This is the peer reviewed author accepted manuscript (post print) version of a published work that appeared in final form in:

Junqueira, M Isabella Cavalcanti, Soetanto, Danny 2022 'Funding decisions and the role of trust: a qualitative study of reward-based crowdfunding in the creative industries', Management Decision, online, pp. 1-21

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Funding Decisions and the Role of Trust: A Qualitative Study of Reward-Based Crowdfunding in the Creative Industries

Abstract

Purpose –The purpose of this paper is to investigate funders' decisions in supporting Reward-Based Crowdfunding (RBCF) in the creative industries by providing insights into the role of trust in the decision-making process of funders. In doing so, we examine how trust is developed through online interaction.

Design/Methodology/Approach – Data was collected from interviews and participation at short-term immersive events and gatherings. In addition, data was gathered from online discussions and social media platforms related to RBCF campaign. Qualitative analysis was performed to offer a deeper understanding of funder decision-making processes.

Findings – New insights were revealed in funder decision-making processes. Using foraging practices, funders participating in RBCF campaigns build trust before framing their final funding judgments. Our findings highlight the interplay of organizational competency with previously uncharted relational dimensions associated with funder decision-making processes. We also revealed how nascent and experienced funders differ in their evaluation of risk.

Originality – This study offers an understanding of funder decision-making processes in creative RBCF campaigns. Their support of RBCF campaigns in the creative industries can present some potential risks. Further investigation is still required to reveal the funder's decision-making process. By looking at the roles of trust, we provide a conceptualization of competence and the relational dimension of trust, and how trust is developed as a means for mitigating risk.

Keywords Trust, Decision-making, Reward-based crowdfunding, Funders, Creative industries

Paper type Original article

1. Introduction

This study examines the role of trust in influencing funder decision-making processes in crowdfunding campaigns in the creative industries. We focus on the reward-based crowdfunding (RBCF) model because of its popularity among creators in the creative industries. The RBCF model differs from the equity-based crowdfunding model in the nature of exchanges. While individual investors in equity crowdfunding receive shares in exchange for their investments, funders in RBCF campaigns receive rewards or perks according to contribution levels. For example, organizations in the creative industries offer rewards comprised of various commercial products, such as exhibit tickets and live performances and project-related products that connect funders with their brands (Thürridl and Kamleitner, 2016). Compared to other crowdfunding campaigns, some studies (e.g. Mollick, 2004) argue that investing in RBCF in the creative industries has potential risks such as undeveloped products (Zvilichovsky *et al.*, 2015), delivery delays and other deviations from campaign promises (Appio *et al.*, 2020). Funders also face challenges in assessing the project's actual value due to missing benchmark and unbiased information about the reputation and legitimacy of creative organizations. Unique characteristics of the creative industries also lead to further complexities that increase the risks. For example, risk might rise in collaborations as creative organizations often instigate innovative projects in cooperation with diverse entities (Huxham and Vangen, 2005; Khaire, 2017) and firms of all sizes. Consequently, RBCF creators must ensure that they are perceived as trustworthy as they seek to fulfill their campaign promises.

To mitigate uncertainty and risk associated with funding decisions, funders are often highly involved in the project development and regard themselves as partners (Zheng et al., 2016). They are actively engaged by researching the project and the organizations as a part of the trust development. Previous studies (Suddaby *et al.*, 2015) acknowledge the importance of trust in funders' decisions. In traditional crowdfunding mechanisms, trust is difficult to be built

and even more difficult in the context of reward-based crowdfunding (Balboni et al., 2014). Funders in the creative industries tend to be amateurs rather than professionals (Mollick and Nanda, 2015; Hoegen *et al.*, 2018). Hence, the judgments of these funders are informed by exchanges on social media, as well as other online and offline sources (Shneor and Munim, 2019; Chan *et al.*, 2020). Despite the importance of trust, scholarly knowledge about trust development in online environment is still lacking (Liang *et al.*, 2019). It is thus worthwhile to investigate the following question: how is trust developed to support funders' decision-making process in RBCF in the creative industries?

Using various data sources, including observation, interviews with funders, and data from social media and online discussion, this study contributes to the development of knowledge on crowdfunding literature twofold. First, we investigate how the decision to support RBCF can be seen as a result of trust development. Many studies have identified several success factors that can entice funders to contribute to RBCF campaigns: compelling storylines (Anglin *et al.*, 2018), effective video narratives (Mollick, 2014), campaign interactions (Mollick and Nanda, 2015), displays of enthusiasm alongside the professional backgrounds of creators (Hui *et al.*, 2014; Cardon *et al.*, 2017) and strategic reward options (Thürridl and Kamleitner, 2016). Studies also focus on themes such as funders' motivations (e.g. Gerber et al., 2012), fundraising performance (e.g. Belleflamme et al., 2014) and project implementation (e.g. Mollick, 2014). Unfortunately, this extant research has not thoroughly investigated the foundations of these factors, such as how funders use online profile and interaction with RBCF creators to develop trust which later influences the decision-making process (Hoegen *et al.*, 2018, Zheng et al., 2016). Moreover, this study focuses on trust because of the uncertainties and information asymmetries inherent in an online context such as crowdfunding platforms (Beldad *et al.*, 2010; Jaiswal *et al.*, 2018).

