (Walker, Feild, Giles, Armenakis, & Bernerth, 2009). Subjects were shown a video of an employee of the fictitious company telling about the advantages of the organization. Further, a company presentation was selected as experimental stimulus since company presentations have been shown to reach a high level of relevance for recruitment activities (Baum & Kabst, 2011; Breaugh & Starke, 2000; Breaugh, 2008; Collins, 2007; Turban, 2001). The company presentation applied in our study consisted of a power point presentation about the organization. In addition, the presentation was accompanied by an audio stream of another fictitious employee. Finally, we created a one page job advertisement showing the logo of *Genius Consulting* and containing information on both the job and the organization.

We manipulated IMC by exposing participants with either inconsistent, completely consistent or partially consistent recruitment information. As past research only tests on the extremes of consistency, our design included a partially consistent information condition to test if strategic message consistency underlies a linear relationship. In addition, the amount of information presented (low vs. high) was varied. Our study thus employed a 3x2 experimental design.

By thoroughly investigating real job advertisements across a diverse range of industries and jobs, the most commonly used information regarding the job or the organization was identified and included in our experimental conditions (see table 3-1). A pretest (n=121) ensured that our manipulations were perceived as intended.

The scenarios with complete consistency provided similar information about the recruiting firm across all three recruitment channels. The partially consistent scenarios varied some information across the different channels, while holding some information constant. In the inconsistent scenarios, no information about the recruiting firm was held constant.

The number of pieces of information presented varied depending on the condition; the inconsistent condition always consisted of three times more information than the consistent one. Job advertisements with more information tend to be perceived as more credible and attractive and thus have a stronger impact on applicant interest then to those presenting less information (Allen et al., 2007; Allen, Van Scotter, & Otondo, 2004; Roberson, Collins, & Oreg, 2005). To account for the effect of information amount and to guarantee comparability, we designed two different levels of information amount. In addition to the variations based on the level of information consistency, all experimental cells thus varied in their amount of information presented. In the low information condition, only three organizational characteristics were presented per recruitment advertisement whereas in the high information condition every recruitment channel contained two additional organizational characteristics (see table 3-1).

Table 3-1: Scenario Overview

	Company Presentation	Testimonial	Job Advertisement
Consistent	Taking responsibility Innovative company International company Introduction program* Interesting projects*	Taking responsibility Innovative company International company Introduction program* Interesting projects*	Taking responsibility Innovative company International company Introduction program* Interesting projects*
Partially Consistent	Innovative company International company Taking responsibility* (corporate social responsibility) Career opportunities* Interesting projects*	Innovative company International company Flexible working hours* (taking responsibility) Motivated colleagues* Work-life-balance*	Innovative company International company Salary Development of knowledge in the branch* Company car/cell phone*
Inconsistent	Taking responsibility Interesting projects Corporate social responsibility shaping the company* Career opportunities*	International company Work-life-balance Flexible working hours Motivated colleagues* Innovative company*	Salary Additional insurance payments Company car/cell phone Dynamic environment* Development of knowledge in the branch*

*Information not included in the low information scenarios.

3.4.3 Manipulation Check

To assess whether our respective manipulations had the desired effect, the participants rated both the degree to which they perceived the messages presented as consistent and the amount of information shown.

We measured the participants' evaluation of message consistency using four items adapted from McGrath (2005). A sample item is "The messages contained in the materials are consistent" ($\alpha = 0.86$). The results of the analysis of variance (ANOVA) revealed a significant difference in consistency perceptions with regard to the information presented for the three consistency levels ($M_{consistent} = 1.61$, $M_{partially\_consistent} = 1.46$, $M_{inconsistent}. = 0.75$; all $p = .00$). Our manipulation of information consistency was thus perceived as intended.

With regard to measuring the amount of information included in each scenario, three items were borrowed from Allen et al. (2007). A sample item is "How much information about the job/organization did the recruitment channels provide compared with what you expected?" ($\alpha = 0.89$). Participants perceived the amount of information presented in the high amount of information condition (M=-.25) as significantly higher than in the low amount of information condition (M=-.62,) ($p < .01$). All items were rated on a seven-point Likert format.

3.4.4 Memory Measures

In the consistency condition, our participants were presented three (five), in the partial consistency scenario five (eleven), and in the inconsistency condition nine (fifteen) firm characteristics. As these characteristics did not vary in importance regarding recall and recognition, we applied a relative measure of information recall adapted from Towse, Cowan, Hitch, & Horton (2008). We set the number of correctly recalled items in proportion to the maximum of possibly recalled items. By converting the absolute recall measures collected into relational measures, a comparability across our scenarios that differ in information amount.

The impact of message consistency across recruitment channels included both unaided recall and recognition tasks. However, besides differentiating solely between recognition and recall, we also tracked the amount of falsely recognized job advertisement content. This is in line with Childers, Heckler, and Houston (1986) who differentiated the measurement of recognition in correctly and falsely recognized attributes when examining the impact of different encoding processes on consumer memory for pictorial and verbal stimuli.

Information recognition. The participants' information recognition was assessed by a multiple-choice question ("Try to remember what you have seen in the two videos and one job advertisement.") containing 20 company characteristics. The recognition score was then formed by setting the actual number of correctly recognized characteristics in proportion to the maximum score attainable. This score was calculated for each scenario and measured during time 1 as well as during time 2 data collection.

False information recognition. The false information recognition was determined by asking the participants "Try to remember what you have seen in the two videos and one job advertisement." This was a multiple-choice question having 20 possible answers. The proportion of the false recognized answers to maximum recognized answers was calculated for each scenario. The false information recognition was measured at time 1 data collection as well as in time 2 data collection.

Information recall. The unaided recall measure was created by asking the participants to write down as much as they could remember about what they have seen in the two videos and in the job advertisement. The false information recall was measured at time 1 data collection as well as in time 2 data collection.

3.4.5 Control Variables

To control for additional explanations of information recognition and recall, we followed previous studies from the field of recruitment (e.g., De Goede, Van Vianen, & Klehe, 2011) and surveyed background and demographic variables of our participants, such as age, gender, the expected duration until graduation, whether or not they were looking for employment at the time, the number of applications already submitted, and their current semester as indicators for participant involvement and experience. Additionally, prior research suggests that individuals who currently looking for a job are more likely to view recruitment material more carefully (Baum & Kabst, 2013). However, there were no significant relationships between our focal variables and these controls.

3.5 RESULTS

Table 3-2 reports the means, standard deviations and correlations among all variables. To test hypothesis 1a, 1b and 2, we performed a multivariate analysis of variance (MANOVA) with information recognition, false information recognition and information recall as the dependent variables and strategic message consistency as the independent variable. Results disclose differences for the strategic message consistency, Wilks' λ=.74, $F(6)=22.45$, $p<.001$, η^2=.14.

In the next step, we operated three one-way analyses of variance (ANOVA). Results indicated significant strategic message consistency main effects for information recognition, $F(2)=30.48$, $p<.001$, η^2=.13, for false information recognition, $F(2)=15.01$, $p<.001$, η^2=.07, and for information recall, $F(2)=37.34$, $p<.001$, η^2=.15 (see table 3-3).

Hypothesis 1a stated that strategic message consistency is expected to have a positive effect on recruitment information recognition. As predicted, participants recognized significantly more company characteristics in the consistent recruitment material condition ($M_{recog,\ cons}$ = .83) than in the partially consistent recruitment material condition ($M_{recog,\ part\_cons}$ = .66) ($p < .00$) and significantly more than when the information presented was inconsistent ($M_{recog,\ incons}$ = .65) ($p < .00$). Hypothesis 1a is thus supported.

According to hypothesis 1b, strategic message consistency has a positive impact on recruitment information recall. Our results confirm this assumption as participants recalled significantly more information in the consistent recruitment material condition ($M_{recall,\ cons}$ = .50) than in the partially consistent recruitment material condition ($M_{recall,\ part\_cons}$ = .32) (p <

.00) and significantly more information than when the information presented was inconsistent ($M_{recall,\ incons}$ = .28) ($p < .00$). We thus find support for hypothesis 1b.

In hypothesis 2, we predicted that strategic message consistency among recruitment channels had a significant negative impact on information recognition failure quota. Indeed, false information recognition was lower when participants were exposed to the consistent ($M_{false\_recog,\ cons}$ = .23) than when they were presented inconsistent recruitment material ($M_{false\_recog,\ incons}$ = .34) ($p < .00$). In line with this, being exposed to inconsistent company characteristics led to a higher information recognition failure quota than did being presented partially consistent recruitment material ($M_{false\_recog,\ part\_cons}$ = .24) ($p < .00$). These results support hypothesis 2.

Table 3-2: Means, Standard Deviations and Correlations

Variables	Mean	SD	Strategic Message Consistency	Amount of Information	Information Recognition	False Information Recognition	Information Recall
Strategic Message Consistency	1.26	1.36	1				
Amount of Information	-0.45	1.18	0.252**	1			
Information Recognition	0.71	0.23	0.201**	0.020	1		
False Information Recognition	0.27	0.20	0.033	0.145*	0.163**	1	
Information Recall	0.37	0.25	0.111*	0.016	0.513**	0.008	1

Note: **Correlation is statistically significant at the 0.01 level (2-tailed). *Correlation is statistically significant at the 0.05 level (2-tailed). SD = standard deviation.

Table 3-3: ANOVA Results

Variable	Information Recognition[a]		False Information Recognition[a]		False Information Recognition[a]	
	F	η^2	F	η^2	F	η^2
Main Effects						
Strategic Message Consistency	30.48**	.126	15.01**	.07	37.34**	.151

	N	Information Recognition[a]		False Information Recognition[a]		False Information Recognition[a]	
		Mean	SD	Mean	SD	Mean	SD
Consistency	146	.83	0.23	.23	.15	.50	.29
Partial Consistency	128	.66	.22	.24	.18	.32	.20
Inconsistency	150	.65	.21	.34	.24	.28	.18

Note. Wilks' λ=.742, $F(6)$=22.446, p<.001, η^2=.138. SD = standard deviation.

[a]0 = no organizational characteristic was recognized/recalled, 1= every possible organizational characteristic was recognized/recalled.

[b]0 = no falsely recognized characteristic, 1= all items were falsely recognized.

To enhance recruitment success, firms must manage the job and organization information that possible job applicants hold.

3.6 DISCUSSION AND IMPLICATIONS

The increasing opportunities of potential applicants to obtain information about their possible future employer raise a severe challenge for every organization. Companies nowadays do not only have to capture the attention of potential employees but are also to create an enhanced employer knowledge. In this regard, this study responds to calls for more research in the area of antecedents of recruitment (Breaugh & Starke, 2000) and contributes to our understanding of the early recruitment phase by introducing an IMC perspective.

Our empirical investigation shows that strategically aligning job and organization information in terms of consistency across recruitment channels yields favorable effects on employer knowledge creation in the course of the recruitment process. Whereas marketing scholars consider it an integral part of company communications efforts (e.g., Madhavaram et al., 2005), thus far, research in the field of recruitment did not account for the impact of consistency with regard to the ideal design of the early recruitment phase. We find that designing recruitment channel material in a consistent way positively affects recruitment information recognition and recall.

The literature on marketing also demonstrates that a strategic consistency-based integration yields positive effects on information processing (Houston et al., 1987; Navarro et al., 2009). According to Petty and Cacioppo's (1986) elaboration likelihood model, information is processed internally via either the central route, characterized by high elaboration, or the peripheral route whereas the latter is characterized by the contrary. In this context, prior research from the field of marketing provides the empirical evidence that individuals process information more elaborately when communication channels are strategically aligned in terms of consistency compared to when individuals are exposed to non-integrated communication material (e.g., Navarro et al., 2009). Our results on the one hand confirm prior work in this regard, as they indicate that the use of several communication channels fosters individual cognitive elaboration. On the other hand, our findings demonstrate that the modalities by which information is communicated seem to have an impact on information processing. We consider these results relevant for managerial practice as they provide guidance on how to enhance the existing knowledge about information processing during the recruitment process.

Second, the present study aimed to analyze the impact of providing consistent job or organizational information compared to providing inconsistent recruitment material on recognition failure quota. The results show that consistency not only increases the number of recognized job attributes but that also decreases the failure quota of wrongly perceived job attributes. In this vein, we provide empirical evidence suggesting that aligning recruitment channel content can be implemented as an effective strategy to reduce the applicants' failure quota of information recognition. The possession of such incorrect knowledge may lead to undesirable outcomes for the recruiting firm such as a distortion with regard to the applicants' perceptions of person-organization fit (e.g., Kristof, 1996). Our findings in this regard provide the first empirically supported implications for companies seeking to avoid the creation of an incorrect employer knowledge. Further, the results of this study suggest that it is of paramount importance that job seekers do not fail to recognize whether a certain piece of information was communicated by a specific firm or not.

Signaling theory (Spence, 1973) provides the basis for explaining human behavior when two parties have access to different pieces of information (Connelly, Certo, Ireland, & Reutzel, 2011). Despite employer uncertainty about potential applicant capabilities being the main focus, Spence (1973) in his seminal work pointed out that applicants as well have less than perfect information about possible future employees when looking for a job. Against this background, the firm seeking to recruit (i.e., the message sender) has to make decisions about the design of both recruitment material content and communication channels. It is then to the potential applicant (i.e., the message recipient) to interpret the conveyed signal (i.e., the message recipient) (e.g., Breaugh, 1992; Einhorn & Hogarth, 1985; Rynes, 1991). Efficient communication is thus a key factor to recruitment success and our work shows that through the application of a consistency principle a firm is given the possibility to more efficiently communicate their desired signals and to also avoid applicant confusion. The increased recognition and recall quota triggered by consistency demonstrates that signals will be strengthened once they were conveyed in a consistent way.

In addition, with regard to correctly recognized job and organization attributes, a more detailed look at the results shows that providing partially consistent material yields the same effects as the presentation of inconsistent material. However, scrutinizing the effect of message consistency on failure quota revealed that individuals who are presented only partially consistent information perform equally well as those who are provided with consistent information. In line with Childers and colleagues (1986), the results of our work indicate that there is a clear difference in encoding consistencies and inconsistencies whereas the encoding of only partially consistent information is more complex than priorly assumed.

3.7 LIMITATIONS AND FUTURE RESEARCH

As with all research, our study is not without limitations that, at the same time, offer fruitful venues for future exploration. This study's experimental design allowed us to carefully manipulate and control the level of information consistency with respect to the recruitment material presented. Due to concerns about participant fatigue, we collected our data providing participants with only three recruitment information sources, namely an employee testimonial, a company presentation, and a job advertisement. However, the recruitment literature suggests that on the one hand these channels are only three out of the large variety organizations choose from when communicating recruitment messages (Allen et al., 2004) and that on the other hand job applicants indeed use multiple job information sources (Zottoli & Wanous, 2000). In this regard, the amount of the recruitment channels applied in our study provides an opportunity for future research in that scholars may assess the impact of a much more sophisticated number of different communication media used. However, there is reason to believe that not only the amount of recruitment sources firms use but also the selection of recruitment source type may impact the relationship between the level of information consistency and its impact on the creation of employer knowledge. Our study design included only firm-induced communication material. However, past research shows that also job or organization information communicated independent of a firm's hiring activities have the power to impact possible future employees in a way desired by recruitment managers (e.g., Van Hoye & Lievens, 2007). In this context, research from the field of marketing (e.g., Schmitt, Skiera, & Van den Bulte, 2011) provides the notion that recruitment information communicated to job applicants by their strong and weak ties tends to be more relevant to the message recipient as message senders would seek out those in their social network who are likely to be most interested in the respective piece of information. As such self-relevant information is processed more elaborately (Alba & Hutchinson, 1987; Petty & Cacioppo, 1986), we encourage future research to empirically assess the impact of whether or not recruitment information is firm-induced on the relationship between the level of information consistency across different channels and information recognition and recall of potential applicants.

Regarding external validity, the majority of our study's participants were students. Recruitment scholars in the past have expressed their doubts about the extent to which results obtained from students will generalize to a broader population (e.g., Cable & Turban, 2003). Even though students will be new entrants to the labor market and thus draw a considerable attention from firms seeking to recruit (Turban & Cable, 2003), future research should examine the generalizability of our findings.

To rule out alternative explanations of our findings based on pre-existing attitudes towards the firm seeking to recruit, we provided our participants with recruitment material of a fictitious company. However, as Cable and Turban (2003) noted, we know that advertisement content can be recalled better if these advertisements feature brands consumers are familiar with. In a similar vein, Alba and Hutchinson (1987) suggest that consumer product familiarity positively influences the ability to memorize product information. There is thus reason to believe that applying the IMC principle on recruitment activities may lead to even greater effects on the creation of employer knowledge for companies familiar to its applicants. It would be therefore interesting for future research to investigate on the role of firm familiarity for the effectiveness on recruitment information.

Finally, this study focused on the influence of consistency on recognizing and recalling organizational as well as job attributes. To expand the recruitment literature and combine our findings with existing research (e.g., Turban, 2001), future research is needed to paint a more comprehensive picture of the impact of strategically aligning recruitment messages across multiple different channels with regard to information consistency. In this vein, we consider future investigations on the impact of recruitment message consistency on more immediate objectives of recruitment such as credibility and organizational attractiveness as a particularly worthwhile endeavor.

CHAPTER 4 CUSTOMER REFERRAL REWARD-BRAND-FIT: A SCHEMA CONGRUITY PERSPECTIVE [4]

Abstract

Customer referral programs are widely applied as an effective means to stimulate word-of-mouth. While previous research mainly focuses on customer referral programs' impact of acquiring new customers, this study introduces referral programs as a strategic brand management tool. In doing so, this article emphasizes what has been largely neglected by scholars: A "recommenders-perspective". Guided by two competing theoretical perspectives, this paper proposes that the perceived congruity between a reward and the recommended brand is an essential driver of referral program performance outcomes. The results show that rewards that conform to the image of the recommended brand yield more favorable reward attractiveness perceptions. Furthermore, the authors show that reward attractiveness perceptions inevitably affect the brand customers are asked to recommend in exchange for receiving this reward. The research reported here extends the literature on judgmental

[4] Chapter 4 is co-authored by Prof. Dr. Matthias Baum.

evaluations resulting from schema-based processing and provides novel insights into the design of customer referral programs.

4.1 INTRODUCTION

Customers increasingly interact with each other for exchanging information about products, brands and firms (De Bruyn & Lilien, 2008; Gruner, Homburg, & Lukas, 2014; Gupta & Harris, 2010; Zhu & Zhang, 2010). Even though this word-of-mouth (WOM) communication has been long acknowledged as an important driver of customer behavior (e.g., Arndt, 1967; Brown & Reingen, 1987; Dichter, 1966), today's computer mediated environment enlarges WOM's scale and scope of influence considerably (Guo, 2012). WOM communication currently shapes whole online platforms of large sellers such as Amazon or Macy's and even has been shown to substitute for product information communicated by the firm directly (Chevalier & Mayzlin, 2006).

