

# Liability of Newness, Startup Capabilities and Crowdfunding Success\*

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Though crowdfunding has emerged as a cost-effective means to market innovative products and a channel for financial resource acquisition, our understanding about what makes a successful crowdfunding is still limited. This study is motivated by the presence of the inconsistency that both entrepreneurs and investors pay more attention to capabilities required for developing prototype products rather than capabilities needed to deliver the promised products in crowdfunding. By drawing insights from studies about liability of newness and legitimacy in institutional theory, this study argues that startups can overcome the liability of newness, earn investor trust, and successfully complete crowdfunding campaigns by effectively presenting visible and invisible capabilities. This study presents a set of testable propositions predicting the likelihood of crowdfunding success and explains the theoretical and practical value of the proposed conceptualization of startup capabilities.

Keywords: Crowdfunding, Visible and Invisible Startup Capabilities, Liability of Newness

## I. Statement of Intended Contribution

*This study intends to provide an answer to the question of how to engineer a successful crowdfunding campaign by proposing a simple but effective way to understand startup capabilities. Traditional understanding about crowdfunding revolves around the issue of how*

*to prepare a persuasive campaign that draws customers attention. Drawing from a macro-oriented management perspective, this study starts with a fundamental problem that almost all startups face when they market their product, liability of newness, and emphasizes the role of trust in communicating with investors and future customers. It argues that trust can be earned by providing information about capabilities that are visible and invisible to backers. This*

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*framework about startup capabilities is easy to understand and simple enough to apply when the need to assess likelihood of crowdfunding success arises. Lastly, a framework that can predict crowdfunding success can have a practical value to marketers working for startups, external marketing agencies helping startups, and entrepreneurs.*

## II. Background

How to engineer successful crowdfunding<sup>1)</sup> is an important question not only for entrepreneurs but researchers (Zhao, 2018). Crowdfunding has become a popular means to acquire financial resources for startups at the early stage of development. As entrepreneurs can achieve fairly large amount of exposure through crowdfunding, it has become a favorite channel for investor attention. Existing studies examine various factors that are argued to be critical for successful funding such as the role of trust, founders, products, and social network (Hu et al., 2015; Datta et al., 2018). The findings of previous studies on this topic are consistent with implications from entrepreneurship and management studies in general (Hitt and Ireland, 2000; Hitt et al., 2001).

It is intriguing that little attention has been

given to startup capabilities necessary for crowdfunding success. The topic of capabilities, with a long tradition in the resource-based view of the firm, sits at the center of firm survival and growth (Helfat et al., 2007). Ownership of capabilities is a necessary but not a sufficient condition for survival. A tricky part is that entrepreneurs need to figure out how to earn trust from potential investors and eventually customers in the market about their capabilities to deliver promised products and launch impressive products (Mollick, 2014). Convincing the investors to trust that startups at least have certain set of necessary capabilities leads to overcoming the liability of newness, making them legitimate for survival.

Understanding the dynamics between startup capabilities and likelihood of crowdfunding success beyond the existing discussion about effectively drawing customer attention and seamlessly communicating with potential investors may expand our understanding about antecedents of reaching the funding goal.

Crowdfunding platform as a context is both interesting and unique because the crowdfunding platform, though it gives unprecedented opportunities for fundraising to startups and founders, presents challenges as well (Kraus et al., 2016). Unlike other types of fundraising, startups launch crowdfunding campaigns using web pages containing texts, pictures, and

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1) There are several types of crowdfunding. This study focuses on reward-based crowdfunding.

videos. Though what they provide in those campaigns is information about mass-production-ready prototypes called rewards, they offer credible evidence persuading that they have the necessary capabilities to fulfill what they propose (Frydrych et al., 2014). The challenge is that startups on crowdfunding platforms have reached a prototype development stage but not fully gone through the entire cycle of mass-production, marketing, sales, distribution, and customer service. So, a typical funding campaign concentrates information about prototyping but does not provide sufficient amount of information about what comes after the funding.