Second, we contribute to the understanding of the practice and trust management of crowdfunding campaigns. As this study shows, funders mitigate risk by developing a trust mechanism through online interaction. Hence, we contribute to the debate in the field by bringing a new perspective where funders are seen as active players through direct and indirect online engagement with the RBCF creators. This perspective contrasts with previous studies, mainly focusing on the creators' responsibility to build a trustworthy image through narrative and traditional communication channel. As a result, our findings also help RBCF creators in the creative industries to develop strategies to attract support.

The paper is structured as follows. We first present a review of the relevant literature and the conceptual background and fundamental concepts of this study. We then describe our research design and methods, followed by our key findings. Finally, we conclude with a discussion of the theoretical contributions, practical and managerial implications, and limitations and future research opportunities afforded by this study.

2. Conceptual background

2.1 Reward-Based Crowdfunding, creative industries and funders' decision-making process

RBCF has emerged as a significant crowdfunding method in the creative industries as it can elicit the proliferation of innovation and enable creative organizations to effectively raise funds for their projects (Block *et al.*, 2018; Agrawal et al., 2011). For creative organizations, getting funding through crowdfunding is more sustainable than other revenue streams (Gamble et al., 2017). While crowdfunding provides another opportunity to raise funds and demonstrate value, the challenge for creative organizations is raising sufficient funds to deliver novel projects while achieving market differentiation and offering unique value to consumers (Wijnberg and Gemser, 2000). Projects with novel artistic outlooks (Patriotta and Hirsch, 2016) must align their artistic and commercial value (Khaire, 2017). Thus, these projects must demonstrate

profitability and potential to attract diverse audiences by securing sufficient funding and exposure through non-traditional channels (Patriotta and Hirsch, 2016).

This occurrence is underpinned by an intense engagement level between funders and the artist or creative organization. Studying successful crowdfunding campaigns shows that creative organizations such as game developers often outperform other projects due to their direct interaction with the online community (Gamble et al., 2017). The production model has also allowed creators in creative industries to showcase their products early and gain legitimacy, which contributes to a successful crowdfunding campaign. Similarly, film or theater production also attracts substantial support across platforms due to their close affiliation with their community which is often delivered through online platform. As a result, the ability to perform online engagement is critical for a successful crowdfunding campaign as it enhance creators' profile and reputation (Chandna and Salimath, 2018)

While there is plenty of evidence for a successful crowdfunding campaign, many organizations in creative industries still hesitate to adopt this funding method due to a lack of knowledge about crowdfunding (Cavalcanti Junqueira, 2021) and uncertainty about the best way to engage funders. As these considerations gain importance, organizations in creative industries still struggle to build relationships with their audiences as they undertake online initiatives such as RBCF campaigns. Previous studies have called for further investigation of the main ideas and concepts underlying funder decision-making processes in RBCF (McKenny *et al.*, 2017). Some researchers have contended that existing insights into funder decisions may be based on theoretical assumptions (McKenny *et al.*, 2017), such as the impression that funders for RBCF campaigns are unsophisticated compared to angel investors and venture capitalists (Drover *et al.*, 2017; McKenny *et al.*, 2017). When a creator presents a project or product appeal at the launch of an RBCF campaign, funders lack information about quality, requirement and reputation of the project (Skirnevskiy *et al.*, 2017).

Thus, enhancing trust in online environments is vital for encouraging participation and retention (Jaiswal *et al.*, 2018). Supported by the knowledge from previous studies that positive reputations and perceptions of trust can be developed along online channels (Dellarocas, 2003; Hui *et al.*, 2014; Ray *et al.*, 2014), we argue that the decision to support RBCF projects in the creative industry is leveraged by the level of trust between funders and RBCF creators that is developed through online environment.

2.2 The roles of trust in funding decisions

In this study, we see trust as a mechanism that connects the value offered by creative organizations and funder decision-making processes. In any online environment, funders are concerned about mitigating risks, such as financial and personal vulnerability, information asymmetry and uncertainty (Beldad *et al.*, 2010). Given that RBCF funders (i.e., online consumers) have certain expectations when choosing which projects to fund (Gerber and Hui, 2013), developing trust through online environment becomes a critical prerequisite in developing valuable exchanges and transactions during RBCF campaigns.

Previous studies have begun to address the role of trust between creators and their funders. Some studies have shown that the propensity to trust, and corresponding actions, vary according to individual perceptions of reliability, reputation, integrity and ethical conduct of executors or trustees (Mayer *et al.*, 1995). Other studies have explored the campaign interactions of creators who respond to funder inquiries and provide updates (Hui *et al.*, 2014) and the role of trust in the social capital of creators involved in serial entrepreneurial RBCF campaigns (Skirnevskiy *et al.*, 2017). Moreover, RBCF research has addressed the impact of information asymmetry on creator signals and responses, influencing trust (Courtney *et al.*, 2017; Liang *et al.*, 2019). While these studies have established a foundation for investigating

the role of trust in the RBCF environment, there remains a gap in the literature concerning how the formation of trust influences funder decision-making processes.