In order to make use of this trend, firms try to establish formal programs specifically designed to induce WOM behavior – so-called customer referral programs. Customer referral programs are defined as "a form of stimulated WOM that provides incentives to existing customers to bring in new customers" (Schmitt, Skiera, & Van den Bulte, 2011, p. 47). Despite customer referral programs becoming increasingly popular across different industries (Ryu & Feick, 2007), marketing scholars have only recently begun to explore their potential (Verlegh et al., 2013).

So far, customer referral program scholars have mostly focused on reactions of the receiver of the referral, but neglected to study how a reward impacts a company's relationship with the recommender of the product (i.e. *the customer making the referral)*. One notable exception is the recent work of Garnefeld et al. (2013) showing that receiving a reward for recommending a service increases the recommender's loyalty to the firm.

Understanding how customer referral program design influences the recommender's perceptions towards the firm is of paramount importance, since these customers exert great influence on other customers (e.g., Bickart & Schindler, 2001; Chevalier & Mayzlin, 2006; Godes & Mayzlin, 2009) and are valuable customers themselves (Villanueva et al., 2008). It therefore may seem unnecessary to say that firms need to carefully match customer referral programs with the image of the referred products and brands. In practice, however, firms' creativity seems to have no bounds when deciding for the rewards in their customer referral programs. For example, the German bank DKB gives out "DKB-points" for making a referral that can in turn be traded in for a large variety of different products ranging from popcorn machines to stadium tickets for professional soccer. The American telecommunications service provider AT&T promises its customers to earn up to $575 a year for referring new customers to the company. The world's largest hotel company, Marriott International, lets its customers choose rewards from a range of categories, such as Electronics, Tools, or Patio & Garden, almost resembling an online retailer. Customers of the British Sky Broadcasting Group have the chance to receive a £100 complimentary voucher redeemable at over 100 different stores of various branches for bringing in a new customer.

Research from the streams of sponsorship (e.g., Mazodier & Merunka, 2012; Speed & Thompson, 2000), advertisement (e.g., Heckler & Childers, 1992; Lee & Mason, 1999) and brand extensions (e.g., Völckner & Sattler, 2006) provides reasoning that the perceived congruity[5] between a reward and the referred brand constitutes an important driver of the effectiveness of referral rewards and thus, ultimately, the success of customer referral programs. Generally, perceived congruity refers to a match between an object and the schema it evokes (Clemente, Dolansky, Mantonakis, & White, 2014). The questions if referral rewards need to

[5] In accordance with Meyers-Levy and Tybout (1989), the terms congruity and fit are used interchangeably throughout this paper.

fit to the brand schema and, if so, to which degree, are not only theoretically intriguing, but also of practical relevance since practitioners seem to rather randomly select the rewards they promise (e.g., Armelini, Barrot, & Becker, 2015) and may therefore miss out on the opportunity to maximize the effectiveness of these programs. Further, there is numerous empirical evidence (e.g., Ryu & Feick, 2007) that lends support for the intuition that reward choice is of particular importance with regard to the determinants of customer referral program success.

The present research seeks to make two central contributions to the understanding of how firms can efficiently use customer referral programs for strengthening the relationship with existing customers and for stimulating WOM in a world that has greatly empowered customers in their ability to disseminate product related information (Zhang et al., 2010). First, the current paper contributes to the existing customer referral program literature, by emphasizing the "recommenders-perspective" rather than solely focusing on the receiver of the recommendation. This way, it adds to the understanding of how firms should design their customer referral program in order to maximize its influence on the perceptions of their key customers. Second, and related to the former, this work advances the theoretical perspective on customer referral programs, by introducing two competing theoretical views on the optimal level of the congruity between a reward and the recommended brand in order to show that their relationship is an essential driver of performance outcomes of customer referral programs. Central to this study is the hypothesis that the level of congruity between a reward and a referred brand may impact the perception of that very reward and ultimately the evaluation of the brand by the recommender. This would imply that companies have the possibility to exert influence on their customer's brand evaluation by customer referral program reward choice.

The remainder of this paper is structured as follows: In the next section, the authors will elaborate on the importance of congruity in the light of research from the fields of sponsorship, advertisement and brand extensions. Then, the two competing theoretical perspectives on the optimal level of congruity in the context of customer referral programs are presented. After the description of the study's research methodology and data analysis, the results of the study that tested the hypotheses are provided. Next, the findings of this work are critically discussed and the managerial implications arising are presented. This paper concludes with the study's limitations and the directions for future research derived.

4.2 CONCEPTUAL AND THEORETICAL BACKGROUND

4.2.1 A Process Perspective on Customer Referral Program – Enhancing Recommendation Likelihood

The decision to transmit WOM lies within the customer (Dichter, 1966). Considerable research interest has therefore been dedicated to identify factors that drive this decision (e.g., Berger & Schwartz, 2011; De Matos & Rossi, 2008). The prominent theory upon which WOM behavior is grounded is exchange theory (cp. Gatignon & Robertson, 1986). According to exchange theory, WOM engagement may bear both benefits and costs that customers weigh up against each other prior to deciding whether or not to recommend a certain brand. These cognitive elaborations refer to an evaluation process that leads to the ultimate decision to enact WOM or not. By introducing a reward, the nature of customer referral programs increases the complexity of this mental process (e.g., Jin & Huang, 2014).

In this regard, both the reward and the brand will decisively shape the underlying process that drives customers to take part in customer referral programs. This assumption is mirrored by the attention past research has given to the relationship between recommendation behavior and brands (e.g., Lovett, Peres, & Shachar, 2013) and customer referral program effectiveness and rewards (e.g., Jin & Huang, 2014).

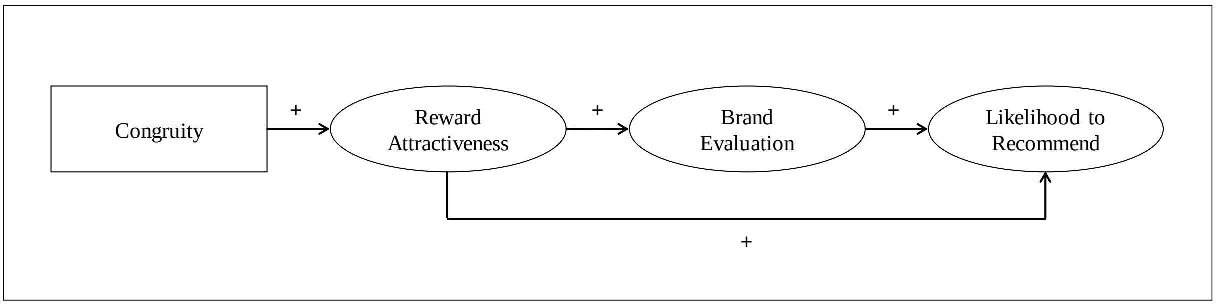
Combining these theoretical stances, the authors develop a model according to which the decision-making process of the recommender involves multiple mental steps and assumes reward perceptions to be an immediate antecedent of brand evaluation in the context of customer referral programs. The authors anticipate that WOM intentions are based on the separate evaluations of the brand that offers a reward (e.g., Carroll & Ahuvia, 2006) and the attractiveness of the reward (e.g., Jin & Huang, 2014). Accordingly these two factors, brand evaluation and reward attractiveness, act as predictors of the likelihood to recommend a product. These thoughts are developed in the hypotheses section in more detail. In the following paragraph, it will be outlined why and how congruity will impact this evaluation process (via perceived reward attractiveness and brand evaluation) which ultimately results in changes in the likelihood to recommend a product.

4.2.2 Why Congruity Matters

In general, findings from different streams or research provide unequivocal evidence for congruity as a determinant of evaluation and, ultimately, behavior (e.g., Aggarwal & McGill, 2007; Walchli, 2007). Since responses to congruity are cognitive and affective (Meyers-Levy & Tybout, 1989), they are thus evaluative in nature and not directly behavioral. This implies that for congruity perceptions to impact customer behavior, one or more evaluative steps are necessary. In this regard, and as outlined above, the authors propose that in the context of customer referral programs for congruity perceptions to affect customer recommendation behavior, two evaluative steps are taking place. First, an assessment of the promised reward's attractiveness occurs. Second, customers re-evaluate the brand they are asked to recommend.

More precisely, based on schema congruity theory (Mandler, 1982) and the concept of fit (e.g., Becker-Olsen & Hill, 2006; Völckner & Sattler, 2006), the authors infer that the congruity between the advocated brand and the reward has an effect on the degree to which the reward is perceived as attractive. It is further assumed that reward attractiveness perceptions lead to and impact customer brand evaluations which then in turn, and ultimately, shape customer recommendation behavior. These relationships are summarized in the conceptual model shown in Figure 4-1.

Figure 4-1: Study 1: Conceptual Model



The question that arises in this regard, however, is of the level of congruity that yields the most favorable results. While existing empirical evidence across different streams of research provides no unique answer in this regard, two theoretical perspectives exist that lead to two competing predictions on the optimal level of congruity between a brand and the reward in the context of customer referral programs.

Previous research has theorized about the effects of congruity on evaluation and behavior from different angles. Two dominant approaches to understand congruity are the fit perspective and the schema congruity theory. In broad strokes both assume that congruity matters for evaluation processes, but come to different conclusions regarding the optimal level of congruity.

4.2.3 A Fit Perspective on Congruity

The central tenet of the fit perspective on congruity is that evaluation outcomes increase with congruity perceptions. The understanding upon which this perspective is founded derives from the concept of consistency and categorization theory.

The concept of consistency which, following Zajonc (1971), subsumes Heider's (1946) balance theory, congruity theory (Osgood & Tannenbaum, 1955), and cognitive dissonance theory (Festinger, 1957) posits that customers are predisposed to strive for cognitive as well as affective consistency. This implies that customers value a harmony among the associations that both a brand and a reward provoke when they are presented together in the context of customer referral programs. From a categorization theory view (e.g., Fiske & Pavelchak, 1986), there is further reason to believe that if customers perceive a fit between the brand to be advocated and the reward promised, they would transfer favorable brand perceptions to the reward. The fact that categorization is considered "one of the most basic functions" (p. 89) of human cognition that includes all types of stimulus situations (Mervis & Rosch, 1981), gives further rise to the notion that the favorableness of a reward evaluation will increase as the fit perception between the reward and the brand increases. While it may be criticized that – when viewing reward-brand fit through the lens of categorization theory - fit is a necessary, but not sufficient condition for customer referral program design effectiveness, exploring the optimal degree of fit in a customer referral program context implies exploring it in a context where the brand is well liked.

Assuming a positive linear relationship between reward-brand fit is further reflected in the existence of empirical evidence that explores the role of fit across other fields of brand-related research. In this regard, both branding and sponsorship scholars have identified perceptions of high fit to be of paramount importance for customer evaluations. For example, Mazodier and Merunka (2012) find that a high perceived fit between a sponsored event and the brand positively impacts brand trust. In a similar vein, scholars from the field of celebrity endorsement have shown that a strong fit between a celebrity and the product endorsed enhances the effectiveness of celebrity advertising programs (Kamins, 1990; Till et al., 2008; Till & Busler, 1994).

In the brand extension literature, empirical evidence from a large number of studies exists that highlights the importance of fit perceptions between the parent brand and its extension (Aaker & Keller, 1990; Boush & Loken, 1991). Moreover, Völckner and Sattler (2006) identify the fit between the parent brand and its extension as the most critical driver of brand extension success. The notion that fit matters was also supported by researchers from the field of brand alliances. Simonin and Ruth (1998) found that the fit between two brands in a brand alliance positively impacts the attitudes customers have towards an alliance. Customers experience cognitive consistency and, as a consequence, respond mostly positively if they perceive fit is high (Boush & Loken, 1991; Keller & Aaker, 1992; Speed & Thompson, 2000).

In turn, prior research reveals that an inconsistency between the attributes of a brand extension and those of the parent brand leads to parent brand dilution (John et al., 1998; Loken & John, 1993). In a similar vein, Aaker and Keller (1990) state that "a poor fit [...] may actually stimulate undesirable beliefs and associations" (p. 30). The notion that customers value a high fit between a brand and other entities has led to fit being the most widely applied theoretical concept with regard to the processing of marketing assets. In line with this, it is argued that the favorableness of fit is not only confined to sponsorship, advertising and band extension / alliance but can be transferred to the area of customer referral programs as well.

Hypothesis 1: *The effect of congruity on perceived reward attractiveness is linear and positive.*

4.2.4 A Schema Congruity Theory Perspective

The second perspective on the optimal level of congruity is grounded on schema congruity theory. While research across several contexts encourages to expect that attractiveness perceptions will increase as the fit between the brand and the reward increases, a view through the lens of schema congruity theory leads to a competing prediction. Contrary to the more conventional perspective, schema congruity theory based on Mandler (1982) predicts that two entities that are perceived as moderately incongruent elicit the highest evaluations.

According to Fiske and Taylor (1991) a schema is a "cognitive structure that represents knowledge about a concept or type of stimulus, including its attributes and the relations among those attributes" (p. 98). A schema provides the frame through which customers interpret new information (Reger et al., 1994), guides the retrieval of cognitively already processed information (Fiske & Linville, 1980), and serves customers as an anchor in forming judgments (Campbell & Goodstein, 2001).

Mandler’s (1982) schema congruity theory posits that the level of congruity between an object, such as a branded product, and an activated schema impacts both processing and evaluation of that object. Even though the different levels of congruity are arrayed on a continuum (Mandler, 1982; Stayman et al., 2011), three discrete levels of congruity are primarily discussed in the literature, namely congruity, moderate incongruity, and extreme incongruity (Mandler, 1982; Meyers-Levy & Tybout, 1989; Stayman et al., 1992).

Congruity refers to a match between an object and the schema it evokes (Clemente et al., 2014). In the customer referral program context, a reward for recommending a brand can be perceived as congruent if its characteristics match the schema of the brand to be recommended; an example of this could be rewarding customers with a training T-shirt for recommending a fitness center. In turn, *incongruity* occurs as a consequence to a mismatch between an object and an evoked schema (Meyers-Levy & Tybout, 1989). Customers likely perceive being promised to receive a deep fryer to be extremely incongruent with their fitness schema. *Moderate incongruity* occurs when an object and the schema are of partial mismatch that however can be resolved without requiring a significant change in their prevailing cognitive structure (Mandler, 1982). For instance, customers might perceive a hand blender (a kitchen appliance to make for example healthy vegetable smoothies or fitness drinks) to be moderately incongruent with their fitness schema because this reward contains both fitness schema congruent and incongruent elements.

What distinguishes moderate from extreme incongruity is that extreme incongruity cannot be successfully resolved or only if the existing schema is fundamentally changed (Meyers-Levy & Tybout, 1989). Furthermore, the more incongruent objects are, the more elaboration is required for resolving incongruity (Mandler, 1982). Thus, the degree to which objects generate cognitive processing increases with their perceived incongruity.

When a reward is promised for referring a brand, the offered reward will be evaluated based on how well both fit together. The existing schema of the brand is compared with the schema of the reward. Perceptions on the level of congruity between these two schemata trigger cognitive elaboration and affective shift, which ultimately impacts how customers evaluate the reward after they are asked to recommend the brand to other customers (Mandler, 1982; Meyers-Levy & Tybout, 1989).

With regard to the congruity-evaluation relationship, following Mandler (1982) implies the prediction of an inverted U-shaped pattern between the impact of congruity on perceived reward attractiveness. In line with this, previous research has shown that customers who perceive an extreme level of incongruity may feel frustrated or helpless as a consequence to not being able to cognitively resolve the mismatch they are confronted with (Meyers-Levy, Louie, & Curren, 1994). Therefore, objects that are perceived as extremely incongruent suffer from negative evaluations (Meyers-Levy & Tybout, 1989). Besides the detrimental effect of high incongruity, previous research identified the so-called “moderate incongruity effect”. According to this moderate incongruity effect, an object that is moderately incongruent with an evoked schema is evaluated more favorably compared to either a perception of congruity or extreme incongruity (e.g., Clemente et al., 2014; Meyers-Levy et al., 1994; Meyers-Levy & Tybout, 1989). Moderate incongruity is argued to have the most positive effect, since a) the slight incongruence triggers activation and thus enhances the level of cognitive elaboration and b) because the incongruities can be cognitively resolved which leads to positive feelings

(Meyers-Levy & Tybout, 1989). Mapping the resolution of moderate incongruities as a cognitive task, customers may experience satisfaction from making sense of the brand-reward pairing they are confronted with (e.g., Jhang et al. 2012; Meyers-Levy et al., 1994). A subsequent evaluation of the reward may then be enhanced by misattributing this positive effect to the attractiveness of the reward. This is further in line with Peracchino and Meyers-Levy (1994) who point out that resolving ambiguities can lead to enhanced evaluations through the generation of affect produced by ambiguity relief. The second of two competing hypotheses is thus:

Hypothesis 2: *The effect of congruity on perceived reward attractiveness is curvilinear (inverted U-shape) with moderate incongruity having the strongest positive effect, followed by congruity and incongruity having the least beneficial effect.*

Above, the authors theorized over possible effects of congruity on reward attractiveness evaluations. This research furthermore assumes that reward attractiveness perceptions inevitably affect the brand the customers are asked to recommend in exchange for receiving this reward. In other words, and as is more fully developed subsequently, promising a reward leads to and impacts brand evaluation. The basic premise for making this assumption is that in the customer referral program context customers associate a brand with the reward. A theoretical perspective from categorization theory and research from the field of customer loyalty programs further underscores this relationship.

According to the "book keeping model" (Weber & Crocker, 1983), beliefs become altered incrementally as any kind of new information is obtained. The book keeping model has therefore served branding scholars to explain the impact of new information on the equity associated with a brand (Loken & John, 1993). This model thus argues that new associations always impact the associations that already exist (Martínez, Montaner, & Pina, 2009). Following this view, when customers are offered to make an incentivized referral, the associations that customers have regarding the reward may spill over to the brand. This conclusion receives further support from yet another theoretical perspective. As stated in information integration theory (Anderson, 1981), existing (brand) attitudes may shift as individuals obtain, evaluate and integrate new stimulus information (about the degree to which they perceive a reward as attractive).

In line with this, there is a widely established understanding in marketing research that customer judgments of a product are influenced by context effects (Lynch, Chakravarti, & Mitra, 1991). Context effects are "the perceptual or evaluative characteristics of material in close proximity" (Simonin & Ruth, 1998). With customer referral programs, the brand is surely presented in the context of the reward, so that the evaluation of the brand is likely to be influenced by the reward, and, more precisely, by the way customers judge it.