Researchers have paid much attention to the factors influencing the success of fundraising from full-scale venture capital firms to crowdfunding platforms (Baum and Silverman, 2004; Miloud et al., 2012). What really counts for those who commit financial resources to entrepreneurial activities of others is whether the startups can and will hold their end of the bargain. So far, the majority of studies have examined the critical elements of funding success that are easily visible such as prototype products or earlier versions of will-be mass-produced products (Yuan et al., 2016; Zhao, 2018).

However, transforming one working prototype into a mass-producible product is an uncertain journey that founders often lack appropriate capabilities to successfully navigate. To accurately

predict whether a startup can deliver what they promised to investors, we also need to probe the qualities of startups that are not easily seen or invisible to untrained eyes. Especially for funding projects in crowdfunding platforms, a balanced approach that examines both visible and invisible capabilities of a startup may increase the odds of predicting the success of fundraising activities. Such a perspective will benefit researchers of entrepreneurship, founders of startups, crowdfunding platform operators, and even policymakers.

This study identifies this rather unbalanced emphasis on crowdfunding campaigns as a unique research opportunity for theoretical and practical contributions. This study proposes an interesting approach to understand the capabilities of startups: visible and invisible capabilities. Startups, as they go through various stages of development, learn to acquire capabilities necessary to develop products. Potential investors see those capabilities critical for product development: visible capabilities. On the contrary, startups rarely go through the downstream process and lack experience in mass-production, logistics, and distribution, not to mention customer service. Compared to the capabilities associated with product development, capabilities required to keep the promise with backers and to scale up at a later stage is generally murky not only to startups themselves but also to backers. From the standpoint of potential investors, the capabilities necessary to keep

the promises are invisible: invisible capabilities.

Thus, this paper's motivation is to propose a systematic way to assess the capabilities of a startup that are connected to funding success in the crowdfunding platform. A balanced approach to startup capabilities may assist founders to overcome the liability of newness by achieving the kind of trust that is necessary for acquiring much-needed financial resources.

### III. Theory Building and Propositions

Even with innovative and supportive funding platforms such as Kickstarters and Indiegogo, startup founders are not free from fundamental issues of business making. Among many conditions that make the lives of entrepreneurs difficult, the liability of newness has been argued to be the most critical one (Stinchcomb, 1965; Abatecola et al., 2012). And one of the most important goals of startups is to overcome it whether the fundamental quality of liability of newness is physical or psychological (Singh et al., 1986). As a startup accumulates necessary experience and learning lessons, the startup becomes less influenced by the liability of newness, and is accepted as a member of an industry or a creator of an emerging industry. And this acceptance is an indication that the startup is more likely to survive than others.

One of the fundamental issues about the liability of newness in the context of entrepreneurial activities is that both investors and founders do not have enough information for gaining and building trust, trust about startup's capabilities and outcome of startup (McKnight and Chervany, 2002). Investors, even if they want to give benefit of doubt to founders and their abilities, are in a fairly disadvantages position to assess if founders are capable of disrupting the market or keeping their businesses afloat. Similarly, founders, even if they are passionate about what they propose to do and they have expertise in key areas to materialize their business plans, have neither all the knowledge needed in executing strategies nor the full control of operation. Such information asymmetry and uncertainty make trust an extremely rare commodity in entrepreneurial financing. Thus, gaining insights about how to increase the level of trust between potential investors and founders is an important task (Zheng et al., 2016)

#### 3.1 Liability of newness, legitimacy, and trust

Liability of newness has been a foundational concept to understand and explain the origins of hardship that almost all newly founded organizations experience (Stinchcomb, 1965). Rooted deeply into the insights about the sociological nature of organizations, the liability

of newness has shaped the development of research on organizational evolution (Abatecola et al., 2012). Its fundamental insight is that when organizations are created, they inherently lack qualities shared by existing organizations, making new organizations vulnerable to threats in and out of organizational boundaries (Freeman and Hannan, 1983). For startups attempting to raise a fund using crowdfunding platforms, they also face similar difficulties because they are small, inexperienced, limited in resources, and poorly connected (Zhao, 2018).