Historically, scholars have focused on trust to investigate decision-making processes (Mayer *et al.*, 1995; Meyerson *et al.*, 1996). These scholars have asserted that the establishment of trust (or distrust) depends upon processes involving expectations that not only acknowledge uncertainties, risks and vulnerability (Mayer *et al.*, 1995) but also influence decision-making processes (Luhmann, 1979). The decision to trust another party can even occur when there is a risk of adverse outcomes (Currall and Inkpen, 2002). Thus, trust influences the mindsets (Möllering, 2013), behaviors and decisions of actors. As a result, these scholars contend that trust can influence the reasoning, emotions and actions of actors in various contexts (McAllister, 1995; Currall and Inkpen, 2002; Kramer and Lewicki, 2010).

This study adopts a definition of trust that addresses both vulnerability and uncertainty as they are relevant in the context of online environment such as RBCF campaign. Following Mayer *et al.*'s (1995, p. 712) definition of trust – "the willingness of a party to be vulnerable to the actions of another party," we contend that the disposition of a trustor (i.e. a funder in this context) to trust another involves a willingness to accept uncertainty in the amount of available information and in the actions of other actors. Mayer *et al.'s* (1995) trust model demonstrates the interplay of three dimensions: ability, benevolence and integrity (ABI). On the one hand, ability – also referred to as competence dimension of trust (McKnight and Chervany, 2006) – is the context-bound, quantifiable professional expertise of a trustee. On the other, benevolence and integrity have manifested into the relational dimension of trust. Benevolence comprises the prosocial regard of trustees for the interests of the trustors – in this case, the funders (Schoorman *et al.*, 2007), and integrity depends upon shared industry values and completed projects (Colquitt *et al.*, 2007; Schoorman *et al.*, 2007). McAllister (1995) argued that the

development of relational trust could complement core considerations (e.g. competence) associated with cognitive trust, thus facilitating decision-making.

Based on the above discussion, this study explores how the development of competence and relational dimensions of trust influence funding decisions. While extant research had tended to concentrate on competence while neglecting relational dimensions of trust (Hewett and Bearden, 2001), recent research has shown that relational dimensions in online settings can be important influences during and after RBCF campaign exchanges (Fehrer and Nenonen, 2020). This notion can be extended to the creative industries, where competence and relational dimension of trust are vital to attracting funders.

3. Research design and methods

Extant RBCF research, including studies investigating the development of trust and funder motivations, relies primarily on quantitative methods (McKenny *et al.*, 2017). As our study intends to examine funders' reflections and decisions in supporting RBCF, we utilize and employ qualitative research methods, including interviews, temporary participative events, observations (Hammersley and Atkinson, 2007; Creswell, 2007; Miles *et al.*, 2014) and netnography, an online-based research technique grounded on ethnography principles, to examine online narrative (Kozinets, 2015). By collecting data from various sources, we aim to reduce the risk of subjective interpretation and bias, thus enhancing objectivity, depth and authenticity (Eisenhardt, 1989).

3.1 Context of the study

Caves (2002, p. 1) defines creative organizations as providing "goods and services with cultural, artistic, or simply entertainment value." We adopt this definition because it aligns with the artistic, creative, commercial and entertainment value of RBCF campaigns. The funders in

this study support RBCF projects of various cultural and creative organizations, including museums, film studios, music production companies, publishing houses, TV and radio channels, and other fine arts and digital arts (e.g. video games) organizations (Lampel and Germain, 2016; Patriotta and Hirsch, 2016).

3.2 Data collection and analysis

To identify the sample for this study, we solicited support from our network contacts, as well as individuals we met in offline events in the creative industries. To that end, we joined a creative organization that promotes upcoming RBCF projects through live social offline events and workshops for creative organizations interested in RBCF. As a result, we employed purposeful sampling techniques to identify the sample to answer a predetermined research question (Emmel, 2013). More specifically, we looked at different levels of funders' experiences (nascent versus experienced funders) and gender proportion. In addition, we tried to cover a wide variety of projects from fine arts to film production. We contacted all prospects (i.e. 20) and selected 15 funders who resided in the UK and the US. These participants were chosen due to their prolific online and offline presence and engagement in discussions regarding the funding of creative industry projects.

Interviews were conducted either in person at a mutually selected location or via WhatsApp video calls and phone calls. Lasting from 45 to 90 minutes, the interviews focused on participant experiences through general questions (e.g. *How did you become interested in RBCF?*) and probing questions (e.g. *Tell me how you would describe the experience?*). After each interview, we wrote up reflection notes and then transcribed, coded and analyzed the data drawn from the 15 interviews (Saldaña, 2013). Post-interview communications with five of the participants were conducted via social media (i.e. WhatsApp, Messenger and FaceTime) for

follow-up questions, clarifying comments during the interviews, and verifying information about RBCF projects they were endorsing (or not).

Interviews revealed perspectives of the social actors (Brinkmann and Kvale, 2015) in the RBCF environment. The 15 respondents provided detailed narratives of their experiences as funders of RBCF campaigns that supported projects of creative organizations. These funders supported various RBCF projects led by small, medium and large creative organizations with varying target funding levels. Projects were coordinated on RBCF platforms of varying sizes. The projects were open to international audiences and belonged to a range of sub-categories, including museums, music production companies, photography, craft projects, theatre/film production companies and literary/art publishing. Given the depth and value of the information, the sample represented an appropriate number of participants for our research focus (Baker and Edwards, 2012). Table I provides further details on the 15 funders.