Exploring the role of rewards and their effects on customer-firm-relationships is also prominent in research dedicated to the optimal design of customer loyalty programs (e.g., Melancon, Noble, & Noble, 2011). Investigating on both undermining and enhancing effects of rewards in this context, Tietje (2002) shows that once favorable information about the reward is salient at the time an evaluative judgment is made, promising a reward positively affects customer evaluations. In a customer referral program environment, with the reward being the central element, reward salience is certainly given. This assumption is in line with Wirtz, Orsingher, Chew, and Tambyah (2013) who state that incentivizing referrals even "changes the nature of the interpersonal communication" (p. 83) for the customer making the recommendation. Further, Yi and Jeon (2003) find that customer responses increase with the perceived size of rewards in loyalty programs. From this discussion, the authors derive the following hypothesis:

Hypothesis 3: *Reward attractiveness perceptions in the context of customer referral programs positively impact brand evaluations.*

Brands that are valued by customers are characterized by a superior product quality (Bénabou & Tirole, 2006; Homburg et al., 2011), engender trust (Keller & Lehmann, 2006), and imply the possibility of customer satisfaction (Jin & Huang, 2014). Further, such brands carry a lower perceived risk with regard to their performance (Smith & Park, 1992). Jin and Huang (2014) therefore reason that also recommending such a strong brand bears a smaller risk for the recommender compared to referring a weak brand with regard to the social costs associated with unreliable advice. A rich body of customer recommendation behavior literature (e.g., Carroll & Ahuvia, 2006; Chung & Darke, 2006; De Matos & Rossi, 2008) lends support for the argument that brands being more favorably evaluated by customers are more likely to be recommended. In their meta-analytic review, De Matos and Rossi (2008) have shown that customer commitment, satisfaction, loyalty, and trust, as well as product quality and its perceived value have a significant positive influence on WOM activity. Most of these constructs are also related to the characteristics of strong brands (Aaker, 1991). There is thus reason to believe that the perceived strength of a brand (i.e., the level on which a brand is evaluated) functions as a logical precursor of customer recommendation behavior for this very brand. Thus, the following hypothesis is proposed:

Hypothesis 4: *Brand evaluation positively impacts brand recommendation likelihood.*

The authors further assume that customer recommendation behavior is not only directly influenced by brand evaluation, but also by the perceived reward attractiveness.

A more attractive reward, subsequently, is related to higher recommendation odds (e.g., Ryu & Feick, 2007; Wirtz et al., 2013) since more attractive stimuli unfold stronger attitudinal and behavioral reactions (Baker & Churchill, 1977; Berscheid & Walster, 1974). In this regard, researchers exploring the power of attractiveness generally acknowledge its effects on customer behavior to be highly relevant for marketers (e.g., Caballero et al., 1984). Further, when customers think about referring a product to another potential customer, they have to weigh potential benefits of referring the product with the potential costs, such as social costs, of doing so. These social costs arise, if for instance the advocated product is not attractive for the receiver of the referral (Wirtz et al., 2013). Accordingly, referring a product is connected with certain risks for the referral sender. The level of attractiveness of a reward that the sender obtains might compensate for these risks and result in a positive recommendation behavior if the reward is attractive enough to outmatch the potential costs. In a parallel vein, the positive reinforcement perspective (PRP) suggests that a larger or more attractive reward acts as a reinforcement mechanism for the own positive reactions towards the product (Garnefeld et al., 2013; Yi & Jeon, 2003). Thus, a reward is particularly likely to increase recommendation likelihood if it is perceived as attractive (Jin & Huang, 2014). Summing up these arguments, the following hypothesis is formally suggested:

Hypothesis 5:	*Reward attractiveness positively impacts brand recommendation likelihood.*

4.3 STUDY 1

4.3.1 Method and Pretest

To test the proposed hypotheses an online experiment was conducted. In this experiment, congruity was manipulated at three levels (brand-reward congruity, moderate brand-reward incongruity, extreme brand-reward incongruity). The application of an experimental scenario approach for the data collection in this context can be considered appropriate for a variety of reasons. Providing participants with a scenario instead of solely relying on their memory of similar experiences in the past minimizes memory bias which is a common problem in surveys using self-reports (Smith et al., 1999; Wirtz et al., 2013). Further, this approach leads to a reduction of problems which in terms of the research context involve the effect of personal circumstances (Bateson & Hui, 1992; Havlena & Holbrook, 1986). Additionally, applying an experimental scenario reduces random noise during data collection by providing the same setting for all study participants. An experimental setting furthermore allows for manipulated variables control and consequently enhances the internal validity of the results achieved (Cook & Campbell, 1979; Wirtz & Bateson, 1999). The applied scenarios involved the usage of a fictitious firm brand as it is commonly done by leading researches in the WOM field (e.g., Cheema & Kaikati, 2010; Garnefeld et al., 2013; Verlegh et al., 2013). By avoiding the usage of real brands, the authors sought to rule out the influence of prior brand beliefs (Ng & Houston, 2006; Ryu & Feick, 2007).

For this research, three experimental scenarios in which a mobile telecommunication provider operated an online customer referral program were created. By clicking on the link, participants were randomly assigned to one of the three (brand-reward congruity, moderate brand-reward incongruity, extreme brand-reward incongruity) experimental conditions. To increase the response rate, participation in the experiment was incentivized by offering entry in a lottery for one of two vouchers for amazon.de.

Prior to the main study conducted, a pretest (n=40) was conducted to ensure that the rewards chosen were perceived as equally attractive across all three scenarios prior to being presented together with the fictitious brand. On a five-item scale adapted from Burton and Lichtenstein (1988), the participants indicated the degree to which they perceived each reward as attractive. A one sample, paired *t*-test revealed no significant differences in reward attractiveness perceptions between the rewards chosen for the main study. Table 4-1 summarizes these results.

Table 4-1: Study 1: Differences in *A Priori* Reward Attractiveness Perceptions

	Reward Attractiveness	Mean	SD	t	df	p-Value
Pair 1	Scenario 1 (congruity)	4.21	.27	-.84	39	.41
	Scenario 2 (moderate incongruity)	4.44	.28			
Pair 2	Scenario 1 (congruity)	4.21	.27	.53	39	.60
	Scenario 3 (extreme incongruity)	4.02	.25			
Pair 3	Scenario 2 (moderate incongruity)	4.44	.28	1.19	39	.24
	Scenario 3 (extreme incongruity)	4.02	.25			

SD = standard deviation. df = degrees of freedom.

4.3.2 Sample and Procedure

The participants for the current study were recruited on online-platforms such as Facebook and via invitations through a student-newsletter. Out of the (n = 218) participants, two terminated the survey prior to revealing their demographics. Of the respondents, 49.3 % were female and 52.1 % were students. The average age was 26.53 years. All participants of the study were randomly assigned to one of the three scenarios.

At the outset, the participants across all three experimental cells were asked to imagine being a contract customer of a mobile telecommunication provider named **Mobilstar**.

As previous studies in the WOM and customer referral program literature report that customer satisfaction is a prerequisite for purchase recommendation behavior (e.g., Anderson, 1998; Wirtz et al., 2013), the scenario developed described the business relationship with **Mobilstar** as highly satisfying for their customers. To reinforce the participants' satisfaction with the brand, the scenario included satisfying product experience details. Next, participants were exposed to the experimental manipulation, a mock screenshot of the new "Refer a Friend" program from **Mobilstar** which they were told they came across when visiting the company's website. The screenshot informed that **Mobilstar** promises its customers a reward for successfully recommending a new customer and the referral reward manipulations stated, "Receive an extra 1GB data monthly for 4 months worth 40 € for a successful recommendation" (brand-reward congruity condition), "Get access for 4 months to a commercial music streaming service with over 20 million songs worth 40 € for a successful recommendation" (moderate brand-reward incongruity condition), "Receive a 4-Wheel Trolley "Tourer", 69 cm, anthracite worth 40 € for a successful recommendation" (extreme brand-reward incongruity condition) respectively.

After having been presented the scenario, the participants had to indicate the brand evaluation, reward attractiveness and their likelihood to recommend the telecommunications service provider. The participants' evaluation of the brand **Mobilstar** was assessed on three scale items borrowed from Thompson and Malaviya (2013), namely "bad/good," "low quality/ high quality," and "dislike/like". Cronbach's alpha for this 3-item scale is .93 (see table 4-2). To assess the perceived attractiveness of the reward promised, five items were taken from Burton and Lichtenstein (1988). Again, a high score of internal consistency (Cronbach's alpha = .95) underscores the reliability of the scale.

The likelihood to recommend was measured on a three-item scale modified from Wirtz et al. (2013). The scale showed a high degree of reliability, with a Cronbach's alpha of .90. As a manipulation check, the participants indicated their perceived level of congruity between the brand and the reward promised on a five-item scale adapted from Speed and Thompson (2000). By averaging the responses from each item, an index was produced which achieved a high reliability (Cronbach's alpha = .94). Finally, study participants were asked to provide basic socio-demographic information (sex, age, education, profession, and income). At the end of the experiment, participants were provided with the opportunity to leave their email address in order to take part in the Amazon-voucher lottery.

Table 4-2: Study 1: Scale Items for Construct Measures

Constructs	Cronbach's Alpha	Factor Loading
Likelihood to recommend (1 = strongly disagree, 7 = strongly agree)	.90	
I am likely to recommend **Mobilstar**.		.86
I am likely to encourage someone to patronize **Mobilstar**.		.85
I am likely to be enthusiastic in my recommendation of **Mobilstar**.		.87
Brand evaluation	.93	
Bad/good (1 = bad, 7 = good)		.92
Low quality/high quality (1 = low quality, 7 = high quality)		.87
Dislike/like (1 = dislike, 7 = like)		.92
Reward attractiveness (1 = strongly disagree, 7 = strongly agree)	.95	
The reward is good.		.91
The reward is beneficial.		.78
The reward is attractive.		.92
The reward is excellent.		.89
I like the reward.		.93
Brand-reward-fit[a] (1 = strongly disagree, 7 = strongly agree)	.94	
There is a logical connection between the reward promised to me and **Mobilstar**.		.87
The image of the reward promised to me and the image of **Mobilstar** are similar.		.88
The reward promised to me and **Mobilstar** fit together well.		.94
The reward promised to me and **Mobilstar** stand for similar things.		.82
It makes sense to me that **Mobilstar** promises especially this reward for a successful referral.		.83

4.3.3 Assessing Reliability and Validity

In order to assess reliability and validity of the constructs measured, several procedures like internal consistency checks and confirmatory factor analyses (CFAs) were conducted. The proposed measurement model consists of three latent variables: brand evaluation, reward attractiveness, and likelihood to recommend, all operationalized by multi-item reflective scales. The participants rated the items based on formerly validated scales identified in prior literature. Cronbach's alpha reliabilities equal or above 0.93 for all scales suggest sufficient reliability (Nunnally & Bernstein, 1994). Furthermore, a CFA using the three multi-item scales yielded satisfactory model fit statistics (χ^2(df) = 82.32 (51) p=.004; comparative fit index [CFI] = 0.985, incremental fit index [IFI] = 0.985, normed fit index [NFI] = 0.962, Tucker-Lewis index [TLI] = 0.981, and root mean square error of approximation [RMSEA] = 0.053). Thus, the proposed measurement model fits the data well. In addition, all factor loadings on the latent variables are high (>.89).

In the next step, both convergence and discriminant validity were assessed. By calculating composite reliability (CR), it was first controlled for internal item consistencies. The composite reliabilities for all model variables were higher than .90, thus clearly surpassing the standard of .60 suggested (Bagozzi & Yi, 1988; Fornell & Larcker, 1981). Further, the average variance extracted (AVE) (Fornell & Larcker, 1981) was calculated. As all variables exhibit an AVE value greater than .50, the existence of good convergent validity is supported (Fornell & Larcker, 1981). Discriminant validity of this study's focal construct measures was assessed by applying the criterion proposed by Fornell and Larcker (1981), according to which discriminant validity is supported if the squared correlations between each construct pair is lower than the AVE. All construct pairs met this criterion.

4.4 RESULTS STUDY 1

4.4.1 Manipulation Check

A one-way analysis of variance (ANOVA) revealed a significant difference in congruity perceptions between the brand and the respective reward for the three congruity levels ($M_{congruity}$

= 4.79, $M_{moderate\_incongruity}$ = 4.22, $M_{extreme\_incongruity}$ = 2.15; all mean-differences at $p \leq .05$). The manipulations were thus perceived as intended.

4.4.2 Hypotheses

Study 1 sought to explore the effects of congruity in the context of an online customer referral program for a fictitious brand. Table 4-3 provides an overview of measurement information and shows the correlations with regard to this study's focal constructs.

Table 4-3: Study 1: Measurement Information and Correlations

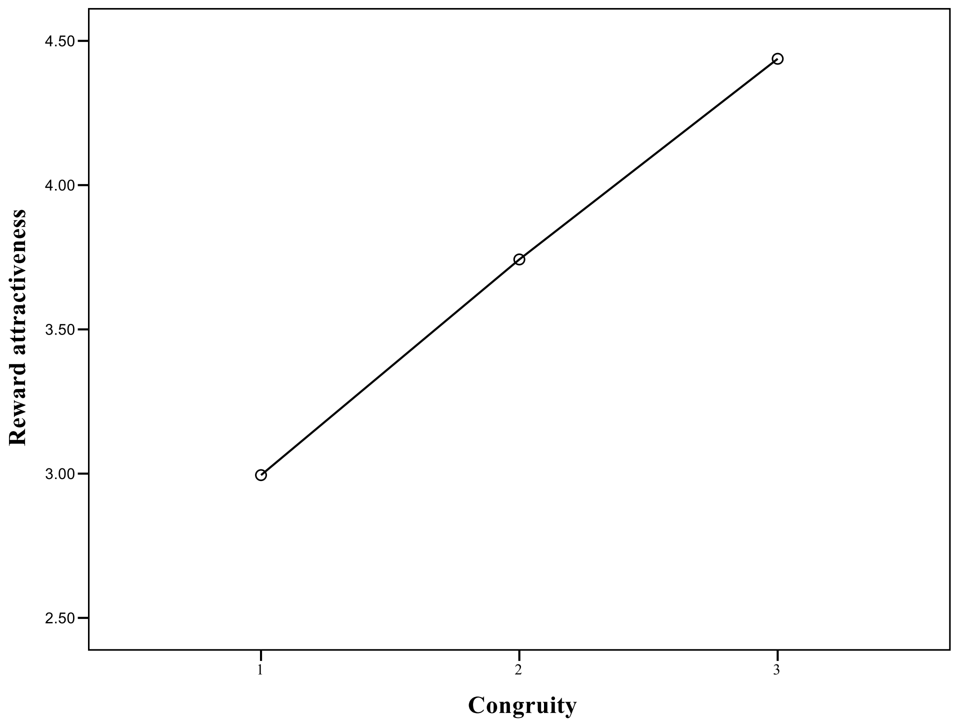
Variables	Mean	SD	N	CR	AVE	Reward Attractiveness	Brand Evaluation	Likelihood to Recommend
Reward attractiveness	3.71	1.71	218	.95	.81	1		
Brand evaluation	4.96	1.45	218	.93	.83	0.476***	1	
Likelihood to recommend	5.40	1.46	218	.89	.77	0.203**	0.361***	1

Note: ***Correlation is significant at the 0.001 level (2-tailed). **Coefficient is significant at 0.01 level (2-tailed).
SD = standard deviation. CR = composite reliability. AVE = average variance extracted.

To examine which of the competing hypotheses pertaining to the optimal level of perceived reward-brand congruity, an ANOVA was conducted with the participants' reward attractiveness evaluations as the dependent measure and the three levels of perceived congruity (brand-reward congruity, moderate brand-reward incongruity, extreme brand-reward incongruity) as an independent between-subjects factor. Hypothesis 1 stated that the relationship between congruity perceptions and the perceived level of reward attractiveness is linear with congruity having the strongest positive effect, followed by moderate incongruity. In turn, Hypothesis 2 assumed this relationship to be curvilinear with moderate incongruity having the strongest positive effect, followed by congruity and incongruity having the least beneficial effect.

Participants evaluated the reward in the congruity pairing ($M_{c,RA}$ = 4.44) significantly higher than in the moderately incongruent pairing ($M_{m\_i,RA}$ = 3.74) ($p \leq .01$) and significantly higher than in the extremely incongruent pairing ($M_{e\_i,RA}$ = 2.99) ($p \leq .001$). Additionally, the reward in the moderately incongruent brand-reward pairing was evaluated significantly higher than the reward in the extreme incongruity scenario ($p \leq .01$). Therefore, Hypothesis 1 can be supported whereas Hypothesis 2 is rejected. The authors find a positive linear relationship between the congruity level and the perceived level of reward attractiveness (Figure 4-2).

Figure 4-2: Study 1: The Impact of Brand-Reward Congruity on Reward Attractiveness (ANOVA: Hypotheses 1 & 2)



To assess Hypotheses 3, 4, and 5, the authors applied Structural Equation Modeling (SEM) using bootstrapping with 1000 bootstrap samples and ML-estimator (Shrout & Bolger, 2002). Bootstrapping provides robust standard errors by handling the non-normality in the distribution of mediated effects (Preacher & Hayes, 2008). Moreover, bootstrapping allows to test for the significance of the indirect effects.

The results of the SEM are displayed in table 4-4. As congruity impacts the model's ultimate dependent variable (i.e., likelihood to recommend) through two constructs (i.e., reward attractiveness and brand evaluation), the indirect effect of congruity on likelihood to recommend was computed which can be reported to be significantly positive ($\beta = .06$; $p \leq .01$) (Figure 4-3).

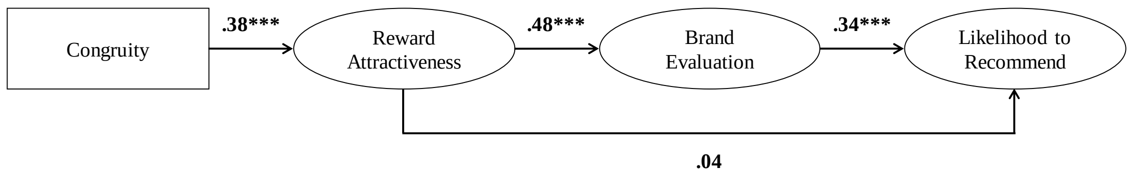
Hypothesis 3 predicted that reward attractiveness perceptions positively impact brand evaluations. The results confirm this assumption as the more attractive participants perceived the rewards promised, the higher they evaluate the brand ($\beta = .48$; $p \leq .001$). Thus, Hypothesis 3 is supported. Higher brand evaluation leads to higher recommendation likelihood (Hypothesis 4). The analysis reveals that brand evaluation has a significant effect on the likelihood that this brand is recommended ($\beta = .34$; $p \leq .001$). Therefore, Hypothesis 4 can be confirmed. The results further reveal no significant effect of the degree to which the reward was perceived as attractive on recommendation likelihood ($\beta = .04$; n.s.). Therefore, Hypothesis 5 is not supported by the data.

Table 4-4: Study 1: Results of the SEM (Hypotheses 3, 4, and 5)

Hypothesis	From	To	Standardized Estimate	Unstandardized Estimate	SE	p-Value
H1	Congruity	Reward attractivenss	.375***	.787***	.131	.000
H3	Reward attractivenss	Brand evaluation	.477***	.373***	.054	.000
H4	Brand evaluation	Likelihood to recommend	.342***	.330***	.102	.001
H5	Reward attractivenss	Likelihood to recommend	.039	.029	.071	.680

Note: ***Coefficient is significant at 0.001 level (2-tailed). SE = standard error.