Liability of newness is, in essence, originated from lack of experience, whether it is about the institutional experience or organizational experience (Di Maggio and Powell, 1983; Bruderl & Schussler, 1990; Henderson, 1999). On the one hand, the lack of institutional experience means that a startup has not yet experienced the rule of play and norm of interacting with key stakeholders in the environment (Baum and Oliver, 1991). On the other hand, lack of organizational experience means that the startup has not gone through the necessary experience as a reliable business system. Startups need to acquire experience relevant and necessary to overcome the liability of newness.

Liability of newness is generally the cause of organizational mortality, lacking in legitimacy (Freeman et al., 1983; Singh et al., 1986; Bruderl and Schussler, 1990). To a certain extent, liability of newness is an antecedent of certain organizational state. Though Singh and colleagues,

reporting that the lack of institutional support is a significant reason underlying the liability of newness, argue that deficiency in legitimacy leads to liability of newness (Singh et al., 1986). Liability of newness incorporates not only the external institutional support but also all sorts of difficult conditions just because it hasn't had enough experience to map the physical and symbolic space where it has to navigate.

The first step to acquire legitimacy for a newly created organization is to make it familiar by providing more information about the de-novo relevant to stakeholder communities. With the increased interaction, the organization can make sense out of its environment and demands of outside parties crucial for its survival, learning rule of play or norms. And then, it modifies its behavior and outcomes adequate for external approval, gaining legitimacy (Zhang and White, 2016). Since legitimacy is a kind of meta-resource that enables an organization to acquire other resources, or a proto-resource that an organization uses to gain access to other resources (Zimmerman and Zeitz, 2002), the organization with legitimacy can earn trust, acceptance, status, and membership in a community of other organizations. In sum, with external institutional support, it can neutralize the threats from the liability of newness.

Among many resources that organizations acquire after gaining legitimacy, trust is an invaluable resource that any newly founded organizations desperately seek. In fact, trust is even more important for earlier investment

(Bottazzi et al., 2016). However, trust is a rare commodity in any organizational field and more importantly, trust is not freely given but should be earned. Earning trust involves the management of those who give trust, the context where the exchange of trust happens, and the subject with which participating parties interact (McKnight and Chervany, 2002).

In crowdfunding, communicating with the backers requires careful management of their expectations vis-à-vis what startups claim to deliver. The overall organization, quality, and integrity of the information that a startup chooses to include in its campaign play a critical part in earning backers' trust. For managing the context of trust, crowdfunding websites become an environment that attracts founders and potential investors who play by the rules of interacting in crowdfunding platforms. And lastly, a reward in crowdfunding is the outcome of entrepreneurial activities and backing a campaign shows that backers are taking risks and understands the value of creativity and innovation. With limited means to earn trust from critical stakeholders, startups need to make strategic choices and actions. In a crowdfunding situation, if a startup launches a campaign containing information justifies it as a capable and trustworthy business entity, potential backers and investors think a startup is legitimate and the campaign will be more likely to succeed (Pirson and Malhotra, 2011).

### 3.2 Success in crowdfunding

Crowdfunding has become a disruptive force in entrepreneurial investing to not only investors but entrepreneurs. For investors, crowdfunding literally democratized the startup investing that has been a proprietary domain of the venture capital firms and angel investors. With the emergence of crowdfunding, the opportunity to invest in startups was open to the general public. For institutional investors such as venture capitalists, crowdfunding encourages the participation of the general public to entrepreneurial activities, creating a net increase in the base of potential entrepreneurs.

Entrepreneurs consider crowdfunding as a cost-effective means to seek funding from a potentially large audience of interested individuals. For founders of startups, crowdfunding has opened up creative new ways to connect and communicate with potential investors. Unlike conventional startup investing that viewed investor relations from a financial perspective only, crowdfunding can be understood as a collection of processes to form innovative entrepreneurial business models (Lehner et al., 2015). For example, startups rely on crowdfunding not only to raise funds but also to reach out to customers and to test the products prior to market entry, making crowdfunding an even more attractive medium for marketing purpose. In sum, crowdfunding, though it may not fully liberate startups from liability of

newness, offers an innovative and feasible channel for entrepreneurs to communicate with investors (Zhao, 2018).