[Insert Table I in here]

Our study determined that a balanced demographic sample would support investigative accuracy. We first selected eight female funders to interview, with five previously performing the role of creator in one or more RBCF campaigns for their respective creative organizations. We then selected seven male funders, with three previously acting as a creator in an RBCF campaign.

Five of the funders (i.e. two women and three men) were nascent funders (i.e. they had contributed to only one RBCF campaign). All the nascent funders were active members in the creative industries community (e.g. some held season membership passes to theatrical or musical productions) and had contributed to a successful campaign. The remaining participants (i.e. six women and four men) were experienced funders (i.e. they had funded more than one

campaign). The experienced funders of creative industries projects were classified as ex-creators, professionals and serial funders (i.e. funders who had contributed to successful and unsuccessful campaigns).

As the first author interacted with – and observed – offline and online communities, they identified and interviewed 20 supplementary participants who were RBCF platform representatives, experts and co-funding organizations (see Appendix A). The supplementary interviews were not the focus of this inquiry but rather the source of meaningful information and insights into funder decision-making in RBCF campaigns.

Since we also wanted to observe online groups and investigate their discussions and the diffusion of information regarding creative RBCF campaigns, we joined a Facebook (FB) discussion group managed by an organization supporting creative organizations. This FB group was involved in discussions with multiple members concerning various topics, including the financing challenges of cultural and creative organizations. We used the netnography method to help us to investigate online conversations and postings. According to Kozinets (2015), netnography enables researchers to explore a variety of virtual expressions while explaining commonplace behaviors, such as online discussions and discussion topics (Gubrium and Holstein, 2014). This approach allowed us to triangulate data and reflect on descriptions expressed in online discussions.

After selecting and analyzing a range of data types appearing in computer-mediated communications (Marotzki *et al.*, 2014), the analysis helped us better understand the funder experiences. More importantly, it helped identify the meaning of online comments and explicate how particular terms were used to share knowledge and experiences, as well as educate others within forums and other online channels. For example, in their discussions, funders used terms such as “skin in the game” and “quality.” These terms have specific contextual meanings and are part of the narratives of creative consumers. Moreover, we also

followed funder-supported RBCF campaigns to explicate campaign narratives and place funder discussions within the context of specific RBCF campaigns.

We first examined archival data gathered from sequential events and reports. Drawing on extant RBCF literature and focusing on funder decisions, behaviors and relational processes (Skirnevskiy *et al.*, 2017), we then reviewed our interview notes, observation memos and secondary data. We linked these elements using an iterative approach, assessed their consistency with extant RBCF studies and organized the emerging data in NVivo 11 to identify first-order concepts. We refined first-order concepts and assembled them into second-order themes, which we then weighed against principles found in the RBCF literature and previous studies of funder decision-making processes. This approach enabled us to glean further insights based on similarities and differences in participant responses regarding the overall performance of organization-led campaigns.

4. Findings

Our findings are based on the experiences of 15 nascent and experienced funders. Focusing on the temporal context of organization-led RBCF (i.e. from the launch of a campaign to the end), we examine how and why funder decisions emerged, developed and concluded (Langley *et al.*, 2013). The analysis reveals three overarching themes: (1) *trust formation,* manifested in the interplay of competence and relational dimensions, as well as the leveraging of funder decisions; (2) *funder perceived value* (i.e. quality, innovation and reputation) of the organizational RBCF teams and their campaign projects that sought to influence funder decision-making processes; and (3) *perceived trustworthiness practices* (i.e. integrity), employed in campaign management to attract funders and enable the dissemination of campaign information. These trustworthiness practices were valuable for sharing across social

and professional networks, as well as enhancing the prospects of developing markets around RBCF projects.

Our analysis reveals new insights into the critical role of trust formation in funder perceptions and reflections, as well as the steps and actions that funders take when deciding whether to contribute to RBCF campaigns. Funder responses vary according to crowdfunding level of experience. Our findings confirm that experienced funders tend to probe campaigns more deeply based on their professional standing in the creative industries or their previous RBCF campaigns involvement. However, nascent funders tend to investigate an RBCF campaign further if they distrust campaign outcomes and if the provided information is opaque. Nevertheless, all funders progress through several cycles, stages and transitions until they feel comfortable with their decisions.

4.1 Funding decisions: cycles, stages and transitions

Within integrated decision-making processes, our findings demonstrate different decisions that appear linear at first glance. However, our analysis confirms that funders do not always follow standardized decision-making processes when funding creative RBCF projects, especially during states of transition. We identify two intersecting cycles that serve as building blocks for trust formation. As funders evaluate the RBCF projects of creative organizations, the relational dimension cycle steers and influences the development of funder judgments, and the competence dimension cycle aggregates funder evaluations of – and responses to – the competence of RBCF executive teams to run campaigns and complete projects. Funder perceptions that emerge from these two cycles extend across the duration of RBCF campaigns in three stages: initial screening (i.e. initial perceptions), exploration (i.e. researching information about campaigns and teams) and final screening. The latter stage constitutes final efforts to identify the value and merit of RBCF projects and teams before decisions are made.