Figure 4-3: Study 1: Structural Model (Hypotheses 3, 4 & 5)



The specific indirect effect from congruity to likelihood to recommend via reward attractiveness and brand evaluation is β = .06**
(95% confidence interval .022 to .100).

Model fit: χ^2(df) = 82.32 (51) p=0.004; CFI = 0.985; TLI = 0.981; RMSEA = 0.053. N = 218.
***Coefficient is significant at 0.001 level (2-tailed). **Coefficient is significant at 0.01 level (2-tailed).

4.4.3 Discussion

The purpose of Study 1 was twofold. By integrating two contradictory predictions based upon competing theoretical views, one goal was to scrutinize the optimal level of congruity between a brand and a reward in the context of a customer referral program. Contrary to the moderate incongruity effect perspective, and, therefore, in accordance with a more conventional view, promising a reward that fits to the brand to be recommended yields better results: Reward attractiveness perceptions increase linearly with perceived reward-brand congruity. The second goal of this study was to examine the impact of customer brand-reward congruity perceptions on customer referral program effectiveness. In this regard, the results provide initial evidence that, through customer referral program design, a company is given the possibility to exert influence on customer recommendation behavior through shaping reward value perceptions and brand evaluations. Further, the degree to which a reward is perceived as attractive does not directly affect referral behavior. Sparking customer recommendation by promising a reward thus seems to inevitably lead to a mental reassessment of the brand.

Study 1 used a fictitious brand in order to rule out externalities that might have biased the results (such as extreme or very different previous brand evaluations). However, the control achieved in doing so may have a downside as well. Artificial brand schemata are unlikely to have the same depth or strength real brand schemata have (Dawar & Pillutla, 2000). To overcome this potential limitation and to assess the robustness of the findings, Study 2 was conducted using real brand schemata.

4.5 STUDY 2

4.5.1 Method, Sample and Procedure

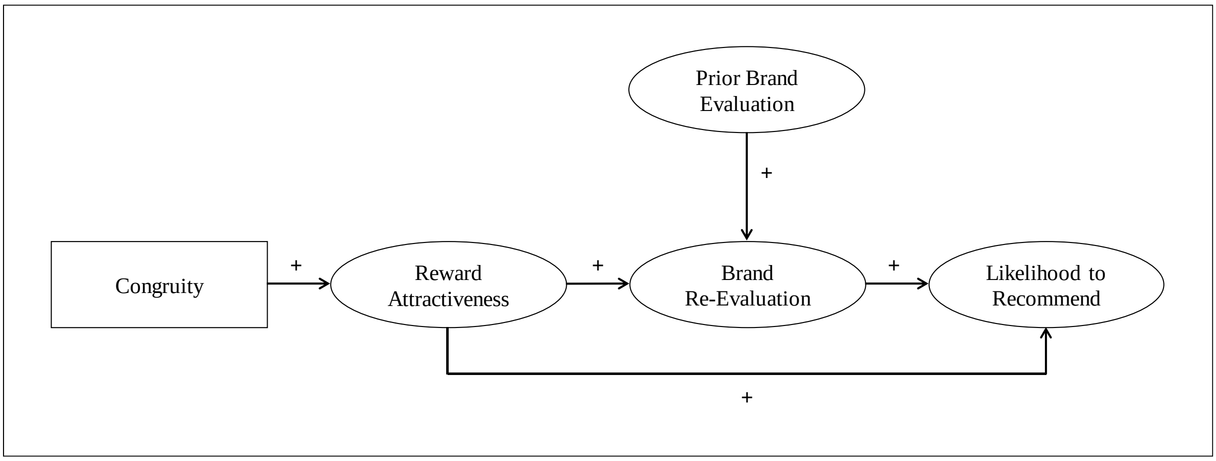
To increase generalizability, a second randomized web-based experiment was conducted to replicate the results achieved in Study 1 by including real brands. Thus, a new sample was generated, respondents were again randomly assigned to the experimental conditions and Hypotheses 1 to 4 were tested once more. Out of the (n = 177) participants who completed the focal survey, three terminated prior to leaving any information with regard to their demographics. Of the respondents, 33.91 % were female and 58.96 % were students. The average age was 28.06 years. The composition of this study's sample is thus comparable to that of Study 1.

At the beginning, prior to being presented the experimental scenario, the participants had to indicate the name of their mobile telecommunication provider and were asked to evaluate its brand. In order to survey brand evaluation, the authors again relied on the three item scale from Thompson and Malaviya (2013) used in Study 1. Next, participants were instructed to imagine that their mobile telecommunication provider was operating a customer referral program and were then presented a mock screenshot which they were told they came across when visiting the company's website. The screenshot informed that their mobile telecommunication provider promises its customers a reward for successfully recommending a new customer. The respective referral reward manipulations applied were the same as in Study 1. After having been presented the scenario, the participants were surveyed the same focal constructs employed in the first study (reward attractiveness, brand re-evaluation, and likelihood to recommend) before they had to indicate their basic socio-demographics.

4.5.2 Assessing Reliability and Validity

Appendix D summarizes detailed information on sufficient and high factor loadings as well as sufficiently high internal consistencies of the scales that assed the constructs of Study 2. To control for the effect of prior brand beliefs, brand pre-evaluation was included in the conceptual model, regressing brand re-evaluation on this term (Figure 4-4). Even though the model shows a slightly worse fit that in Study 1, most indicators still show acceptable levels ($\chi2$(df) = 187.12 (83) p=.000; CFI = 0.957, IFI = 0.958, NFI = 0.926, TLI = 0.946, and RMSEA = 0.084). Convergent and discriminant validity were also assessed. Here, the authors followed the same procedures and thresholds as in Study 1. Again, the tests applied yielded satisfactory results (Appendix E).

Figure 4-4: Study 2: Structural Model (Hypotheses 3, 4 & 5)



4.6 RESULTS STUDY 2

4.6.1 Hypotheses

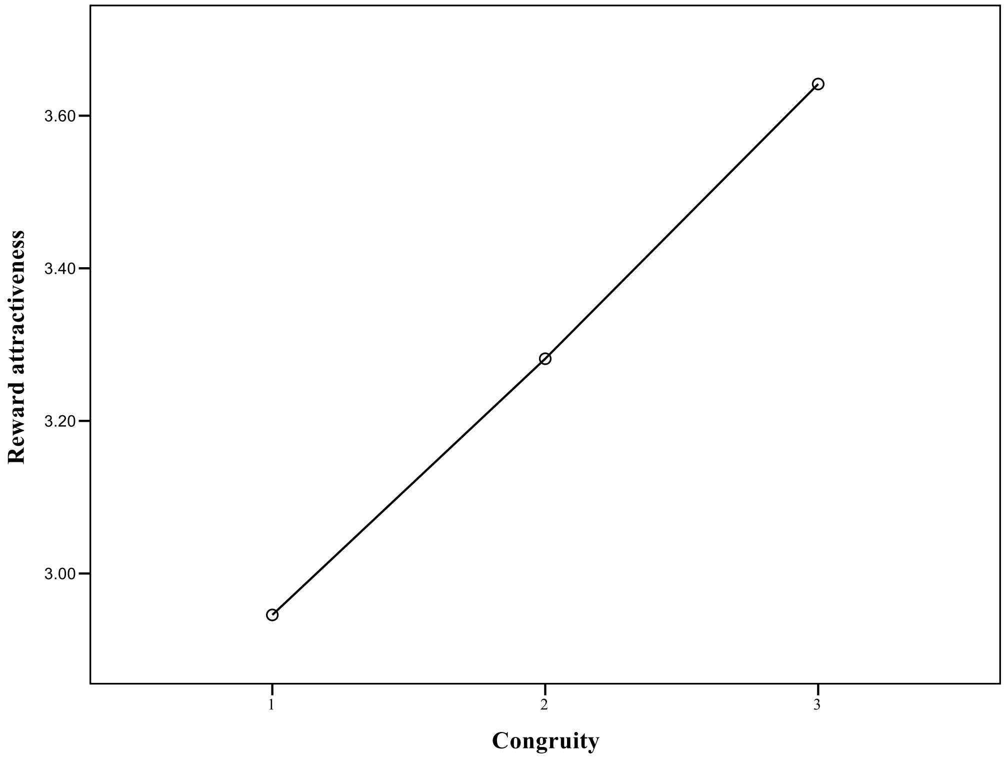
According to the results of Study 1, the relationship between brand-reward congruity and reward attractiveness is linear and positive. An ANOVA again revealed a main effect for brand-reward congruity, indicating that customers perceive a reward in a customer referral program more attractive when it fits to the schema of the brand they are asked to recommend (Figure 4-5). Participants evaluated the reward in the congruent pairing ($M_{c,RA} = 3.64$) significantly higher than in the extremely incongruent pairing ($M_{e\_i,RA} = 2.95$) ($p \leq .05$). Compared to the congruent pairing, participants further attributed a lower, but not significantly different, attractiveness to the moderately incongruent pairing ($M_{m\_i,RA} = 3.28$). Additional support for Hypothesis 1 is thus provided.

A rigorous investigation of the hypotheses and a verification of result robustness was achieved in two ways. First, participants had to re-evaluate an existing brand. A significant impact on the evaluation of a real brand implies that the effect of brand-reward congruity is indeed powerful enough to alter brand evaluation. Second, including the measurement of customer brand evaluations prior to exposing the experimental manipulation allows to control for the influences of prior brand beliefs.

In this regard, a regression analysis revealed that, as anticipated, prior brand evaluation has a strong significant effect on brand re-evaluation ($\beta = .75$; $p \leq .001$).

The data further confirmed what was observed in Study 1. The degree to which customers perceive the brand of their mobile telecommunication provider to be congruent with the reward they are promised significantly shapes their reward attractiveness perceptions ($\beta = .21$; $p \leq .01$). With regard to the relationship between reward attractiveness and brand re-evaluation, the results mirrored those previously reported. Reward attractiveness positively affects brand re-evaluation ($\beta = .20$; $p \leq .01$). In addition, the higher participants re-evaluated the brand, the more likely they indicated they were to recommend this brand in exchange for the reward. In the context of real brands, also this effect remained significant ($\beta = .56$; $p \leq .001$). Further consistent with Study 1, it was found that reward attractiveness perceptions are not directly responsible for customer recommendation behavior ($\beta = .10$; n.s.).

Figure 4-5: Study 2: Replication of the Impact of Brand-Reward Congruity on Reward Attractiveness (ANOVA: Hypothesis 1 & 2)



4.6.2 Discussion

Study 2 employed real brands that are relevant to this study's sample and for which brand schemata existed in the minds of the participants. With conducting Study 2, the authors turned their attention to verify that the results about the hypothesized effects that were assessed in an entirely controlled setting in Study 1 would still hold true in a setting of higher external validity. The results of Study 2 are supportive of those achieved with Study 1. Reward attractiveness perceptions increase with perceived reward-brand congruity also in a real brand setting. In addition, despite the fact that schemata of real brands are stronger as they are more established in customer cognitions, real brand re-evaluation occurs in response to the reward chosen in a customer referral program and, in turn, shapes referral likelihood.

4.7 GENERAL DISCUSSION

The primary goal of this present research was to advance the understanding of how firms can effectively make use of customer referral programs in a world that greatly empowers customers in their ability to disseminate product related information (Zhang et al., 2010). Two studies show that a customer referral program can be applied as an instrument to exert influence upon customer brand evaluations and that these programs act as an important factor for customer recommendations. These two empirically investigations additionally demonstrate that the degree to which customers perceive rewards as attractive is crucial for their recommendation behavior and that firms can impact reward attractiveness perceptions through customer referral program design. Further, the authors show promising a reward inevitably affects the brand customers are asked to recommend in exchange for receiving this reward. These findings expand the current understanding of the decision-making process involved in recommendation behavior. Specifically, this work establishes important connections between two central customer referral program elements that are priorly mainly considered in isolation.

The present research, however, also contributes to the discussion on the optimal level of congruity between a prevailing schema in the mind of the customer and a stimulus presented. By experimentally investigating the relationship between the perceived level of congruity between a reward and a referred brand in online customer referral programs, this work sheds light on the value of customer referrals and how this value can be raised.

The current work provides initial evidence about the importance of considering schema congruity effects when designing customer referral programs. With regard to brand evaluations in the realm of customer referral programs, this research supports Mandler's (1982) view that evaluations are influenced by the process of cognitively elaborating on different levels of schema congruity. In addition, the effects identified in this regard have been shown to remain stable even for schemata that have been established over a longer period of time. However, unlike assumed by Mandler (1982) and researchers from the field of brand extensions (e.g., Meyers-Levy et al., 1994; Meyers-Levy & Tybout, 1989), the current study does not find support for a curvilinear relationship but for a linear relationship between schema congruity and perceived reward attractiveness.

In the context of customer referral programs, customers thus seem to value congruity more than an additional positive affect produced by perceptions of moderately incongruent brand-reward pairs. This finding in line with the fit perspective and thus diverging from Mandler's (1982) anticipation may be due to three reasons: First, and as aforementioned, the decision to recommend involves a certain risk for customers and, according to exchange theory, customers may only engage in WOM behavior when the perceived benefits outweigh the potential costs. In addition to an assumed general predisposition towards risk aversion (Kahneman & Tversky, 1979), an added exchange complexity through the introduction of a reward can be expected to influence how customers perceive the risks and benefits involved (Ryu & Feick, 2007). For example, the fact that rewards provide recommenders with a stake in the decision of the receiver to become a new customer may affect the relationship between the sender and the recipient (Wirtz et al., 2013), and therefore, increase the social risk for the sender to take part in a customer referral program. Recommending a brand when a reward is involved may be thus riskier than in an otherwise naturally occurring exchange. The notion that a customer prefers congruent versus moderately incongruent rewards due to the enhanced social risk they bear is complemented by empirical evidence from prior research that identifies perceived risk as a decisive situational factor with regard to the prediction of the optimal congruity level. Campbell and Goodstein (2001) find that perceived social risk moderates the effect of the level of congruity on evaluations such that schema-stimulus congruity yields more favorable evaluations compared to moderate incongruity when social risk is high. In this regard, Baum, Schäfer and Kabst (2016) recently note that most of the studies investigating moderate schema incongruity focus on consumer goods (e.g., Meyers-Levy & Tybout, 1989) or goods of low complexity (Meyers-Levy et al., 1994). These can be considered to bear a relatively low risk and lead to relatively little costs for customers. There is thus reason to believe that the moderate schema incongruity effect does not hold true when high risk, high costs, or high complexity is involved. Consequently, if customers perceive a brand-reward pairing as not congruent, negative evaluations may follow.

Second, for brand extensions, customers evaluate the fit between a brand and its extension branded by the same company (Park et al., 1991). Thus, only one brand is involved when customers evaluate brands influenced by the response of elaborating on the level of congruity. However, in the case of customer referral programs, when companies integrate products of other brands as rewards, customers may perceive this activity similar to that of a cooperative venture between brands which is generally referred to as co-branding or brand alliance (Simonin & Ruth, 1998). Strategic brand alliance literature extensively examines the brand fit concept (cp. Lee et al., 2013). In this vein, Simonin and Ruth (1998) find the two brands involved being perceived as congruent to be a critical factor in customer product evaluation.

Yet, the results also provide empirical support for Mandler's (1982) schema congruity theory with regard to his predictions concerning the consequences of incongruent schema-stimulus pairings. In the context of customer referral programs, customers perceive rewards as significantly less attractive when they do not fit their prevailing brand schema of the brand they are incentivized to recommend. Thus, forming a brand-reward pair that is perceived as congruent is decisive. In other words, fit matters. Against this background, the conflicting results with Mandler's (1982) proposition of whether a presented stimulus such as a reward, a brand extension, or a sponsor has to be congruent with the existing brand schema of the customer are not so conflicting after all. In studies where moderate incongruity yields the most favorable results, the outcome of the resolution process is still complete congruity, which customers value most. However, in the light of the above and as the results of this study confirm, choosing a reward that is perceived as congruent right after its presentation works best for customer referral programs.

This study also makes several contributions to the academic research on strategic brand management and the antecedents of customer recommendation behavior.

4.7.1 Managerial Implications

Several implications for brand managers and managers in charge of making decisions about customer referral programs follow from the current study. Previous academic work on the effects of congruity has been mainly devoted to the research contexts of brand extensions, corporate sponsorship or, more generally, of consumer goods. Further, with only a few notable exceptions (e.g., Sichtmann & Diamantopoulos, 2013), prior studies on customer congruity perceptions mainly neglect its behavioral consequences. Moreover, thus far, neither theoretical nor empirical attempts have been made to incorporate schema congruity theory into the investigation of customer recommendation behavior. However, the present findings suggest that customer congruity perceptions play a pivotal role for customer reward attractiveness perceptions, and, ultimately, their likelihood to engage in recommendation behavior in the context of customer referral programs. Based on empirical evidence, managers are urged to consider brand-reward fit as a driver of customer referral program effectiveness. In this vein, the results offer guidance for practitioners with regard to customer referral program design. Specifically, this research reveals that, if chosen to fit the brand to be recommended, offering a reward to an existing customer serves as a driver of recommendation behavior. Further, by choosing a congruent brand-reward pairing, a company is given the possibility to exert influence on customer brand evaluations and thus to strengthen the relationship with its existing customers. In addition, the authors urge managers to consider that promising a reward for recommending a brand does not leave unaffected this very brand. In addition to functioning as a way to attract new, valuable customers (Villanueva et al., 2008), customer referral programs can thus be used as a strategic tool for customer relationship management and brand managers. The support of this study for the significant role of congruity perceptions as an indirect driver of referral engagement may also provide a rationale for conflicting results from previous work investigating behavioral consequences of incentivizing recommendation behavior. In this regard, especially in terms of reward choice, results of prior studies in the field of customer referral programs created a challenge for marketing managers. For instance, two studies of Ryu and Feick (2007) found that, even though generally acknowledged to positively impact referral behavior and despite the fact that customer referral programs tend to be designed to explicitly target strong ties, with strong ties, incentivizing an existing customer did not lead to an increase in recommendation likelihood. In the light of the above, this may have been due to the reward not fitting the brand to be recommended in the perception of the studies' participants. Even though this research did not explicitly differentiate between differences in tie strength with regard to the relationship between the sender and the receiver of the recommendation, its selected context (telecommunication service provider) is considered a prime example for reaching out to a customer's strong ties (Ryu & Feick, 2007).