As more and more crowdfunding projects compete for potential backers, factors influencing the successful crowdfunding have drawn much attention from startups, will-be-entrepreneurs, and researchers (Cordova et al., 2015). Though crowdfunding specific elements do play their part in successful funding, key factors for reaching the funding goal do not differ much from those in ordinary entrepreneurial investing. Information about founders and product features have a positive effect on crowdfunding outcome but unrealistic funding goal has a negative effect (Kim et al., 2017). Furthermore, platform-specific factors such as trust, information quality, social network, and backer participation are found to be influential to funding success.

Several studies investigate the success factors of crowdfunding zooming in on information quality of the crowdfunding campaign that has a direct impact on earning the trust of investors (Zheng et al., 2016). Investors in most cases receive information created by startups and investors need to judge the truthfulness of such information, making trust the most critical factor (Kraus et al., 2016). Information provided by startups go through a subjective perception of potential investors and earning trust by

offering authentic information about the company and the products influence the odds of success in crowdfunding (Koch and Cheng, 2016). For example, length, readability, and tone of project descriptions in campaign page influence crowdfunding success (Zhou et al., 2018). In sum, the quality of the project description increases the overall chance of successful crowdfunding (Mollick, 2016).

In an interview with TechCrunch, Eric Migicovsky, founder of Pebble Technology Corporation,<sup>2)</sup> emphasized the importance of campaign page (Crook, 2012): “We have to put a lot of effort into it. We spent weeks working on just the Kickstarter page, months maybe. We wanted to make sure that we conveyed our value proposition very well, so we focused on the customization angle.” To the question about next step of Kickstarter campaign, he talked about what measures he took to keep the promise with backers: “We’ve got a pretty good manufacturing plan. We didn’t predict this in any way, but we have a plan for a large manufacturing run. We’ve already ordered components, and they’ll be ready for when we go into production.” In this interview, Erick Migicovsky not only underline the critical role that the information plays in an actual crowdfunding campaign page but also significance of activities such as

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2) Pebble, a E-ink- based smartwatch, was one of the most funded projects in Kickstarter history, raising \$10.3 million. Pebble, Pebble 2 and Pebble Time collectively raised over \$43 million.



supply chain management and manufacturing that are not easily seen by customers. Similarly, Andrew Thomas, Co-founder of Skybell,<sup>3)</sup> explained why entrepreneurs need to focus on creating carefully organized, content rich campaign page (Haran, 2017).

Startups pay much attention to how to pitch their projects. From a broader perspective, startups are responsible for bridging the information asymmetry gap with potential backers by sending signals of legitimacy such as project quality, founder credibility, and 3rd party endorsement (Kang et al., 2016; Courtney et al., 2017). Providing detailed explanations about projects is broadcasting signals about legitimacy (Frydrych et al., 2014).

Information required for potential backers to determine the value of funding projects has to rely heavily on visual aids. Because backers tend to focus on the curation of the information included in the project description and delivery of the project information, entrepreneurs include more images and videos that can vividly show the key features of the product and present information in a well-designed package (Xiao et al., 2014). As building customer's knowledge in the product enhances the new venture's legitimacy, it can be argued that the rule of seeing is believing governs crowdfunding success.

### 3.3 Visible and Invisible Startup Capabilities

Capabilities have been one of the most frequently discussed and studied topics in management research (Wernerfelt, 1984; Day, 1994; Ireland et al., 2001). In entrepreneurship research, understanding of capabilities is also relevant and important. Existing studies follow a tradition of the resource-based view of the firm (Hitt and Ireland, 2000, Hitt et al., 2001). This study proposes an approach to predict crowdfunding success based on the visible and invisible capabilities of a startup.

Visible capabilities can be found in observable products in a crowdfunding campaign. A prototype product is the outcome of entrepreneurial activities and can be seen as evidence of capabilities required for product development. However, invisible capabilities are capabilities that cannot be observed not because they do not have a physical form but they are associated with activities the startup has not experienced. For example, a startup, after finalizing a prototype, needs to find partners for supply, manufacturing, and distribution. But startups at the crowdfunding platforms have not reached the stage of rapid scale up for mass-production. Capabilities necessary for the downstream are new to most startups and invisible especially to backers otherwise startups

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3) SkyBell raised \$600,000 in 30-day campaign on Indiegogo for a smart video doorbell.



provide relevant information.