Our findings also demonstrate that nascent and experienced funders take different considerations into account across both cycles. Across the three campaign stages, we identify two critical transition points when funders reflect on possible ambiguities within RBCF campaigns and consider their commitment to proposed projects based on available information. The first transition is an opportunity for funders to affirm or reject campaigns. Even if funders perceive project value, some funders will continue to the exploration stage to mitigate doubts. After completing the exploration stage, funders may still exercise their judgment to fund or reject. Figure 1 summarizes the cycles, stages, and transitions during decision-making processes of nascent and experienced funders.

[Insert Figure 1 in here]

Our findings provide insights on how trust can be formed from online environment. Throughout decision-making processes, the relational and competence dimensions reinforce the formation of trust during campaigns, as funders evaluate the reputation and performance of RBCF campaign and their communications with RBCF creators. These practices form a part of values-led industry standards, actions and informal interpretations among key actors and consumers in the creative industries (Hibbert *et al.*, 2016). Since RBCF campaigns are limited temporally (i.e. typically occurring within a predetermined period), Figure 1 presents the progression of trust formation as dotted lines to indicate process fragility within temporal online RBCF environments (Beldad *et al.*, 2010). Our findings indicate that, during campaigns, the relationships between organizational RBCF teams and their funders involve ongoing attempts to demonstrate competence and develop relational dimensions to build trusting environments. Table II illustrates how funders develop trust at each stage, with funders seeking

information and confirmation from both relational and competence dimensions to develop trust and make decisions.

[Insert Table II in here]

4.2 Understanding trust: relational and competence dimensions

Our analysis reveals the multilayered, interactive nature of RBCF campaigns: relational and competence dynamics contribute to trust formation in online environment. Our findings indicate that the formation of trust is a continuous process of reinforcement and refinement throughout RBCF campaigns.

Relational dimensions. To better understand funder decision-making processes, our interviews initially focused on the initial screening of RBCF campaigns by the funders at the time of launch. The nascent funders indicated that – in conjunction with the material elements of the campaign (e.g. campaign videos and rewards) – visibly enthusiastic organizational RBCF teams caught their attention, at least initially. In contrast, more experienced funders indicated that research and discussion across associated channels first garnered their attention. For example, Emily, an experienced funder, reported:

> I checked the [organization's name] page, who was leading the campaign, how much was "the ask," and that led me to the [RBCF platform] page, and I saw the video and read the narrative, and then I examined the whole campaign.

After an initial assessment, Emily progressed to the exploration stage, discussing the commercial value and perceived transparency of the RBCF campaign and team.

Both nascent and experienced funders acknowledged that campaign enthusiasm and transparency were perceived as acts of benevolence and efforts to safeguard funder interests and expectations (Mayer *et al.*, 1995). However, nascent funders also took into consideration elements of fun and entertainment in campaign narratives and offerings. These characteristics,

complemented by the quality and selections of campaign rewards, kindled initial relational interest (Thürridl and Kamleitner, 2016). Paula, a nascent funder, explained:

> I loved this campaign. The rewards … Probably they influenced me to donate more than I normally would have if it were just a straightforward donation. Of course, I feel part of the [project] community every time I look at them.

Paula's perspective aligns with previous studies contending that funders are interested in receiving transactional RBCF campaign rewards (Cholakova and Clarysse, 2015).

While most experienced funders also felt that rewards, such as premiere videos, CDs, art, and exhibition catalogs, were valuable, they perceived that these types of rewards were intentional relational reinforcements across creative organizations and their RBCF teams. Experienced funders thus felt part of a professional and trusted community, even if they could not attend premieres of funded RBCF projects. Raya, an experienced funder, explained:

> Oh, I think [rewards] have an important role. Like one of the campaigns I supported, they had a photo album of the whole production. And that's the reward I got because I was not able to attend their production. So, this way, I could still be part of it, and it meant a lot to me to have it since I could not be there.

Raya's perspective aligns with recent research demonstrating that the diffusion of information across multiple channels permeates associated networks when respondents share interests and values (Zvilichovsky *et al.*, 2015).

Our diverse data sources revealed that funders use specific, emerging terms when communicating with others in online discussions and in our interviews. For example, "skin in the game" and "quality" were often used to express what funders were looking for in organization-led RBCF campaigns. "Skin in the game" is a phrase typically used in angel investing to refer to entrepreneurs investing their funds in a proposed venture (Cardon *et al.*, 2017). However, experienced funders in this study used this expression when discussing the willingness of organizations to assume responsibility and ownership by investing part of their funding or resources into crowdfunded projects. Brad, an experienced funder, explained:

> I also think that for you to deliver quality and encourage trustworthiness, you must have "skin in the game." So, this type of seriousness and responsibility about the work and "skin in the game" is what I am most ready to fund. So, this also inspired me to be more confident and trust more in the project and the creators.

Funders also perceived this approach by RBCF organizational teams as demonstrating a commitment to quality, integrity and project delivery. These values encompass relational dimensions that impact overall funder assessments. For example, all respondents reported that RBCF campaign promises to deliver projects on time and at the highest quality were fundamentally important.