While the authors were able to show the potential benefits that companies can reap by creating brand-reward pairings perceived as congruent, the findings of the present study at the same time provide a note of caution to practitioners. The results verify that incongruity perceptions negatively impacts reward attractiveness perceptions which in turn has a negative effect on recommendation behavior. Rewards may thus also function as an inhibitor of recommendation likelihood if not calibrated carefully regarding their brand fit. Against this background, the significant effects of congruity perceptions identified are important news not only for managers considering launching a customer referral program in their company but also for those who are already using a customer referral program. As outlined in this work's introduction, companies appear to select rewards rather independently with regard to brand fit. The empirical evidence provided in this paper however urges practitioners to make brand-reward fit a criterion in designing their customer referral program. This study may inform practitioners to increase their customers' brand recommendation likelihood by positively impacting the attractiveness of the rewards promised, and subsequently, their brand evaluations. Enhancing brand-reward congruity perceptions in customer referral programs is a from a strategic perspective viable way to achieve this goal.

4.7.2 Limitations and Implications for Future Research

The limitations of the present studies provide fruitful areas for future research. The impact of congruity perceptions between a reward and a brand to be recommended was examined in the context of customer referral programs. The experimental design of these studies allowed the authors to manipulate and control for the factors of central research interest. However, the fact that participants were exposed to the congruity stimuli only one time may be considered a potential weakness in the design of this research. It is possible that customers are exposed to the same customer referral program, and thus to the same brand-reward pairing, more than once. The time periods between exposures may serve as a facilitator for the resolution of perceived incongruities and may therefore lead to a moderate schema congruity effect as identified in previous work. This notion may be supported by very recent work dedicated to the resolution of perceived incongruities. Jhang, Grant, and Campbell (2012) were able to show that companies are given the possibility to impact the process of customer incongruity resolution by employing strategies that facilitate cognitive flexibility. Time between multiple exposures, and consequently more cognitive capacities, may provide customers with the additional cognitive flexibility needed to resolve potential incongruities perceived in the realm of customer referral programs. Against this background, future research should explore the effects of multiple exposure to the different levels of brand-reward congruity over a longer period of time. From a brand equity perspective, it would be also interesting to examine how stable the effects of perceived congruity on brand evaluation are over time.

Past research from the field of brand extensions identifies the fit between the parent brand and its extension as the most critical driver of brand extension success (Völckner & Sattler, 2006). In a similar vein, this study finds that brand-reward congruity is crucial for the effectiveness of customer referral programs. Nevertheless, and despite the similarity of these two concepts regarding the customers' preference for fit, customer referral programs are conceptually closer in nature to celebrity endorsement or event sponsorship. Both of these brand management tools can be applied to strategically incorporate new associations to an existing brand. For example, Gwinner and Eaton (1999) show that event sponsorship can be used to aid in brand positioning via event image transfer to the brand. In a similar vein, it is conceivable that a reward that evokes associations a company may want transfer to its brand can become imbedded in the schema of the brand when promised over a longer period time. When exploring possible long-term effects of the different levels of brand-reward congruity, future research may further test the theoretical proposition that rewards in the context of customer referral programs may be a strategic tool to design and alter brand image.

Another potential research avenue concerns customer satisfaction. Customer satisfaction has been shown to be an important antecedent to customer recommendations. The authors therefore focused on and developed scenarios of customer experiences characterized as highly satisfying. Nevertheless, it could be interesting to examine if the present findings regarding the positive effects of perceived brand-reward fit still also hold true for varying levels of perceived service quality. If so, companies are given the possibility to incentivize also those customers to engage in referral behavior who would otherwise remain silent and furthermore impact their brand evaluation. It is therefore suggested that future studies should include customer satisfaction as an interacting force upon the verified relationships between congruity perceptions, brand evaluations, perceived reward attractiveness, and recommendation likelihood.

Finally, future research might replicate this study in the context of other customer referral programs and investigate other downstream variables that are potentially effected by brand-reward congruity perceptions (e.g., brand loyalty, brand awareness).

In sum, the findings of this work have provided insight into the effects of schematic processing triggered by incentivizing customers with rewards to engage in recommendation behavior. Biyalogorsky, Gerstner, and Libai (2001) asked the rhetorical question of whether or not there would be a bright future to managing customer referrals. Due to the expectation that the employment of customer referral programs would be stimulated by the availability of big data and the growth of e-commerce (Biyalogorsky et al., 2001), they answered in the affirmative. More than a decade later, and for the very same reasons, the current research emphasizes this positive answer.

CHAPTER 5 THE IMPACT OF FIRM AGE ON WORD-OF-MOUTH [6]

Abstract

Word-of-mouth (WOM) communication decisively shapes customer behavior. While previous research leaves little doubt about its importance for marketers and firms, it does not address the potential impact of a firm's characteristics on WOM behavior. This research posits that inducing WOM among their customers is particularly suitable for new ventures and seeks to understand whether their young firm age is helpful or detrimental in spurring WOM. Through the adoption of an experimental design, this work is able to present causal mechanisms that are exclusively attributable to a firm's age. In this regard, the results reveal that the perceptions of a firm's age positively influence survival expectations about this firm and the degree to which it is perceived as needy, which, in turn, may affect customer WOM. The results further show that product originality perceptions may drive both WOM and firm survival expectations but are independent of a firm's age.

[6] This chapter is co-authored by Prof. Dr. Matthias Baum.

5.1 INTRODUCTION

Word-of-mouth (WOM), frequently referred to as "informal communications directed at other consumers about the ownership, usage, or characteristics of particular goods and services and/or their sellers" (Westbrook, 1987; p. 261), has drawn the attention of researchers from the field of marketing for more than half a century (e.g., Arndt, 1967; Engel, Kegerreis, & Blackwell, 1969). However, and not least due to the advent of the digital age, in which the internet dramatically facilitates the communication among customers (De Bruyn & Lilien, 2008), WOM went from being considered "a key factor in the marketing of *some* products" (Brooks, 1957; p. 159) to being acknowledged one of the "cornerstones of the marketing field" (Lovett, Peres, & Shachar, 2013; p. 427). WOM has even been shown to substitute for business-to-consumer communication (Chevalier & Mayzlin, 2006). Besides their effectiveness, WOM communication strategies are additionally appealing due to their significantly lower costs (Trusov et al., 2009). Firms are therefore actively looking to initiate customer WOM behavior.

Due to the inherent characteristics of WOM, marketing strategies specifically designed to induce WOM behavior - turning customers into firm advocates - seem to be particularly suitable for new ventures. For example, new ventures have limited financial resources (e.g., Carayannopoulos, 2009) and therefore naturally embrace strategies that do not require a rich budget. In this vein, scholars have repeatedly treated WOM as certainly advantageous for new ventures (Brüderl & Preisendörfer, 1998; Gruber, 2007). For example, Aggarwal, Gopal, Gupta and Singh (2012) suggest that new ventures may gain more legitimacy through WOM while Brüderl and Preisendörfer (1998) consider WOM "especially helpful in the start-up phase" (p. 215). In the context of new ventures, others also referred to WOM as a practice logically in use when financial or managerial resources are scarce (Yli-Renko, Sapienza, & Hay, 2001). Qualitative work of Reuber and Fischer (2005) interviewing with CEOs of young firms reveals that new ventures indeed rely on and seek to accelerate WOM to grow.

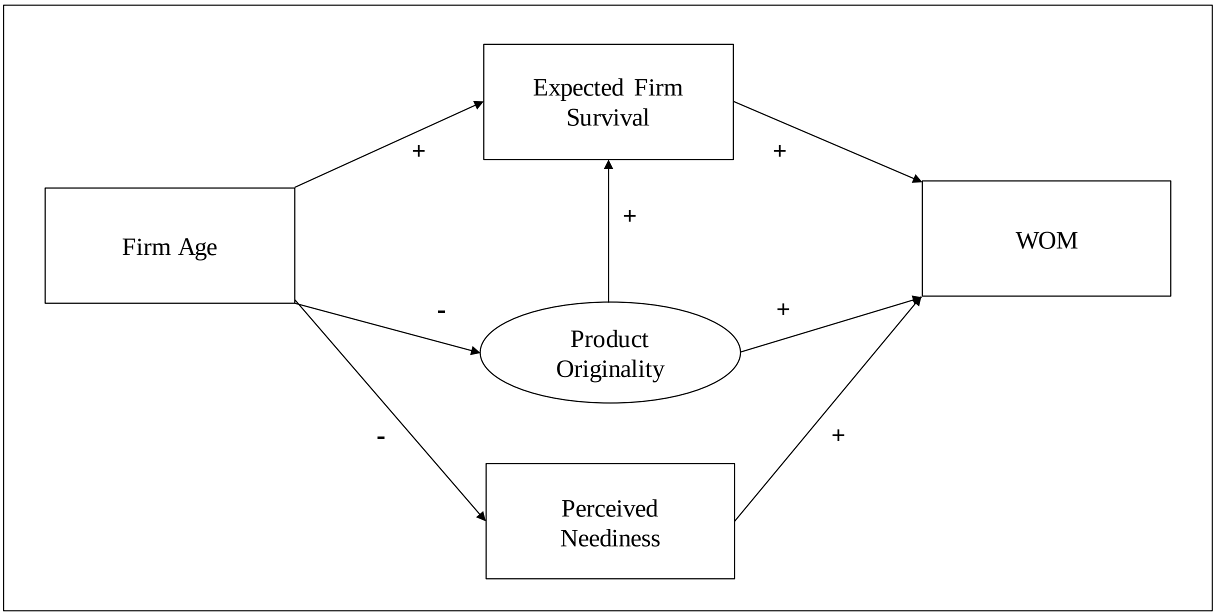
However, although extant literature provides an initial rationale on how new ventures may benefit from employing WOM strategies, and while such strategies find application in practice, an understanding of how the idiosyncrasies of new ventures may affect WOM behavior is yet to emerge. With this paper, we seek to uncover the questions a) if firm age is helpful or detrimental in spurring WOM and b) what are the causal mechanisms linking firm age and customer WOM. The question how the age of a firm is perceived is particularly salient for at least two reasons. First, age communicates the firm's newness to the market – a characteristic that has been repeatedly identified among the most crucial for new ventures (e.g., Brüderl, Preisendörfer, & Ziegler, 1992). Second, we know from previous research that firm age perceptions may directly shape customer support (Choi & Shepherd, 2005). In addition, while the general tenor of prior research frames young firm age as a liability (e.g., Freeman, Carroll, & Hannan, 1983; Stinchcombe, 1965), recent research theorizes over the notion that "aspects of firm age that were perceived to be beneficial in the past […] may no longer yield benefits in the current, rapidly-evolving technological environment" (Bakker & Josefy, 2018). Therefore, the impact of firm age, or, more precisely, the question of whether young firm age perceptions in the context of WOM represent a liability or an asset is theoretically intriguing. Central to our work is the hypothesis that customer perceptions of a venture's age will have an impact on their WOM behavior about this venture. Against this background, our work will contribute to the extant literature in multiple ways.

Our study contributes to a larger discussion on the factors that shape WOM behavior (e.g., Chen & Berger, 2016; De Matos & Rossi, 2008; Hennig-Thurau, Gwinner, Walsh, & Gremler, 2004). In this context, prior research has mainly focused on its behavioral drivers (see Berger, 2014 for a review), individual differences of the sender (e.g., Wien & Olsen, 2014), brand characteristics (Carroll & Ahuvia, 2006) or product category (Cheema & Kaikati, 2010), but does not address the potential impact of firm characteristics on WOM behavior. Moreover, a recent review on firm age across research fields shows that the marketing literature in general seems to neglect the age of a firm as a central construct (Bakker & Josefy, 2018*)*. In this vein, we anticipate that firm age impacts the likelihood of customer WOM through the mediating influences of firm survival expectations, perceived firm neediness, and product originality perceptions. More precisely, we argue that new ventures, solely due to their young age, are perceived as more needy and expected to have lower survival rates compared to their established counterparts. In turn, we expect that the products they offer appear relatively more original. Moreover, we assume that these age-caused mechanisms lead to WOM. Figure 5-1 summarizes these relationships.

In addition, while academic endeavors on firm age has frequently informed research in the past (e.g., Aldrich & Auster, 1986; Fichman & Levinthal, 1991; Mitchell, 1994), our understanding of firm age remains scant (Bakker & Josefy, 2018). In treating firm age as the central explanatory construct in our research and by scrutinizing the effect of its perception on customer behavior, we further advance the literature on firm age. In this context, we theorize and empirically show that young firm age, and therefore newness, may entail both positive and negative effects for new ventures. In doing so, we also add to the literature concerning stakeholder perceptions of organizational newness (Choi & Shepherd, 2005).

Finally, the results of our work have practical implications for entrepreneurs. Providing an understanding on how their ventures are perceived by their customers can be expected to support entrepreneurs in crafting their marketing strategies more efficiently.

Figure 5-1: Conceptual Model



5.2 THE PARTICULAR RELEVANCE OF WOM FOR NEW VENTURES

New ventures are to create awareness and familiarize potential customers with them due to their novelty to the market (Shepherd, Douglas, & Shanley, 2000). In this context, WOM has been shown to be a conduit through which awareness is created (Liu, 2006) and is attributed an important role in the dissemination of information about and within markets (cp. Goldenberg, Libai, & Muller, 2012). Further, new ventures are likely to lack the budgets to invest in large marketing engagements. WOM strategies, however, are characterized by substantially lower costs while at the same time considered to be more effective than traditional forms of marketing (Trusov et al., 2009). Moreover, new ventures may not yet have a clear picture who their customers actually are or how to best reach and address them. WOM recipients, in turn, can be expected to receive tailored, relevant and personalized information (Baker, Donthu, & Kumar, 2016; Wirtz & Chew, 2002). In spurring WOM, new ventures thus receive support from WOM senders in this regard.

Moreover, new ventures typically lack the legitimacy established firms possess (e.g., Hannan & Freeman, 1984). Legitimacy is commonly considered "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions" (Suchman, 1995, p. 574). Being perceived as legitimate is as fundamental for new ventures, their survival and growth, as possessing financial capital or personnel (Zimmerman & Zeitz, 2002). Once having gained legitimacy from initial stakeholders, it is decisive for new ventures that perceptions about their legitimacy diffuse (Kuratko, Fisher, Bloodgood, & Hornsby, 2017). In this vein, past research has argued that legitimacy can be attained through endorsements from information sources outside the firm (Sanders & Boivie, 2004). Further, the marketing literature refers to WOM as conduit through which legitimacy can be directly enhanced (Peres & Van den Bulte, 2014) or as a signal increasing new venture familiarity among venture capitalists (Aggarwal et al., 2012).

New ventures are associated with considerable uncertainty as they have only a short performance history by which potential customers can a priori evaluate the factors that drive their buying decision (Stuart, Hoang, & Hybels, 1999). Against this background, building trust plays a central role for new ventures (Aldrich & Fiol, 1994). However, while trust, i.e., the "willingness to rely on an exchange partner in whom one has confidence" (p. 315), is both a feature and a determinant of successful relationships (Moorman, Zaltman, & Deshpande, 1992), it also requires time to be built (Doney & Cannon, 1997). While potential customers may thus not (yet) trust in a new venture or its products, they may trust in a new venture's already existing customers as the information they send is generally perceived as more trustworthy and objective than information communicated by firms (Murray, 1991). Due to its high credibility and trustworthiness (e.g., Bone, 1995), inducing customer WOM communication may be therefore particularly important for new ventures. Early customers may take on the role as trust brokers assuming a critical role in a trust transfer process (cp. Delgado-Márquez, Hurtado-Torres, &

Aragón-Correa, 2012). They may function as the external source of validation, which Aldrich and Fiol (1994) argue new ventures so desperately need but usually not have. This notion is mirrored by Berger (2014) who suggests that customers should actively seek WOM when lacking trustworthy information.

5.3 HYPOTHESES

5.3.1 Firm Age, Expected Firm Survival, and WOM

"The major problem facing smaller and younger organizations is survival" (Aldrich & Auster, 1986; p. 193). While failure has the potential to be functional – for example in terms of presenting an insightful learning opportunity (e.g., McGrath, 1999) – it is generally regarded as to be avoided (e.g., Cardon, Stevens, & Potter, 2011).

In this context, we argue that firm age leads to higher firm survival expectations, which positively affects WOM.

The notion that firm age may influence customer expectations of firm survival goes back to Stinchcombe's (1965) conjecture of a liability of newness. He posits that "a higher proportion of new organizations fail than old" (Stinchcombe, 1965; p. 148) as young firms are confronted with the costly necessity of learning and inventing new roles, a lack of relations of trust within the organization and a lack of stable links to stakeholders such as customers or business partners. Ever since he theorized over the conditions that impact the comparative survival likelihood of new and old firms, a vast body of research has found empirical support for an age-dependent monotonic decline of organizational mortality (Carroll, 1983; Freeman et al., 1983; Thornhill & Amit, 2003) – even when the size of the firm is controlled for (e.g., Mitchell, 1994). There is thus a high objective likelihood of new venture failure and reason to believe that this likelihood shapes survival expectations.

Moreover, we know from past research that the reasons for such lower survivability may be independent of the markets new ventures operate in or the degree to which markets perceive the solutions new ventures offer as attractive. From a customer's point of view, new ventures, like newly introduced products (Steenkamp, ter Hofstede, & Wedel, 1999), are riskier and entail more ambiguity concerning their performance than their established counterparts solely due to their young age. Even though initial customers may certainly experience high satisfaction, new ventures are often incapable of repeatedly producing a given quality (Stuart et al., 1999), which, in turn, highly threatens their survival (Hannan & Freeman, 1984). In a similar vein, Reuber and Fischer (2005) argue that markets ascribe a higher uncertainty to new ventures regarding their stability and capabilities, and that their short track record is a decisive factor upon which these beliefs depend. In a parallel vein, Zott and Huy (2007) show that entrepreneurs actively use (older) firm age to signal organizational achievements and that the probability of business failure had significantly decreased. For example, one venture underlined in its communication that it had been incorporated already three years ago at the time (e.g., Zott & Huy, 2007). Young firm age thus leads to and signals a lower propensity to survive. We therefore hypothesize:

Hypothesis 1a: *Firm age positively influences firm survival expectations.*

As forming a business relationship, recommending a firm is an inherently social process (cp. Van Hoye & Lievens, 2009). Hence, academic work in the WOM context frequently draws on social exchange theory (Blau, 1964) to provide a theoretical foundation for explaining the decisions of individuals upon engaging in WOM (e.g., Cheema & Kaikati, 2010; Stumpf & Baum, 2016). According to social exchange theory, spreading WOM entails both benefits and costs and individuals decide to do so only if they at least weigh equally (Mathur, 1996). Importantly, costs in this context can be material but also psychosocial (Dowd, 1975). Individuals may for instance experience costs for the time spent communicating (Ryu & Feick, 2007) or, in case they value uniqueness, social costs through WOM decreasing the uniqueness of their possessions given their recommendation was successful (Cheema & Kaikati, 2010). In addition, individuals bear social costs if a product they have recommended does not live up to the expectation formed upon their advocacy (Gatignon & Robertson, 1986).