Visible capabilities. As discussed above, providing project information to potential investors is arguably the most important factor in crowdfunding success. Project description is a set of information about what a startup has done and will be doing to fulfill promises to the backers. In categorizing startup capabilities, what has been done can be seen and thus they represent the visible capabilities. In crowdfunding, products are evidence of visible capabilities. Thus, it can be assumed that product capabilities are visible to potential investors.

Startups use visual information such as pictures, images, and videos along with detailed descriptions to prove their prototype products are working and mass-production ready. To prove the truthfulness of their claims about prototypes, startups use different types of visual information. Employing a combination of visual information types can generally be more effective in appealing products to backers than relying on a single format of visual information. It can be inferred that crowdfunding presenting diverse types of visual information is more likely to appeal to visible capabilities. Similarly, in proving that the product does exist and functions properly, more information is more effective than less information.

The above discussion leads to the following prediction: if a startup's crowdfunding campaign contains information associated with capabilities visible to potential investors, the campaign is

more likely to reach its funding goal.

*Proposition 1: If the startup offers information about visible capabilities to potential investors, the crowdfunding campaign is more likely to succeed.*

Invisible capability. Unlike visible capabilities that can be observable through pictures and videos about prototypes, invisible capabilities can only be inferred from information about plans to deliver rewards. Typically, capabilities associated with keeping the promises made to the backers are invisible not only to the founders but also to the backers. Finding partners for mass-production is a process that a startup has never been experienced and the startup lacks the capability to locate and distinguish the quality of potential partners. Thus, the startup tends to be vague about plans to manage the process of fulfilling orders. However, if a startup understands the importance of providing information about key steps to be taken for fulfillment, it provides a timeline or roadmap even if it does not include detailed plans. And if it already thought through the entire business process, it lays out its plan to control the downstream, increase the likelihood of funding success.

Typically, a startup may not be able to predict the chance of funding success and therefore does not put upfront efforts to secure partners need at the late stage. Furthermore, even if

there is a chance of funding success, it cannot know the magnitude of success. There is a cognitive gap between a controllable number of backers and an unimaginable number of backers. Of course, scoring a huge success is a great achievement. But it becomes a challenge and an operational risk for the startup because it does not know how to find sourcing partners suitable for big orders. However, the startup cannot go without the roadmap because of the uncertainty associated with funding success and partner selection. If it forgoes the plans associated with process control, it loses an opportunity to earn trust from the potential investors. Thus, even if the startup does not have any previous experience in process after the crowdfunding and the potential backers may not be able to clearly gauge whether the startup has necessary capabilities to deliver the rewards on time, the chance of reaching the funding goal increases with an easy to understand roadmap that tells what measures the startup will take for each stage and when the rewards will start shipping out.

The above discussion leads to the following prediction: if a startup's crowdfunding campaign contains information associated with capabilities invisible to potential investors, the campaign is more likely to reach its funding goal.

*Proposition 2: If the startup offers information about invisible capabilities to potential investors, the crowdfunding campaign is more likely to*

*succeed.*

Interaction of visible and invisible capabilities. Though there are distinct differences between visible and invisible capabilities, ownership of both capabilities may be beneficial to a startup's effort to raise funds through a crowdfunding project. As the crowdfunding platforms tend to attract startups and will-be entrepreneurs with little previous experience about venturing businesses, startups launching campaigns may have more to show about visible capabilities than invisible capabilities. However, startups are more likely to reach funding goals if they can access both capabilities because complementarity between visible and invisible capabilities may have a positive influence on the startup's chance of keeping the promises (Kogut and Zander, 1992). For example, product development experience that contributes to the accumulation of visible capabilities benefits a startup to build invisible capabilities when it screens component suppliers and production partners. Similarly, if a startup learns know-how for invisible capabilities by experimenting with ways to simplify and expedite the production process, the startup can apply such know-how in a product development phase. Thus, providing information about both the visible and the invisible capabilities required to successfully carry out the crowdfunding campaign may collectively increase the chance of funding success.