Despite positive integrity signals, some experienced funders described times when they had not endorsed campaigns, i.e. when final projects had not reflected the quality they had expected, and when they had supported failed campaigns. In such instances, experienced funders felt that a lack of integrity had greatly influenced the overall quality and on-time delivery of these projects. These funding experiences were significant disappointments to funders who are professionals in the creative industries. John, an experienced funder, explained:

> Sometimes, people raise the money, and the final product is not up to what I recognize as a good standard. And I don't think they are dishonest in any way, but they did not plan and calculate well the financial aspect of the project. So, what I have seen is that the money is not enough to make the project that they had envisioned, so in the end, you just have a haphazard version. Funders get disappointed to see that the project does not get made the way they thought it was going to be made. Because what creatives often don't realize is that just envisioning a project is not enough; having the money to produce it is not even enough. It is the responsible quality of the project that makes funders happy to be part of it.

In general, all respondents emphasized that the perception of integrity positively influenced their decisions to contribute. In contrast, substandard outcomes negatively affected their perceptions of the trustworthiness of RBCF organizations and teams. For all respondents, partnerships also confirmed relational dimensions of benevolence and integrity by ensuring the quality and delivery of the final project. As an experienced funder, Brad explained:

> So, I think the best projects are the ones with matched or collaborated funding or even project-based partnerships. Because then you think that the outcome will be more reliable. Plus, if these collaborations are backing and supporting the organization via matching gifts or endorsements, then you also feel that you can trust more.

As consumers of the arts and key actors in the creative industries, both nascent and experienced funders appreciated that collaborations could open possibilities for future collaborations. All funders indicated that multiple funding sponsorships (e.g. matching funds) and other commercial arrangements (e.g. ticket sales) enabled future and recurrent industry collaborations.

Competence dimension. Benevolence can influence funders to consider campaigns, and values-led standards reflecting integrity tend to be perceived as reliable and responsible (Usoro *et al.*, 2007). For funders, competence engenders strong confidence in the professional skills of RBCF teams, as well as the ability to run successful campaigns and complete high-quality projects as promised.

Further, the in-depth analysis revealed that both the respondents, as well as online and archival data sources, consistently emphasized competence as a reason to contribute to organization-led RBCF campaigns. Clare, an ex-creator and serial funder explained:

> I look for production projects with people who are competent and were somehow connected to our previous crowdfunding project or to people in our project. Out of 600 that supported our campaign, maybe around 60% fitted this category.

Experienced funders confirmed that they avoided contributing to – and providing publicity for – projects if they perceived incompetency in organizational RBCF teams. However, if teams seemed competent, funders circulated information about the campaigns throughout their networks. Similarly, nascent funders indicated that they were not persuaded to contribute to campaigns if RBCF teams failed to demonstrate competence in fulfilling proposed projects.

4.3 Harmonizing relational and competence dimensions

Presenting relational and competence dimensions independently provides only a partial view of their influence on funder decision-making processes. Thus, we also analyzed the intersection

of these dimensions, where funders considered the reputations and innovation experience of organization-led RBCF teams.

According to the respondents, organization-led RBCF teams that could translate their offline reputations into online crowdfunding contexts demonstrated competency for creating RBCF projects (Chalençon *et al.*, 2017). However, the respondents also believed that translation should include relational dimensions, such as care for funder interests and integrity to deliver on commitments. Both nascent and experienced funders perceived reputation as a basis of trustworthiness. For example, Raya reported:

> The professional financial clarity is a proposition that makes me reflect about endorsing or not. If I know them and the organization, I know how they are going to use the money, so then I can vouch for these artists to others.

A prolific poster across several social media channels, Raya helped reveal the motivations for her endorsements and posts.

Nascent funders viewed positive reputations as an advantage, forming part of competence and contributing to the perception of relational dimensions, such as benevolence (i.e. supporting funder interests by providing high-quality projects as promised) and integrity. Thus, reputation-based judgments suggested the potential success or failure of campaigns and significantly impacted funder decision-making processes. As a nascent funder, Paula explained:

> It was very important that I knew of the organization's reputation and [leader's name] because then I was sure that the project would be well-produced, and the quality of the project would be excellent.

During discussions, funders were more likely to trust RBCF campaigns if they were led by organizations with positive offline reputations. Giles, a nascent funder, explained:

> I prefer that a legitimate organization is behind it… They tend to be established, and they want to preserve their image in the community. So, that gives an impression of stability, at least to me.

Reputation-based judgments implied trust in campaign outcomes by complementing or superseding initial funder impressions.

Another point of intersection of competence and relational dimensions was related to innovation in the creative industries. Innovation was repeatedly mentioned by the respondents and observed in social media conversations. Both nascent and experienced funders placed high value on relational characteristics of RBCF dynamics, suggesting that they were at the heart of attracting new audiences and creating new markets, especially in the creative industries. The respondents also recognized that it was critical for RBCF teams to have relevant professional skills to execute and boost the commercial appeal (Belleflamme *et al.*, 2015) and entertainment value of projects.

Using netnography, we analyzed funder descriptions and discussions of innovation to reveal funder taste perceptions concerning the value of RBCF projects. In the forum, funders shared knowledge and educated each other based on their crowdfunding experiences. These synergies highlight the challenges faced by creative industry organizations when seeking to create new content (Gans, 1974) and products or to access new markets (Khaire, 2017).