Moreover, people are generally eager to present themselves in a positive light (e.g., Schlenker & Leary, 1982) and there is reason to believe that part of the cost/benefit analysis of making a recommendation is governed by the WOM senders considering how they and their recommendation will be perceived by the message receiver (Wirtz et al., 2013). Thus, products or, on a larger scale, firms that entail an idiosyncratic risk to cause social costs in the WOM realm can be expected to have a lower likelihood to be the subject of WOM. This is in line with prior research finding that customers are reluctant to give WOM in risky situations (Mazzarol, Sweeney, & Soutar, 2007), in harmony with a central tenet of social exchange theory according to which people seek to minimize costs in exchange relationships (Blau, 1964) and it mirrors an individual's general predisposition to be risk averse (Kahneman & Tversky, 1979). Following from their mortality rates as argued above, new ventures are high-risk endeavors (Shepherd, Douglas, et al., 2000) and it is therefore difficult to anticipate their survival.

We rely on these logics and argue that the risk idiosyncratic to new ventures translates into high social costs of engaging into WOM about these ventures. We thus claim that the costs for making a recommendation about a new venture are high as recommending a firm that may cease to exist in the near future is risk-ridden for recommenders. Individuals may experience high social costs if a firm does not survive which they had previously recommended. This further implies that the social costs of WOM are expected to vary with firm age. We expect that young firm age negatively influences expected firm survival whereas the degree to which individuals expect a firm to survive positively influences their likelihood to recommend the firm. Accordingly, we derive the following hypotheses:

Hypothesis 1b: *Expected firm survival positively influences WOM.*

Hypothesis 1c: *Expected firm survival mediates the relationship between firm age and WOM.*

5.3.2 Firm Age, Product Originality, and WOM

Prior research clearly shows that, besides being the result of conscious processing, customer product evaluations are also prone to bias (Connell, Brucks, & Nielsen, 2014; Park & Park, 2013). Furthermore, as aforementioned, a newness of ventures in the market goes hand in hand with lacking an informative track record by which customers can evaluate the products of new ventures (Stuart et al., 1999). When making product evaluations, customers are thus forced to make inferences about missing information (cp. Kardes, Posavac, & Cronley, 2004; Lynch & Srull, 1982). In this regard, we argue that the evaluations of products offered by new ventures are influenced by the attributes that customers initially associate with these ventures. Moreover, this influence is largely shaped by the ventures' newness, as this is among their most salient characteristics in the absence of a market history, and, as Kuratko and colleagues (2017) put it, "a hallmark of entrepreneurship" (p. 121).

The notion that firm age affects product evaluation is nurtured by insights from the branding literature. Research from this stream suggests that product evaluations are shaped by the corporate associations that customers hold (see Brown & Dacin, 1997). In this vein, Gürhan-Canli and Batra (2004) find that customers draw inferences from corporate associations when evaluating novel products. Further, this rationale receives additional support from what is known as the halo effect. The halo effect is broadly defined as the tendency of an overall assessment of a person/object to impact the specific attributes of that very person/object (Nisbett & Wilson, 1977; Thorndike, 1920). Past research identifies the halo effect as a prominent heuristic in the domain of customer behavior (e.g., Han, 1989) whereas customers are especially likely to use the halo to form evaluations in scenarios where information is missing (e.g., Huber & McCann, 1982). We argue that firm age can give rise to a spillover or 'halo' effect on customer judgements about a new venture's products. More precisely, we propose that the newness associated with new ventures affects the degree to which their products are perceived as original. Product originality has been frequently discussed to play a key role for firms (Henard & Szymanski, 2001; Li, Zhang, & Wang, 2015) and is defined as the degree to which individuals perceive a product as new or unique in comparison to previous offers (Goldenberg, Mazursky, & Solomon, 1999; Moldovan, Goldenberg, & Chattopadhyay, 2011). Accordingly, we propose:

Hypothesis 2a: *Firm age negatively influences product originality perceptions.*

We further suggest that product originality perceptions in turn stimulate WOM behavior. Prior research indicates that product characteristics may exert a direct influence on firm success (e.g., Jaworski & Kohli, 1993). In a similar vein, we know that product characteristics may also directly (e.g., Berger, 2014) or indirectly (e.g., Cheema & Kaikati, 2010) affect customer WOM behavior.

According to research on schematic processing (Meyers-Levy & Tybout, 1989; Rindova & Petkova, 2007), original products, as long as their features are understood, appear more interesting to customers. Products that customers do find interesting, in turn, have been found to receive more immediate WOM after customers experience or learn about them (Berger & Schwartz, 2011). In a similar vein, people are more willing to share interesting content online

(Berger & Milkman, 2012). Moreover, Moldovan and colleagues (2011) show that original new products lead to more WOM.

Hypothesis 2b: *Product originality perceptions positively influence WOM.*

Hypothesis 2c: *Product originality perceptions mediate the relationship between firm age and WOM.*

5.3.3 Product Originality and Expected Firm Survival

What customers know about a particular firm may affect how they perceive the firm's products (cp. Brown & Dacin, 1997). However, also the inverse may be true. In this vein, we argue that originality perceptions about a firm's product may influence the degree to which customers expect this firm to survive.

Product originality allows for competitive advantage based on the uniqueness of a firm's products. Gatignon and Xuereb (1997) propose that original products are characterized by incorporating technology that has not been used in existing products (cp. Moldovan, Goldenberg, & Chattopadhyay, 2011). In a parallel vein, perceptions about a product's uniqueness are referred to as constituent component of its originality (Goldenberg et al., 1999; Moldovan et al., 2011). On a firm level, Day and Wensley (1988), building a framework on the elements of competitive advantage, relate customer perceptions of product attribute uniqueness to the factors that determine the performance outcomes of a firm. On a product level, past research relates products that are unique compared to the solutions that competitors have to offer to new product success (Cooper, 1979; Cooper & Kleinschmidt, 1987). Being able to offer a product that is perceived as original may thus entail a certain monopolistic status or can be expected to imply lower competition – a situation that past research associates with expectations of higher firm survival (Shepherd, 1999). Thus:

Hypothesis 3:	*Product originality perceptions positively influence firm survival expectations.*

5.3.4 Firm Age, Perceived Neediness, and WOM

Above, we theorized how young firm age perceptions may shape firm survival expectations and the degree to which products are perceived as original. In addition, we argue that young firm age creates an impression of neediness, which, like expected firm survival and product originality, favors customer WOM.

New ventures are often needy. In this context, we know that new ventures frequently do not operate profitably (Hayton, 2005) and, compared to their counterparts with longer market histories, they have yet to reach the point where they can generate stable cash flows themselves (Fu, Ke, & Huang, 2002). New ventures therefore rely on their stakeholders to support them with resources (Nagy, Pollack, Rutherford, & Lohrke, 2012). For example, new ventures frequently turn to friends and family (Ebben & Johnson, 2006), venture capitalists (e.g., Harrison & Mason, 2000), business angels (Maxwell, Jeffrey, & Lévesque, 2011), or occasionally banks (Bruton et al., 2015) for financial support. Increasingly, however, as the literature on the phenomenon of crowdfunding shows, new ventures also make their neediness publicly transparent, actively reaching out for the help of consumers (e.g., Ahlers, Cumming, Günther, & Schweizer, 2015; Mollick, 2014).

Moreover, new ventures are not only in need of financial capital. Especially in the beginning, they lack all kinds of important resources (Brush, Greene, & Hart, 2001). In addition, new ventures are most often unknown (Nagy et al., 2012), in need to create awareness and, once they have managed to make potential stakeholders (e.g., customers) aware of their existence, in need to fight off doubts that are based on their short history to assess them favorably. In this context, extant research leaves little doubt that new ventures can do so on their own (cp. e.g., Reuber & Fischer, 2005). New ventures are thus “vulnerable and needy” (Kor & Misangyi, 2008; p. 1348). We therefore hypothesize:

Hypothesis 4a: *Firm age positively influences perceived neediness.*

Previous research shows that young firm age *perceptions* imply uncertainty for stakeholders and that they are thereby more likely to support older organizations (Choi & Shepherd, 2005). Moreover, being needy generally entails a dependency on others and is the consequence of certain weaknesses. However, there is reason to believe that being perceived as needy due to young firm age may also be advantageous for new ventures. We propose that being perceived as needy may also benefit new ventures in terms of stakeholder support, and, more precisely, in the context of WOM. In other words, we expect that the needier customers perceive a new venture to be, the more likely they are to support it. We further argue that WOM is one such form of customer support. Our expectations in this regard are in line with the extant literature from the fields of social psychology, marketing and customer behavior.

Considerable evidence interested in the motivational origins of individuals’ helping behavior demonstrates that appearing in need is responsible for receiving the help of others (see e.g., Eisenberg & Miller, 1987, for a review). In a similar vein, recent empirical work on the role of perceived neediness for charity giving found that, once individuals decide deliberatively to give, donation recipient neediness perceptions are most decisive (Cryder, Botti, & Simonyan, 2017). In addition, prominent crowdfunding examples (cp. Viotto da Cruz, 2018) demonstrate that being perceived as needy and having the capabilities to transform an initial idea into market success are not mutually exclusive. Research on crowdfunding further shows that founders are not only turning to the general public for support but demonstrates that they are also well aware of the potential benefits that appearing needy entails. In this regard, and based on a dataset of 595 new ventures, Parhankangas and Ehrlich (2014) show that founders actively seek to create an impression of neediness when looking to acquire financial resources. In a similar vein, research on impression management demonstrates that firms intentionally carry their weakness and vulnerability to the outside to obtain support (Bolino, Kacmar, Turnley, & Gilstrap, 2008) and, importantly, that such behavior is associated with positive effects for the respective firms (Schniederjans, Cao, & Schniederjans, 2013).

Prior marketing research includes evidence that individuals support others in the marketplace (e.g., Furse, Punj, & Stewart, 1984). In this context, the intention to support others has been shown to positively affect the likelihood to spread WOM. Sundaram, Mitra and Webster (1998), for instance, find that customers share WOM to assist receivers in their purchase decisions. In a similar vein, helping others has been demonstrated to impact the likelihood to disseminate WOM online (Ho & Dempsey, 2010). Engaging in WOM behavior thus represents one form of supporting others.

Of particular interest in the context of the current research is the notion that such "others" do not necessarily have to be other individuals but that such support may also be directed at firms as a whole (Staw, 1983). In line with this, previous research on WOM provides empirical evidence that customers recommend firms with the sole motivation to help this very firm to become or remain successful (Hennig-Thurau & Walsh, 2004; Sundaram et al., 1983). In fact, qualitative work by Hanlon and Saunders (2007) identifies WOM as an important type of support for new ventures.

To sum up, we expect neediness perceptions to drive customer firm support in the form of WOM.

Hypothesis 4b: *Perceived neediness positively influences WOM.*

Hypothesis 4c: *Perceived neediness mediates the relationship between firm age and WOM.*

5.4 METHOD

5.4.1 Design and Sample

To empirically asses the formulated hypotheses, we conducted a randomized online experiment. In this regard, we employed a two-group (new venture [one-year-old] vs. established venture [57-year-old]), between-subjects design to test the hypothesized relationships between our independent variable (firm age), the three presumed mediators (expected firm survival, perceived neediness, product originality) and our primary dependent variable (WOM recommendations). In designing a scenario-based experiment, we followed prior leading research scrutinizing the drivers of customer WOM behavior (e.g., Berger & Milkman, 2012; Cheema & Kaikati, 2010; Chen & Berger, 2016). Prior research argues for the use of scenarios to overcome the issues real-life WOM entails for research (Wien & Olsen, 2014; cp. Wirtz & Chew, 2002) as well as for the use of fictitious firms to rule out potentially confounding effects related to prior brand attitudes (Chari, Christodoulides, Presi, Wenhold, & Casaletto, 2016).

A final sample of 215 participants was randomly assigned to one of the two scenarios. Participants were recruited among students from a German university and expanded through snowball sampling. The average age of the respondents was 29.49 years and 41.9 % were female. Further, while seven participants did not provide information on their profession, 72.6% were students and the reported monthly income of 62.8 % was below 1,000 €.

Our sample can be considered appropriate for at least two reasons. First, with regard to their age, our sample is largely congruent to the relevant customer segment of firms offering wristwatches in the lower price range (cp. the description of our experimental stimuli chosen) (Responsio & Sinus Uhren-Monitor, 2013). Second, the majority of our sample are students and student samples are frequently drawn upon in experimental WOM research (e.g., Akpinar, Verlegh, & Smidts, 2018; Chen & Berger, 2016).

5.4.2 Stimuli and Measures

At the outset, participants read about a fictitious brand called *Oblique*, which, they were told, manufactures a high-quality wristwatch, the *Levante* watch. The watch would be in the price segment between €100 and €250. Before reading about *Levante's* features in more detail, we informed the participants that the watch would address the problem that cheap prices mostly goes at the expense of quality in the watch market. We then displayed the firm age manipulations, which read as follows:

> "The Levante watch is developed and manufactured by the in 2014/1958 founded firm Oblique. The Start-up is a union of three friends who made a career out of their passion for watches. The founders have known each other since the time they went to college together, from which they had successfully graduated by the time they founded Oblique about one/sixty year(s) ago."

We chose a wristwatch as the focal product of our study as a watch is a product that can be related to established firms as well as to new ventures. By the time of our data collection, both national and international new ventures producing watches had recently entered the markets.

After the scenario and manipulation presentation, participants were surveyed on their WOM intentions, product originality, their firm survival expectations and neediness perceptions (see table 5-1 for scale items). The participants' evaluation of the originality of the Levante watch was assessed on four scale items borrowed from Moldovan and colleagues (2011). For this scale, the score for internal consistency amounts to 0.87 and thus suggests sufficient reliability (Nunnally & Bernstein, 1994). Further, to assess the firm's neediness and expected survival in the eyes of our participants as well as their WOM intentions, we relied on single-item measures respectively. Perceived neediness was gauged with an item adapted from Batson, Lishner, Cook and Sawyer (2005), expected firm survival with an item borrowed from Shepherd (1999). In order to measure our participant's WOM intentions, we adapted one item adapted from Söderlund (2002). At last, before our respondents were thanked for their participation, they were asked to provide basic sociodemographic information (sex, age, education, profession, and income).

While academic marketing research is dominated by multi-item measurement (cp. Bergkvist & Rossiter, 2007), the use of single-item measures for our two focal constructs perceived neediness and expected firm survival seems appropriate. Rossiter (2002) argues that a single-item measure is valid if the object it assesses is singular and concrete and if the attribute that measures this object is concrete as well. In other words, our single items can be expected to provide valid measurement if the fictitious firm in our scenarios and both constructs (perceived neediness and expected firm survival) are clear and unambiguous for our participants (cp. Bergkvist & Rossiter, 2009). With regard to firm assessment, Rossiter (2002) refers to a firm, in his case IBM, as a prime example of a concrete singular object. In addition, and unlike rather complex psychological constructs for which the application of multi-item measurement is generally recommended (cp. Wanous, Reichers, & Hudy, 1997), survival, neediness and WOM intentions are straightforward constructs which can be expected to not require further interpretation. In this vein, they have been gauged with single-item measures in the past (e.g., Van Leeuwen & Täuber, 2011).

Table 5-1: Scale Items for Construct Measures

Constructs	Cronbach's Alpha	Factor Loading
WOM intentions (1 = strongly disagree, 7 = strongly agree)	– [a]	
I would recommend the Levante watch to my friends and acquaintances.		– [a]
Product originality (1 = strongly disagree, 7 = strongly agree)	0.87	
The Levante watch is original.		0.75
The Levante watch is novel.		0.82
The Levante watch is unusual.		0.85
The Levante watch is unique.		0.75
Perceived neediness (1 = not needy at all, 7 = very needy)	– [a]	
How needy are the firm Oblique and its founders currently in your opinion?		– [a]
Expected firm survival (1 = very low probability of survival, 7 = very high probability of survival)	– [a]	
Based on the above description of the firm Oblique, how do you rate the probability that this firm will survive?		– [a]

[a] Single-item measure.

5.4.3 Assessing Reliability and Validity

All measures were taken from different studies. This favors the notion of content validity (cp. Baum, Schäfer, & Kabst, 2016). In addition to three single-item constructs, the measurement model we propose consists of one latent variable. Product originality was gauged by a multi-item reflective, formerly validated scale. In order to control for this scale's internal item consistency, we calculated its composite reliability (CR). Exhibiting a value of 0.87, this construct clearly exceeds the suggested threshold of 0.60 (cp. Bagozzi & Yi, 1988; Fornell &

Larcker, 1981). Our scale for product originality further demonstrates good convergent validity as the average variance extracted (AVE) for this construct surpasses the standard of 0.50 suggested (Fornell & Larcker, 1981).

5.5 RESULTS

Table 5-2 reports measurement information as well as the correlations between the focal variables.

Table 5-2: Measurement Information and Correlations

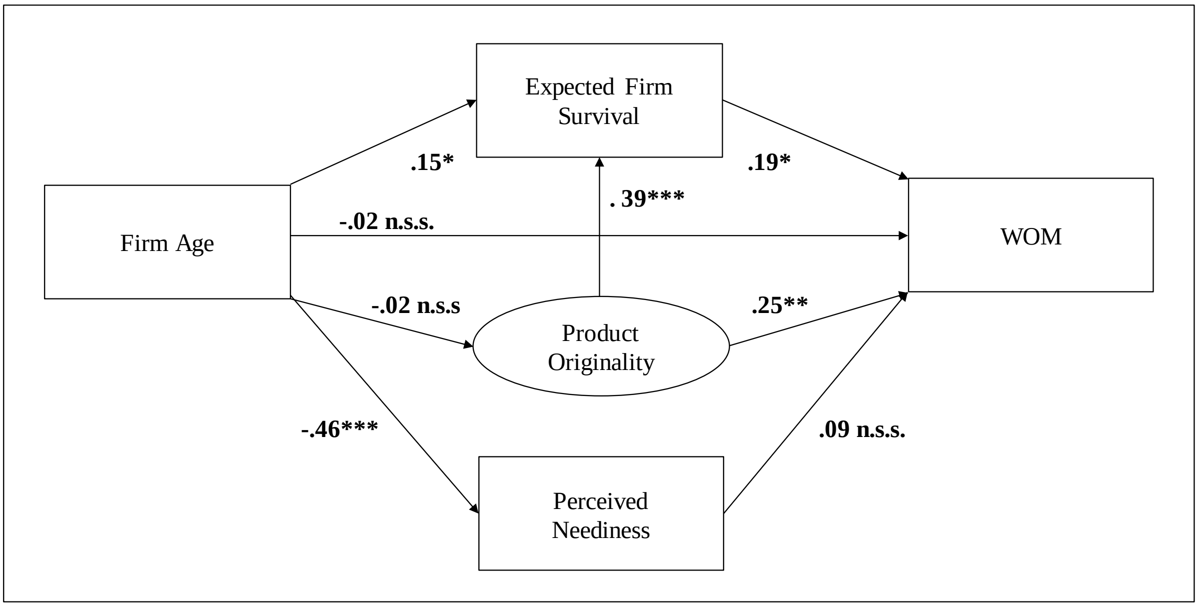
Variables	Mean	SD	Min.	Max.	N	CR	AVE	Expected Firm Survival	Product Originality	Perceived Neediness	WOM
Expected Firm Survival	4.35	1.28	1.00	7.00	215	– [a]	– [a]	1			
Product Originality	3.75	1.31	1.00	6.75	215	.87	.63	.369**	1		
Perceived Neediness	4.10	1.61	1.00	7.00	215	– [a]	– [a]	-.221**	.060	1	
WOM	4.41	1.58	1.00	7.00	215	– [a]	– [a]	.261**	.312**	.066	1

Note: **Correlation is statistically signficant at the 0.01 level (2-tailed). SD = standard deviation. CR = composite reliability. AVE = average variance extracted.
[a] Single-item measure.