The above discussion leads to the following

prediction: a complementary synergy between visible and invisible capabilities of a startup gives a better chance of reaching a crowdfunding goal.

*Proposition 3: The interaction between visible and invisible capabilities of the startup makes the crowdfunding more likely to succeed.*

## IV. Research Setting

### 4.1 Reward-based Crowdfunding Platform

Launching a funding campaign on a crowdfunding platform provides several advantages to startups. First, it is an alternative means to acquire necessary financial resources without going to formal or informal channels of funding such as angel or venture capital investors and going through due-diligence that often requires a stringent examination. Second, it is a chance to test whether the product is attractive enough to draw consumers' attention. And third, it is a cost-effective marketing activity that helps increase the product's exposure to interested potential consumers. And fourth, it is an opportunity to connect and interact with lively community of fellow makers and will-be entrepreneurs.

Kickstarter ([www.kickstarter.com](http://www.kickstarter.com)) is one of the most successful and well-known reward-based crowdfunding platforms. In Kickstarter, investors are not rewarded by financial gain but by actual products and services. Since its beginning, 172,965 out of 445,000 campaigns were successfully funded, and the total amount of dollars raised was over \$ 4 billion.<sup>4)</sup> In Kickstarter, projects are categorized according to their characteristics of main products/services. The interaction between investors often called backers, and fundraisers are straightforward. Startups that need financial resources for their projects launch campaigns where detailed plans for the project are laid out and communicate directly with potential backers. Backers with certain interests in product/service categories regularly visit the Kickstarter and review the campaigns. Startups are responsible for making their campaigns as attractive as possible to reach the funding goals because if the target goals are not met, startups will not be able to collect the financial resources necessary for their projects from Kickstarter.

A typical fundraising page for a Kickstarter campaign consists of several sections that provide important information about a project. As Kickstarter is a reward-based crowdfunding platform, a product information section contains detailed descriptions of the product/service with varying degrees of progress. Startups

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4) Information from the Kickstarter (<https://www.kickstarter.com/help/stats?ref=global-footer>)

often put visually oriented material such as photos, images, and videos along with texts. If the proposed product has moving parts, a startup is more likely to include videos rather than static images because texts and images may not be enough to convince potential backers about the feasibility of the product and authenticity of the project. A reward section offers a description of various rewards depending on the amount of money backers pledge. If a campaign reaches its initial funding goal, the startup often offers stretch goals by adding additional rewards to not only increase the total amount raised but also convey gratitude to all those who support the project.

A delivery schedule or timeline section offers information about key milestones such as approximate dates about completion of product development, choosing material suppliers, sourcing manufacturing partners, and shipping out rewards. Timeline is a roadmap of not only a funding campaign but also a startup behind the campaign. It contains what has been done by the startup, how far the project has gone through, and what will be done to fulfill the campaign. Backers get the general idea about when they get their rewards. The founder or company section contains information about people. It is a founding team section in a business plan. Thus, it offers information about

founding members' roles and expertise along with a brief history of how the project started. Lastly, the risks and challenges section explains the difficulties expected until the rewards are fulfilled. It contains mostly operational issues such as sourcing necessary material, finalizing appropriate production methods, and finding and securing volume-manufacturers with competitive cost structure.

Indiegogo ([www.indiegogo.com](http://www.indiegogo.com)) is another successful reward-based crowdfunding platform. While these two companies compete directly and indirectly in many aspects of crowdfunding related activities, Kickstarter and Indiegogo serve more similar than different purposes in entrepreneurial ecosystem in supporting entrepreneurs and startups in need of financial resources for their projects. The structure and organization of a campaign and type of material employed by startups to educate and persuade potential backers are almost identical. Thus, both platforms share similarities in their campaign pages.<sup>5)</sup> This makes campaign pages from either Kickstarter or Indiegogo may be an ideal research setting to investigate the impact of visible and invisible startup capabilities on chances of funding success.

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5) Kickstarter and Indiegogo emphasize different aspects of crowdfunding. Discussion on the differences in these platforms is beyond the topic of this study and may be a topic of practical investigation.