In this study, experienced ex-creators referred to innovation in terms of projects that they "had never been seen before" (e.g. Raya and Derrick) or those "making history" (e.g. Eleanor). However, nascent funders described innovation in terms of earlier programs that had been revived to reach contemporary audiences using new technologies. Funder perceptions of innovation thus guided the identification of relevant artistic considerations and expertise.

4.4 The development of trust: perspectives of nascent and experienced funders

Our analysis revealed that funder first impressions manifested in the initial screening stage. Based on these first impressions, funders swiftly affirmed or rejected project sponsorship. If support was affirmed, the next stage involved exploring RBCF teams, organizations and projects in more detail using various informational resources and channels. When searching

for information, most funders ventured beyond RBCF project pages hosted on crowdfunding platforms.

The second transition phase, a shift from exploration to final screening (see Figure 1), was characterized by a less clear-cut process and represented a significant transition point for funder decision-making. Judgment convergence and divergence surfaced, especially among experienced funders. We also identified foraging behaviors as a final attempt at sense-making and value recognition. John, a well-established professional in the creative industries, explained:

> I would say that not only the professional skills, but I also have to believe in the individuals behind a project. I mean, they have to be responsible for the production and completion of the project. Also, they need to have good relationships for additional backing and partnerships to guarantee quality. If I can see that, then I will be more willing to support and promote it through the channels.

However, John also presented contradictory considerations as he exercised due diligence:

> Yet there are times you do not have all the answers, but you trust and just say, "you know what, this project should be done." So, for a moment, you are not so worried if it is going to be commercially successful or not, but simply it is something that should be done because of the creative value and relevance. And I have contributed to some of those as well.

Paula, a nascent funder, provided further insights into how she developed her final judgments:

> I know people who have run crowdfunding campaigns and they put a tremendous amount of time and work into running a campaign, it is not easy and it is not as straightforward as one might think. Lots of planning and talking to people…but I still have to think about if this is going to be an excellent project… I must have confidence that the organization and the team can and will complete the project well.

These nuanced discussions reflect how funders evaluate due diligence when facing uncertainty. Furthermore, funders' professional experiences and artistic intuitions also impact the framing of final judgments. Experienced funders especially rely on gut feeling (Huang and Pearce, 2015) and expertise, coupled with artistic intuition that they have developed through professional experiences in the creative industries. At times, experienced funders also hesitate before endorsing RBCF campaigns: potential risks to professional reputation can arise from

publicly endorsing organization-led RBCF projects. Experienced funders thus seek to maintain an equilibrium between their professional reputation and forces influencing their decision-making.

In this study, funders generally recognized that the demonstration of relational and competence dimensions by organizational RBCF teams helped assuage concerns. The final framing of funder judgments reflected knowledge acquired through a combination of inner reflection and sense-making. Further, not all funder-supported campaigns received the same level of careful funder deliberation and diffusion of information. Funders were motivated to diffuse campaign information throughout their networks when they could anticipate and rely on potential socio-relational and professional competence synergies that could underpin future projects.

5. Conclusion

In this study, we investigate how trust is developed to support funders' decision-making process in RBCF campaigns in the creative industries. Our findings offer insights into the development of trust in online environment. We demonstrate that the orchestration of relational and competence dimensions of trust underpins inner tensions faced by funders as they make decisions. Funders thus exhibit foraging behaviors, seeking additional information to make sense of – and recognize the value of – organization-led RBCF teams and project appeals. In addition to considering inner tensions, we also demonstrate the power of perceptions and reflections of nascent and experienced funders, as well as the steps and actions they take when deciding whether to contribute to RBCF campaigns in the creative industries.

Focusing on the dynamics of funder decision-making processes across cycles, stages and transitions leads to a nuanced understanding of relational and competence dimensions in RBCF campaigns. Rather than operating independently, these two dimensions are the

interdependent building blocks that help build trust in the temporal environments of RBCF campaigns.

Our findings further highlight the importance of information diffusion and the translation of offline reputation into online RBCF campaign narratives. Funder reactions to – and engagement with – campaigns also varied, dependent on funder experiences, values and tastes. In some areas, the nascent and experienced funders in this study implemented varying approaches to decision-making, while in others, they aligned in their perspectives. For example, both followed sophisticated decision-making processes based on their interests and experiences.

We contribute to the literature on trust formation during RBCF campaigns through insights gleaned from respondent narratives. We reveal consequential considerations when designing RBCF campaign strategies especially in engaging with funders using online environment. Our findings thus offer valuable theoretical and practical contributions to our understanding of funder decision-making processes in RBCF campaigns.

5.1 Theoretical contributions

This study represents a marked departure from previous ones. Instead of focusing solely on the success factors that entice funders to contribute to RBCF campaigns (Mollick, 2014; Thürridl and Kamleitner, 2016), we examine the process of trust development through exchanges between RBCF creators and their funders. To date, funder decision-making processes in RBCF campaigns have not been thoroughly investigated (McKenny *et al.*, 2017; Hoegen *et al.*, 2018; Lehner and Harrer, 2019). Extant studies on RBCF overlook the steps and actions that funders take when formulating their decisions (Hoegen *et al.*, 2018). We thus adopt a qualitative research design to gain a deeper understanding of funder experiences and decisions in RBCF campaigns. Our approach includes not only a full consideration of the RBCF literature but also

the collection and analysis of a diverse range of data, as well as an examination of the steps and actions taken by funders. We thus contribute to this literature in three main ways.