To test our hypothesized model, we performed Structural Equation Modeling (SEM) using the software package MPLUS (Version 7) and applied bootstrapping with 5000 bootstrap samples and ML-estimator (Shrout & Bolger, 2002). Bootstrapping provides robust standard errors as it controls for non-normality of the sampling distribution (Preacher & Hayes, 2008). Moreover, with regard to the predicted mediation effects, bootstrapping allows us to test for the existence of indirect effects (cp. Baum et al., 2016).

Figure 5-2 shows an overview the results of the SEM including all relevant model fit indices (see table 5-3 for all relevant results). While the chi-square for our measurement model was statistically significant (χ^2 (df) = 29.954 (14), p = 0.01), further fit indices exhibited an acceptable fit (CFI = 0.971; TLI = 0.942; RMSEA = 0.073). Hypothesis 1a predicted that firm age leads to higher firm survival expectations, which, according to hypothesis 1b, in turn, positively influence WOM. These assumptions are confirmed as on the one hand established firms are expected to have higher survival rates than new ventures (β = .15; p = .02) and on the other hand as expected firm survival has a positive effect on WOM (β = .19; p = .02). Hypotheses 1a and 1b are thus supported. However, bootstrapping did not reveal a statistically significant indirect effect between firm age and WOM via expected firm survival (β = .03; 95% confidence interval -.002 to .059). Therefore, hypothesis 1c is not supported. Our results further reveal that firm age does not have an impact on product originality (β = -.02; p = .75) whereas higher product originality perceptions statistically significantly and positively influence WOM (β = .25; p = .00). These results leave us unable to support hypotheses 2a and ac (β = -.01; 95% confidence interval -.037 to .025) while hypothesis 2b can be supported. Hypothesis 3, assuming that product originality perceptions lead to higher firm survival expectations, can also be supported. Hypothesis 4a stated that established firms are perceived as less needy than new ventures, which can be supported (β = .46; p = .00). Hypothesis 4b, however, assuming a positive effect of perceived neediness on WOM, is not supported. The existence of an indirect effect between firm age and WOM via neediness perceptions (Hypothesis 4c) can also not be shown (β = -.04; 95% confidence interval -.100 to .021).

Figure 5-2: Overview of the Results of the Structural Model



Model fit: χ^2(df) = 29.954 (14) p = 0.01; CFI = 0.971; TLI = 0.942; RMSEA = 0.073. N = 215.
***Coefficient is statistically significant at 0.001 level (2-tailed). **Coefficient is statistically significant at 0.01 level (2-tailed).
*Coefficient is statistically significant at 0.05 level (2-tailed).

Table 5-3: Results of the SEM

Hypothesis	From	To	Via	Standardized Estimate	Unstandardized Estimate	SE	p-Value
H1a	Firm Age	Expected Firm Survival	-	0.152*	0.391*	0.161	0.015
H1b	Expected Firm Survival	WOM	-	0.187*	0.232*	0.101	0.022
H1c	Firm Age	WOM	Expected Firm Survival	0.029	0.091	0.059	0.127
H2a	Firm Age	Product Originality	-	-0.024	-0.054	0.168	0.747
H2b	Product Originality	WOM		0.245**	0.343**	0.105	0.001
H2c	Firm Age	WOM	Product Originality	-0.006	-0.019	0.060	0.756
H3	Product Originality	Expected Firm Survival	-	0.393***	0.446***	0.087	0.000
H4a	Firm Age	Perceived Neediness	-	-0.464***	-1.502***	0.195	0.000
H4b	Perceived Neediness	WOM	-	0.085	0.084	0.076	0.268
H4c	Firm Age	WOM	Perceived Neediness	-0.040	-0.126	0.116	0.279

Note: ***Coefficient is statistically significant at 0.001 level (2-tailed). **Coefficient is statistically significant at 0.01 level (2-tailed). *Coefficient is statistically significant at 0.05 level (2-tailed). SE = standard error

5.5.1 Additional Analyses

From previous research we know that a variety of reasons may explain why individuals are motivated to spread WOM (e.g., Hennig-Thurau et al., 2004). With this in mind, our proposed model implies several motivational drivers. More precisely, with regard to the relationship between product originality and WOM, we argued that original products appear more interesting and thus spark WOM. The motivational aspect here lies in the desire of individuals to make a good impression of themselves. Impression management, as Berger (2014) argues, should lead to interesting things receiving more WOM. Further, and congruent with the argumentation in deriving hypothesis 1a-1c, our explanation for the effect of firm survival expectations on WOM is rooted in the motivation of individuals to minimize (social) cost. Finally, we assumed an effect between neediness perceptions and WOM. The motivational driver behind this relationship is prosocial in nature. Such prosocial motivation, broadly defined, refers to “the desire to benefit others” (Grant & Berry, 2011, p. 74). However, as outlined above, the results of our proposed model could not confirm an effect of perceived neediness on WOM. This result surprised us and (1) suggests that appearing in need is not responsible for receiving help of others, (2) means that providing WOM is not interpreted as helping behavior by customers, or (3) implies that gauging WOM without specifying its motivational context is inadequate for capturing WOM intentions about new ventures. As outlined in the hypotheses section, considerable empirical exists that contradicts both (1) and (2) as possible explanations. We therefore ran additional analyses with a model that included prosocially-motivated WOM (pmWOM) as ultimate dependent variable.

For measuring pmWOM, we adapted three items from Grant's (2008) prosocial motivation scale (see table 5-4 for scale items and table 5-5 for measurement information and correlations).

Table 5-4: Scale Items for pmWOM

Constructs	Cronbach's Alpha	Factor Loading
pmWOM (1 = strongly disagree, 7 = strongly agree)	0.94	
I care about benefiting the firm Oblique through a recommendation.		0.90
For me it is important to do for the firm Oblique through my recommendation		0.92
I want to help the firm Oblique through my recommendation.		0.95

[a] Single-item measure.

Table 5-5: Measurement Information and Correlations (Additional Analyses)

Variables	Mean	SD	Min.	Max.	N	CR	AVE	Expected Firm Survival	Product Originality	Perceived Neediness	pmWOM
Expected Firm Survival	4.35	1.28	1.00	7.00	215	– [a]	– [a]	1			
Product Originality	3.75	1.31	1.00	6.75	215	.87	.63	.369**	1		
Perceived Neediness	4.10	1.61	1.00	7.00	215	– [a]	– [a]	-.221**	.060	1	
pmWOM	3.29	1.52	1.00	7.00	215	.94	.85	.298**	.338**	.239**	1

Note: **Correlation is statistically significant at the 0.01 level (2-tailed). SD = standard deviation. CR = composite reliability. AVE = average variance extracted. [a] Single-item measure.

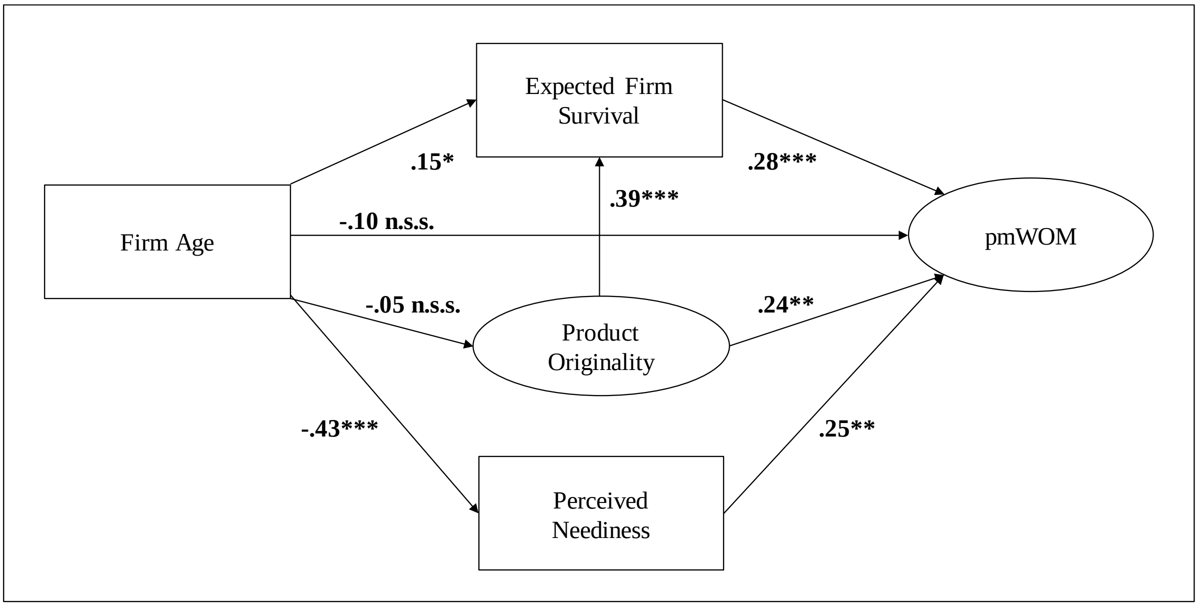
5.5.2 Results of Additional Analyses

To test our additional model (model 2), we again performed SEM using bootstrapping with 5000 replications. Figure 5-3 displays an overview of the results of this structural model including all relevant model fit indices (see table 6 for all relevant information). Compared to our original model, model 2 showed a better model fit: CFI = 0.984; TLI = 0.975; RMSEA = 0.055, whereas the chi-square test, however, remained statistically insignificant (χ^2 (df) = 46.288 (28), p = .02).

With regard to hypotheses 2a-2c, no changes occur compared to our original model. Hypotheses 3a and 3c remain statistically insignificant (h3a: β = -.05; p = .75; h3c: β = -.01; 95% confidence interval -.035 to .024); a positive impact of product originality on pmWOM (hypothesis 3b) can be confirmed (β = .24; p = .00). In addition, the results reconfirm a statistically significant relationship between firm age and expected firm survival (β = .15; $p < .05$) as well as between these survival expectations and pmWOM (β = .28; p = .00). Unlike in the original model, however, the indirect effect between firm age and pmWOM via expected firm survival is now statistically significant at the 10% (β = .04; 95% confidence interval .006 to .080). Hypotheses 1a-1c are thus confirmed. In addition, a statistically significant positive effect of product originality on firm survival expectations (hypothesis 3) is reconfirmed (β = .39; p = .00). With the exception of additionally being able to confirm hypothesis 1c, we thus find that when specifying the motivational context in which WOM occurs as prosocial in nature our previous results remain robust and the fit of our proposed model improves.

We ran additional analyses with pmWOM as ultimate dependent variable as we were interested in solving the question of whether our first results regarding the relational triad between firm age, perceived neediness, and WOM remain robust and thus contradictory to what we had expected based on the extant literature. In this regard, we find again that established firms are perceived as less needy than new ventures (β = -.46; p = .00). The results of model 2 further confirm a statistically significant positive impact of perceived neediness on pmWOM ($\beta = .25$; $p = .00$). Hypothesis 4b is thus supported. Moreover, the existence of an indirect effect between firm age and pmWOM via neediness perceptions can also be confirmed ($\beta = -.12$; 99.5% confidence interval -.218 to -.015), supporting hypothesis 4c. We further computed the total indirect effect of firm age on pmWOM which can be reported to be statistically significantly negative ($\beta = -.08$; $p = .08$).

Figure 5-3: Overview of the Results of Structural Model 2



Model fit: $\chi^2(df) = 46.288$ (28) $p = 0.02$; CFI = 0.984; TLI = 0.975; RMSEA = 0.055. N = 215.
***Coefficient is statistically significant at 0.001 level (2-tailed). **Coefficient is statistically significant at 0.01 level (2-tailed).
*Coefficient is statistically significant at 0.05 level (2-tailed).

Table 5-6: Results of the SEM for Model 2

Hypothesis	From	To	Via	Standardized Estimate	Unstandardized Estimate	SE	p-Value
H1a	Firm Age	Expected Firm Survival	-	0.152*	0.391*	0,162	0,016
H1b	Expected Firm Survival	pmWOM	-	0.281***	0.314***	0,086	0,000
H1c	Firm Age	pmWOM	Expected Firm Survival	0.043†	0.123†	0,064	0,056
H2a	Firm Age	Product Originality	-	-0,024	-0,054	0,170	0,752
H2b	Product Originality	pmWOM		0.236**	0.301**	0,098	0,002
H2c	Firm Age	pmWOM	Product Originality	-0,006	-0,016	0,052	0,757
H3	Product Originality	Expected Firm Survival	-	0.393***	0.446***	0,086	0,000
H4a	Firm Age	Perceived Neediness	-	-0.464***	-1.502***	0,194	0,000
H4b	Perceived Neediness	pmWOM	-	0.251**	0.223**	0,067	0,001
H4c	Firm Age	pmWOM	Perceived Neediness	-0.116**	-0.335**	0,112	0,003

Note: ***Coefficient is statistically significant at 0.001 level (2-tailed). **Coefficient is statistically significant at 0.01 level (2-tailed). *Coefficient is statistically significant at 0.05 level (2-tailed). † Coefficient is statistically significant at 0.10 level (2-tailed). SE = standard error.

Hypothesis	From	To	Via	Standardized Estimate	Unstandardized Estimate	SE	p-Value
H1a	Firm Age	Expected Firm Survival	-	0.152*	0.391*	0.162	0.016
H1b	Expected Firm Survival	pmWOM	-	0.281***	0.314***	0.086	0.000
H1c	Firm Age	pmWOM	Expected Firm Survival	0.043†	0.123†	0.064	0.056
H2a	Firm Age	Product Originality	-	-0.024	-0.054	0.170	0.752
H2b	Product Originality	pmWOM		0.236**	0.301**	0.098	0.002
H2c	Firm Age	pmWOM	Product Originality	-0.006	-0.016	0.052	0.757
H3	Product Originality	Expected Firm Survival	-	0.393***	0.446***	0.086	0.000
H4a	Firm Age	Perceived Neediness	-	-0.464***	-1.502***	0.194	0.000
H4b	Perceived Neediness	pmWOM	-	0.251**	0.223**	0.067	0.001
H4c	Firm Age	pmWOM	Perceived Neediness	-0.116**	-0.335**	0.112	0.003

Note: ***Coefficient is statistically significant at 0.001 level (2-tailed). **Coefficient is statistically significant at 0.01 level (2-tailed). *Coefficient is statistically significant at 0.05 level (2-tailed). † Coefficient is statistically significant at 0.10 level (2-tailed). SE = standard error.

5.6 GENERAL DISCUSSION

The goal set out for this research was to theoretically argue and empirically show how the idiosyncrasies of new ventures may affect WOM. Specifically, we sought out to scrutinize the impact of firm age perceptions of customers on several forces that may ultimately shape their WOM behavior. Across two models that vary with regard to whether the measure for WOM explicitly considers its motivational context (prosocially motivated vs. motivationally unspecified, henceforth general WOM), our study finds that product originality positively influences WOM. However, we additionally find that product originality, in turn, seems to be unaffected by whether or not the firm offering this product is perceived as young or old. With regard to the former, these results validate what previous work on the product originality – WOM relationship has found (cp. Moldovan et al., 2011). With regard to the latter, this finding implies that young firm age does not constitute an asset for new ventures in the sense that it feeds forward to the degree to which their products are perceived as original. At the same time, this implies that established firms, while they may suffer from inertia-induced problems (Mitchell, 1994), are not cognitively denied to have what it takes to (still) introduce original products to the market.

Besides the impact that product originality has on WOM, our work further shows its positive influence on firm survival expectations. Against the background that venture survival is also important for other stakeholders than customers who are also crucial in a venture's early phase (e.g., venture capitalists; cp. Shepherd, 1999), the ability to offer original products may serve as an important signal for new ventures to receive stakeholder support. To the best of our knowledge, this work is the first to consider customer firm survival assessment, its consequences and drivers.

While firm age has received considerable attention in management research in the past (see e.g., Thornhill & Amit, 2003, for an overview), where it has been conceptualized as both a central construct and included as control (Bakker & Josefy, 2018), it has largely only served as an objective measure of newness. Our study, however, provides initial evidence for the importance of considering firm age *perceptions* in academic endeavors. In this context, we find that perceptions about a firm's age shape both expected firm survival and the degree to which a firm is perceived as needy.

The results about the impact of firm age perceptions are achieved through the adoption of an experimental design. Hence, this work further adds to our understanding of the consequences exclusively attributable to a firm's age as the causal driver. In this regard, together with Choi and Shepherd (2005), who included firm age as independent variable in the context of a conjoint analysis, this work is among the first to disentangle temporal and causal mechanisms of firm age. Whereas Choi and Shepherd (2005), however, also use firm age to operationalize venture newness, our work is unique in revealing causal mechanisms that result from firm age as a focal construct.

Next to the previously described validation of product originality as impactful, our study contributes to a larger discussion on the factors that shape WOM behavior. In this regard, this work suggests that firm age perceptions ultimately drive WOM. Our results reveal that - independent of the motivational context – established firms, compared to new ventures, are expected to ultimately receive more WOM as they have a higher expected survival likelihood. Moreover, we show that higher perceived firm neediness positively affects pmWOM and that firm age perceptions also indirectly impact this specific type of WOM.

In conducting this research, we also sought to uncover the question if firm age is helpful or detrimental in spurring WOM. Therefore, our results further contribute to the discussion of whether young firm age constitutes a liability or an asset for new ventures. With the negative impact of young firm age on expected firm survival and the way this feeds forward to WOM, it becomes evident that established firms have a clear advantage over new venture in this context. With regard to the impact of firm age on WOM through perceptions of neediness, however, the answer to that question is less straightforward. As hypothesized, new ventures appear needier than established firms do. While at first glance unrelated to customer WOM, this seems to be a liability. However, our results further show that such perceived neediness may work in favor of new ventures as it spurs one specific type of WOM, namely one that is rooted in customer prosocial motivation. What appears to be liability at first sight may thus turn out to be an asset for new ventures.

5.6.1 Implications for Entrepreneurs and Managers

Several implications for entrepreneurs and managers follow from this work. While prior studies provide ubiquitous empirical evidence for the effectiveness of WOM, for instance in the context of customer acquisition, the present paper outlines the particular usefulness of WOM strategies for new ventures. In this vein, we encourage entrepreneurs to consider their application early on. At the same time, our results on expected firm survival and perceived neediness as drivers of WOM and how they are impacted by firm age perceptions may inform entrepreneurs in designing such strategies more efficiently.