## V. Discussion

### 5.1 Contributions

Theoretically, this study improves our understanding about the relationship between trust, legitimacy, and liability of newness by providing a differentiated explanation about where investors place their trust. Specifically, investors to crowdfunding campaigns assess startups' capabilities to keep the promises. In a practical sense, convincing investors by providing evidence of owning capabilities enables a startup to earn trust and this brands the startup a legitimate member of entrepreneurial society, making it less vulnerable to liability of newness. This study proposes a balanced approach of examining the elements associated with the visible and the invisible capabilities of startups.

Practically, this study offers actionable guidelines about the type and the organization of information in the crowdfunding campaigns. Particularly, potential investors in the crowdfunding community may interpret information included in the campaign page as indicators for necessary capabilities for startup activities to keep the promises with the investors. By directing attention to capabilities required in stages after the funding success, this study emphasizes the role of capabilities that are not easily and fully observed by potential investors in crowdfunding

success. This study also shows that the crowdfunding is a process of earning trust from investors and that strategic approach is imperative in managing investor's trust. In essence, this study argues that investors to entrepreneurial endeavors may have discerning eyes to gauge startup's capabilities and differentiate the subjects of their trust bestowed, impacting likelihood of crowdfunding success. And lastly, overcoming liability of newness through persuading investors with unique perspectives about capabilities may become an emerging mode of interacting with the community that is more empowered by and open to changes in entrepreneurial ecosystem.

### 5.2 Limitations and Future Research Opportunities

There are several areas that need improvement. Though this study aims to offer a new perspective to predict success in crowdfunding, this study has not fully explored possibilities in formulating an explanation adequately reflecting the reality and consistent with accepted theoretical views. Connecting insights from institution theory and entrepreneurship is challenging in that entrepreneurs are new to not only learning the activities involved in founding and nurturing businesses but also understanding environments that often send subtle and complex signals. From a researcher's standpoint, building a theory about entrepreneurial phenomenon based

only on findings from previous studies is limiting in that generalization tends to be ineffective and often fleeting in entrepreneurship. Similarly, a phenomenon driven explanation may lack theoretical rigor, making the explanation interesting but insufficient in engaging with existing theoretical perspectives. In sum, a deeper investigation in conceptual and empirical dimensions may have improved this study.

One area that needs further development is the concept of invisible capabilities. This paper employs a straightforward approach to propose the concept, establishing a direct association with the concept and what represents in reality. Invisible capabilities are capabilities that have not been fully realized and therefore not been easily seen by entrepreneurs and potential investors as well. Though this study acknowledges the contribution of the resource-based view of the firm in the formulation of visible and invisible capabilities, this study only shows a potentially fruitful path of theoretical exploration without a thorough examination of existing theories that may establish a deeper conceptual foundation.

The other area for improvement is integrating the crowdfunding platform as a research setting with the theory proposed in this study. This study points out the significance of crowdfunding platform as a new environment for startup investing and explains general characteristics of one of the major crowdfunding platforms focusing mainly on the organization

of fundraising page. Though fundraising page is the main channel for interaction between the startups and the backers, deeper understanding of the nature of crowdfunding platform may increase the content and external validity of conceptual variables.

Still another area for refinement is finding empirical evidence that can support the theoretical propositions of this study. This study only comes so far as introducing one way to view startup capabilities and presents propositions about the relationship between suggested categories of startup capabilities and likelihood of crowdfunding success. With a proper data preparation and empirical analyses, theoretical arguments of this study can be tested not only to expand our understanding about entrepreneurial behavior in the crowdfunding but also show the value of categorizing startup capabilities as visible and invisible.

In conclusion, this study proposes an intriguing way of conceptualizing startup capabilities and builds a theory that can predict odds of fundraising success in a crowdfunding platform, an emerging community for enthusiasts of entrepreneurial activities. With such contributions as extending the explanatory power of key ideas of institution theory to entrepreneurship research, developing a unique view about startup capabilities, and proposing causal relationships between types of startup capabilities and crowdfunding success, there are areas that require serious research endeavor for a further

concept development, a deeper understanding about the research setting, rigorous methods and solid empirical evidence.

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