First, we identify the impact of trust formation, based on the integration and interplay of competence and relational dimensions in funder decision-making processes. As the literature on trust formation in RBCF campaigns (Skirnevskiy *et al.*, 2017) continues to develop, we contribute by offering relational and competence dimensions as essential building blocks in the development of trust in an online environment. While these two dimensions were investigated independently in prior research, our study reveals the interdependent nature of relational and competence dimensions of funder decision-making processes. For example, both experienced and nascent funders viewed the development of an innovative, artistic project as a relational process because it benefitted funders as active consumers and professionals in the creative industries. Funders also integrated a competence dimension in their decision-making process, recognizing that the creation, preparation and execution of an innovative project requires a specific set of skills. The harmonization of these two dimensions influenced the judgment of both nascent and experienced funders regarding the merit and trustworthiness of RBCF campaigns.

Following these initial insights, we did not observe linear decision-making processes (Langley *et al.*, 1995) but rather a series of integrated decisions. Funder decision-making processes were intimately entwined with other considerations, such as the perceived value and outcome of projects, as well as funder emotions and judgments. As a result, we identify relevant cycles and stages of funder decision-making processes and the significance of two transition points when funders crystalize decisions to fund (or reject) organization-led RBCF campaigns (Langley *et al.*, 1995).

Second, we extend and complement a growing body of knowledge concerning RBCF synergies in creative industry organizations. Rather than assuming altruistic motives of funders

as they lower entry barriers for new projects (Mollick and Nanda, 2015), we exposed the salience of multifaceted considerations of funders as they evaluated RBCF campaigns led by creative organizations. For example, funders identified appropriate steps and actions based on investigations, available information and professional standing within the creative industries. Given that RBCF projects are prospective (i.e. RBCF funding campaigns are announced before project completion dates), experienced funders form judgments based on expertise, artistic intuition and commercial experience, while nascent funders rely on consumer demand for innovative content. The foundation of funder knowledge is also influenced by mediating transitional points when funders alternate between competence and relational dimensions as they formulate final judgments through inner reflection and sense-making.

Another revelation unique to the creative industries was the importance of offline reputations in initially enticing potential funders. Our respondents confirmed that they were more inclined to consider RBCF appeals when creative organizations incorporated established offline reputations in appeal proposals. However, our respondents also confirmed that they hesitated to support campaigns managed by individual creators who lacked established professional reputations. We thus illustrate the importance of creative organizations managing and signaling their trustworthiness by translating established offline reputations into RBCF campaign narratives.

Another unique feature revealed in this study was the predicament of RBCF campaign funders who had to grapple with the comingling of relational sensitivities and competence expertise in ambiguous projects. Beyond promoting new concepts, funders explicitly relied on the ability of organizational RBCF teams to build trust through demonstrations of competence and relational dimensions. RBCF teams were only successful if they fostered a trusting environment that not only facilitated campaign management but also knowledge exchange with funders and between funders.

5.2 Practical implications

We offer several new insights regarding the role of trust and its impact on the practice and management of RBCF campaigns in the creative industries. Our findings help inform managers in the creative industries as they consider specific practices (e.g. translating offline reputations into RBCF online narratives) to entice funders to their RBCF initiatives. First, we highlight the importance of developing and maintain trust, as creative organizations engage in project discussions and disseminate RBCF project information to potential funders through knowledge sharing. Due diligence practices may be supported through funder-to-funder and funder-to-organizational-team exchanges. Second, we also highlight the importance of developing different strategies to develop trust with nascent and experienced funders during RBCF campaigns. To attract more funders, RBCF campaigners must adopt appropriate strategies that accommodate their specific needs, considerations and expectations. RBCF campaigners must also pay attention on nascent and experienced funders' expectations with regard to relational and competence dimensions to maximize campaign performance.

5.3 Limitations and future research directions

While we employed a trust framework to gain a better understanding of funder decision-making processes in support of RBCF campaigns in the creative industries, this study has some limitations that afford fruitful avenues for future research.

First, we distinguished between nascent and experienced funders when analyzing the data collected from the respondents. Future research should consider the influence of other funder characteristics on funding decisions. For example, are funders with professional experience in the creative industries more concerned with emerging value clusters represented by specific RBCF projects? And do RBCF decision-making processes differ from those in other non-equity crowdfunding domains? Addressing these questions would help researchers and

practitioners better understand how project orientation and trust formation influence funder decisions.

Second, we found that all nascent funders interviewed in this study had contributed to successful campaigns. We therefore did not investigate the effects of funder contributions to unsuccessful campaigns. Future research should investigate whether unsuccessful campaigns prompt nascent funders to lose trust in RBCF as an alternate funding method in the creative industries.

Finally, the qualitative methods that we employed in this study (e.g. including open-ended questions and observations) were invaluable for an in-depth investigation of funder decisions and experiences. As more creative organizations participate in RBCF campaigns, the research emphasis in this area may shift, necessitating the use of alternate methods and data sources. Future research using novel or different research designs and methodologies could provide new insights in this area.

[Insert Appendix A about here]

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