Independent of their actual survival likelihood, new ventures are expected to have a lower survivability solely due to their young age. This is potentially harmful as such expectations may prevent customers from engaging in WOM. However, prior research exists that informs entrepreneurs about factors that positively impact their perceived survivability (e.g., their industry related competence, Shepherd, 1999). We therefore urge entrepreneurs to actively engage in communicating their capabilities and resources. In a similar vein, there are actions new ventures can undertake that signal their quality (see Connelly, Certo, Ireland, & Reutzel, 2011, for a review) and we believe that our findings underline the importance of quality signaling for entrepreneurs.

Despite its indirect negative impact on WOM, our results indicate that young firm age may increase the degree to which new ventures are perceived as needy, which in turn may spur WOM. Considered in isolation, communicating one's own vulnerability would be the dominant strategy for entrepreneurs in this regard. At first sight, however, this certainly seems contradictory to the implications suggested to reduce the threat of low survivability expectations. Nevertheless, and well aware of this being a balancing act for entrepreneurs, we believe that both is possible. Empirical evidence from the crowdfunding literature supports this view. When entrepreneurs address their potential backers in crowdfunding campaigns, they formulate needs and at the same time they communicate their capabilities and signal confidence in their entrepreneurial endeavors (cp. Parhankangas & Ehrlich, 2014). Further, past research finds that tangible information positively impacts helping-behavior (see Cryder, Loewenstein, & Scheines, 2013). When communicating their needs, we thus advise entrepreneurs to be precise.

Finally, our findings indicate a positive influence of product originality on WOM. Unlike a rather objective newness, product originality is decisively shaped by perceptions. In this regard, we follow Moldovan and colleagues (2011) in recommending entrepreneurs and managers to stress the originality of their products. As our results further indicate a positive impact of offering original products on firm survival expectations, this implication may be particular important for entrepreneurs.

5.6.2 Limitations and Future Research

As with all research, our work is not without limitations. With this in mind, and not least due to the scarcity of research addressing the potential impact of firm characteristics on WOM and the causal mechanisms of firm age, a number of research questions from both aspects as well as from their intersection warrant further research. Our experimental design had participants of our study read written scenarios. This approach is widely applied in WOM research shedding light on the drivers of WOM and enhances internal validity (e.g., Wien & Olsen, 2014). However, a concern with results gained through experimental designs lies in their generalizability, and thus may ultimately impact their external validity (Scandura & Williams, 2000). To address this potential limitation, prior research oftentimes relies on between-method triangulation - applying different methodological approaches to research the same phenomenon and thereby enhancing the overall validity of the results (e.g., Jick, 1979). With regard to our precise research questions, however, we believe that finding a setting that included ventures that are at least comparably congruent in perception but vary with regard to their founding date to a notable extent can be deemed somewhat questionable. Nevertheless, as research on firm age perceptions is in its infancy, future research may turn to the use free association technique (Foley, 1944; Koll, von Wallpach, & Kreuzer, 2010) in order to both extend our understanding what different stakeholders generally perceive with regard to young firm age and to validate our results in this regard.

Further, we recognize that our methodology does not allow to fully circumvent potential endogeneity issues (see e.g., Sande & Ghosh, 2018). On the one hand, the manipulation of our model's independent variable and the random assignment of participants to different experimental groups ensures that the correlations between firm age and its direct outcomes are causal (Antonakis et al., 2014). Thus, in our proposed model, firm age is exogenous by design and its estimated effects on expected firm survival, product originality, and perceived neediness do not suffer from endogeneity bias but are consistent (Antonakis et al., 2010). On the other hand, our measures for our model's mediators (i.e., expected firm survival, product originality, and perceived neediness) are endogenous. To address this issue of endogeneity, that is to ensure consistency of inference in multiple mediation paths, past research recommends the use of instrumental-variable estimation (Fischer, Dietz, & Antonakis, 2017). In this regard, the number of valid instruments needed must at least match the number of endogenous variables included (Antonakis et al., 2010). However, in order to be considered valid and strong, instruments have to fulfill certain requirements (e.g., they must not correlate with the disturbance term of the dependent variable ultimately predicted; see Kennedy, 2003). Against this background, finding appropriate instrumental variables can be difficult (Podsakoff, MacKenzie, & Podsakoff, 2012). Having gauged only one variable that meets the requirements strong instruments are to satisfy, we were unable to control for potential endogeneity bias in a model that considers all three endogenous mediators at the same time. We therefore tested the impact of our mediators sequentially, allowing a correlation between the disturbance of our measure for WOM (pmWOM) and the respective mediator, using firm age as instrument each time. As a result, the significance of the relationships involving firm survival expectations and product originality as explanatory variables vanished, while our prediction regarding neediness perceptions remained robust (see Appendix F). However, as this procedure does not allow to simultaneously model the multiple mediation paths as predicted, we deem it critical that future research replicates our findings. Nevertheless, the rationales for our predictions are derived on a strong theoretical basis and previous empirical evidence. For example, previous research that includes product originality as explanatory variable for WOM, ensuring exogeneity through experimental manipulation (Moldovan et al., 2011) and finding what we have predicted in this regard, strengthens our confidence in our results.

This experimental study employed a sample which, not exclusively, but largely consisted of students. While this sample represents the customer group that is most relevant for our experimental setting and despite the established appropriateness of drawing upon such samples for WOM research (e.g., Berger & Milkman, 2012; Cheema & Kaikati, 2010; Chen & Berger, 2016), we recognize that future studies should incorporate settings with other target groups as well. For instance, we argue that firm age perceptions may shape expected firm survival as new ventures involve more risk. Moreover, we outline that the risk idiosyncratic to new ventures translates into high social costs, which, in turn, negatively influence customer WOM. Previous research, however, indicates that the risk perceptions of individuals are dependent upon and their risk-taking behavior varies with their age (e.g., Grable & Lytton, 1998; MacCrimmon & Wehrung, 1990; Siegrist, Gutscher, & Earle, 2005). In addition, our results show that firm age perceptions, through influencing neediness perceptions, may spur WOM that is rooted in customer prosocial motivation. However, we also know that behavior that is prosocially motivated varies with the educational level of individuals (Smith, Organ, & Near, 1983). Therefore, we encourage future research to explore whether our findings transfer to customers with other sociodemographic backgrounds.

Finally, in their recent comprehensive review on firm age, Bakker and Josefy (2018*)* conclude that future research should consider firm age in its specific context. In the present study, we gauged customer WOM about a wristwatch. A watch is a product that can be related to both established firms and to new ventures. While the wristwatch industry on the one hand has certainly adopted technological advancements and innovations (e.g., smartwatches), there is reason to believe that on the other hand the industry as such is perceived as rather old. Future work on firm age perceptions may thus test if the advantages of established firms that are attributable to their firm age remain in rather young industries. In this context, there is further reason to believe that both firm age perceptions and their effect may vary for different stakeholder groups. For example, Choi and Shepherd (2005) find that customers differ from investors with regard to the degree to which they value firm reliability whereas investors have a higher preference for strategic flexibility. Hence, stakeholder groups vary in risk tolerance and there is thus reason to believe that firm age perceptions may trigger effects that are stakeholder-group-contingent.

CONCLUSION

The aim of this dissertation was to further our understanding on the factors that help entrepreneurs to overcome the challenges that may arise when seeking to initiate stakeholder relationships, and, ultimately, to secure their support. While cognitive consistency theories have coined a surge of academic endeavors particularly between 1940s and 1960s (e.g., Simon et al., 2004) and informed research across fields ever since (e.g., Baum, Schäfer, & Kabst, 2016; Meyers-Levy & Tybout, 1989), in five chapters, this dissertation both theoretically argues for and empirically shows the importance of considering consistency issues in funding, recruitment, and customer acquisition in the entrepreneurial context.

Chapter one discusses the general relevance of the consistency principle for human cognition and draws on the extant literature to explain where an individual's desire for cognitive consistency comes from. This chapter further provides the rationale for this thesis' particular focus on venture capitalists, employees, and customers among the many potential and further relevant stakeholder groups that exist for new ventures. Chapter one additionally elaborates on the usefulness of considering these three key stakeholder groups' cognitions. In this regard, this first chapter contributes to the literature on cognitive consistency as it argues for the relevance of its core principle for securing the support of these stakeholders by reviewing and synthesizing empirical evidence from the fields of venture financing, human resource management, and marketing. In doing so, chapter one allows to shed light on critical knowledge gaps that may prevent entrepreneurs from successfully acquiring financial resources from venture capitalists, recruiting employees, and attracting customers.

Based on two complementing studies, in the second chapter of this dissertation we show that SEs have a significant disadvantage over for-profit enterprises with regard to the likelihood to receive funding from financial resource providers solely because social entrepreneurs prioritize social value creation over strict economic goals. Our findings further indicate that venture capitalists perceive social entrepreneurs as significantly less competent than traditional for-profit entrepreneurs. With regard to the latter, the results of chapter two indicate that unconscious, biased cognitive processes affect how venture capitalists evaluate social entrepreneurs. The results of both studies caution social entrepreneurs seeking funds to consider the possibility of biased perceptions and informs future research to equip social entrepreneurs with strategies to act against such misperceptions. Chapter two contributes to the literature of resource provider decision-making and lends support to the usefulness of drawing on role congruity theory for explaining why social entrepreneurs are less likely to receive funding than ‘regular’ entrepreneurs are.

Chapter three enhances our knowledge of the early recruitment phase with data derived from an online experiment. The results of our analyses indicate that recognition and recall effects are significantly improved once potential applicants are exposed to consistent recruitment information among recruitment channels. Thereby, chapter three furthers our understanding on the optimal level of message consistency with regard to knowledge creation and contributes to the literature on effective multi-recruitment-channel design. The findings of this third chapter additionally show that there is a clear difference in encoding consistencies and inconsistencies. In this regard, our analyses reveal that the encoding of only partially consistent information is more complex than priorly assumed. Our theorizing in Chapter three is guided the concept of and literature on IMC, which we transfer to the early recruitment phase. In the light of its findings, this chapter follows previous research advocating the adoption of marketing concepts into the recruitment field.

Guided by two competing theoretical perspectives, chapter four analyzed the impact of the level of perceived congruity between a reward and the recommended brand as antecedent for customer referral program design effectiveness. The results of chapter four, obtained in two separate but complementary studies, indicate that the effect of congruity on perceived reward attractiveness is linear and positive. Customers thus prefer congruent brand-reward pairs in the context of customer referral program. Our findings further indicate that reward attractiveness perceptions shape brand evaluations, which, in turn, can be shown to affect brand recommendation likelihood. Chapter four thus demonstrates the importance of considering customer congruity perceptions as an essential driver of customer referral program performance outcomes. Next to advancing the discussion on the optimal level of congruity between a customer's prevailing brand schema and a stimulus presented, chapter four contributes to the literature on effective customer referral program design. The findings of this chapter were obtained in two separate but complementary studies.

Based on the extant literature, chapter five argues for the particular suitability of WOM marketing strategies for new ventures. As previous work, however, indicates that firm age perceptions may directly shape customer support and against the background that WOM constitutes one such form of support, chapter five further analyzes whether the young age of new ventures is helpful or detrimental in this regard. Achieved through the adoption of an experimental design, the results of chapter four indicate that customer firm age perceptions may indeed influence their WOM behavior through impacting both firm survival expectations and the degree to which they perceive a firm to be needy. While chapter five further validates previous work on WOM drivers in showing that perceived product originality shapes customer WOM, it shows that such perceptions are independent of a firm's age but affect its expected survival. Chapter five contributes to the literature on the antecedents of WOM as well as to the literature that revolves around the discussion of whether young firm age constitutes a liability or an asset for new ventures.

Next to the specific implications derived for each chapter, the findings of this dissertation – obtained through multiple empirical studies – offer also several overarching implications for future academic endeavors. While this work underlines the general importance of stakeholder cognitions, its results suggest that consistency fosters knowledge creation and serves as a heuristic shortcut. This is in line with the general assumption of limited cognitive capacity (cp. e.g., Simon, 1955; Weingart, Hyder, & Prietula, 1996) and the interrelated need to reduce cognitive effort. Chapter one outlined the latter as a key explanatory factor for a preference for cognitive consistency. However, this dissertation does not only point to *the benefits of considering* consistency issues. The results obtained are further in line with past research (e.g., Fischer et al., 2008) in that they show that the principle of cognitive consistency may also be intertwined with bias, which, in turn, may negatively impact new ventures in their quest to secure stakeholder support. This work thus further highlights *the dangers of not considering* that stakeholders strive for cognitive consistency. In this regard, and for the particular case of venture capitalists, this dissertation further argues that the likelihood of biased judgements rooted in the consistency principle is situation-contingent and further catalyzed by their uncertainty-ridden work environment. However, given the general high levels of uncertainty and substantial hazards in the new venture environment (e.g., Stinchcombe, 1965; Zott & Huy, 2007), future research should be devoted to the possibility that other new venture stakeholder groups, too, are prone to making biased judgments that are also rooted in their preference for consistency. In this context, future research is needed to provide a better understanding on how the goal of different stakeholders to maximize cognitive consistency may produce bias that ultimately affects their decision to support new ventures. In the light of the results of this work, future research should additionally take into account that such effects may be contingent upon situational factors. Finally, future studies should consider the role of consistency considerations and its impact on stakeholder support for further stakeholder groups. In this sense, the implications derived are in line with the notion that alongside researching the influence of stakeholders, a deeper understanding on the influence on stakeholders is needed (Barnett, 2018).

The results of this dissertation also have multiple overarching practical implications. Overall, entrepreneurs must rely on the support of stakeholders. In this context, entrepreneurs must not neglect the role of stakeholder cognitions. Specifically, this work advices entrepreneurs to consider consistency issues for overcoming the challenges that may arise particularly when initiating stakeholder relationships and securing their support. When designing strategies that aim to secure stakeholder support, entrepreneurs need to incorporate the notion that their stakeholders have a preference for consistency among their cognitions and that the presentation of consistent information can be expected to yield favorable results. Furthermore, when presenting themselves or their ventures, entrepreneurs need to be aware of the possibility that stakeholder perceptions may be driven by unconscious processes and are potentially biased, resulting in a reluctance to provide support. Thus, entrepreneurs need not only consider which information to present, but anticipate how this information will be perceived, and, in this regard, develop strategies to counteract potential bias. At last, this dissertation highlights the merits of obtaining financing by venture capitalists and encourages entrepreneurs to emphasize the key roles of employees and customers for the creation and growth of new ventures.

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APPENDIX

Appendix A: Attributes, Levels and Operationalizations (Study 2) (Chapter 2)

Attribute	Level	Operationalization
Timing of Entry	Pioneer	Enters a new industry first
	Late Follower	Enters an industry late in the industry's stage of development
Key Success Factor Stability	High	Requirements necessary for success will not change radically during industry development
	Low	Requirements necessary for success will change radically during industry development
Lead Time	Long	An extended period of monopoly for the first entrant prior to competitors entering the industry
	Short	A minimal period of monopoly for the first entrant prior to competitors entering this industry
Competitive Rivalry	High	Intense competition among industry members during industry development
	Low	Little competition among industry members during industry development
Sales Resources and Capabilities	High	Considerable resources and skills available to overcome market ignorance through education
	Low	Few resources or skills available to overcome market ignorance through education
Industry Related Competence	High	Venturer has considerable experience and knowledge with the industry being entered on a related industry
	Low	Venturer has minimal experience and knowledge with the industry being entered or related industry
Venture Type	For-Profit	The primary goal of the venture is to generate a financial return
	Social	The primary goal of the venture is to create social value

Appendix B: Sample Profile (Chapter 2)

Venture Concept 1

1.	Timing of Entry	:	Pioneer
2.	Key Success Factor Stability	:	Low
3.	Lead Time	:	Short
4.	Competitive Rivalry	:	Low
5.	Sales Resources and Capabilities	:	High
6.	Industry Related Competence	:	High
7.	Venture Type	:	Social

Appendix C: Specifications of Independent Variables (Chapter 2)

Variable	Specification
Timing of Entry	1 = pioneer; 0 = late follower
Key Success Factor Stability	1 = high; 0 = low
Lead Time	1 = long; 0 = short
Competitive Rivalry	1 = low; 0 = high
Sales Resources and Capabilities	1 = high; 0 = low
Industry Related Competence	1 = high; 0 = low
Venture Type	1 = social; 0 = for-profit

Appendix D: Study 2: Scale Items for Construct Measures (Chapter 4)

Constructs	Cronbach's Alpha	Factor Loading
Likelihood to recommend (1 = strongly disagree, 7 = strongly agree)	.94	
I am likely to recommend **Mobilstar**.		.91
I am likely to encourage someone to patronize **Mobilstar**.		.97
I am likely to be enthusiastic in my recommendation of **Mobilstar**.		.88
Brand evaluation	.89	
Bad/good (1 = bad, 7 = good)		.90
Low quality/high quality (1 = low quality, 7 = high quality)		.74
Dislike/like (1 = dislike, 7 = like)		.93
Reward attractiveness (1 = strongly disagree, 7 = strongly agree)	.95	
The reward is good.		.89
The reward is beneficial.		.81
The reward is attractive.		.92
The reward is excellent.		.89
I like the reward.		.91
Brand re-evaluation	.93	
Bad/good (1 = bad, 7 = good)		.91
Low quality/high quality (1 = low quality, 7 = high quality)		.90
Dislike/like (1 = dislike, 7 = like)		.91

Appendix E: Study 2: Measurement Information and Correlations (Chapter 4)

Variables	Mean	SD	N	CR	AVE	Reward Attractiveness	Prior Brand Evaluation	Brand Re-evaluation	Likelihood to Recommend
Reward Attractiveness	3.26	1.53	177	.95	.80	1			
Prior Brand Evaluation	5.50	1.05	177	.89	.77	0.069	1		
Brand Re-evaluation	5.01	1.23	177	.93	.84	0.243**	.759***	1	
Likelihood to Recommend	4.23	1.65	177	.94	.86	0.238**	.705***	0.570***	1

Note: ***Correlation is significant at the 0.001 level (2-tailed). **Coefficient is significant at 0.01 level (2-tailed). SD = standard deviation. CR = composite reliability. AVE = average variance extracted.

Appendix F: Results of Stepwise Endogeneity Assessment (Chapter 5)

Test #	From	To	Standardized Estimate	Unstandardized Estimate	SE	p-Value
1	Expected Firm Survival	WOM	-0.261	-0.323	0.649	0.619
2	Product Originality	WOM	1.684	2.373	7.705	0.758
3	Product Originality	Expected Firm Survival	-3.519	-4.024	8.623	0.641
4	Expected Firm Survival	pmWOM	-1.239	-1.387	0.98	0.157
5	Product Originality	pmWOM	-4.384	-5.541	12.803	0.665
6	Perceived Neediness	pmWOM	0.382*	0.340*	0.132	0.010

Note: *Coefficient is statistically significant at 0.05 level (2-tailed). SE = standard error.

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