

Title: **Crowdfunding guidance and practice: Value added co-creation**

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Abstract

Crowdfunding as it is applied across web 2.0 is a novel approach to raising funds for a variety of projects. However crowdfunding as a concept, or indeed the application of technology and media towards crowdfunding, is not necessarily new. This paper explores a range of crowdfunding examples, including some historical predating internet technologies as well as more current examples, to identify some generic cases of crowdfunding: Four categories are identified from which the paper highlights the main attributes, management issues, motivations for stakeholders and policy implications. The paper uses mixed methods research including a novel crowdsourcing set of activities to evaluate hosted crowdfunding calls and interviews of specific examples. The paper highlights some emergent themes from the crowdfunding cases, particularly that of co-creation of which ‘funding’ can be considered as only one aspect. The paper also explores relevant theoretical bases to consider crowdfunding and suggests likely fruitful theoretical avenues for further research. The paper also briefly collates together guidance on conducting crowdfunding assignments.

Key words: Crowdfunding, crowdresourcing, co-creation, crowdfunding policy, crowdfunding theory

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1. Introduction

Crowdfunding is attracting a lot of attention from business sectors, financial institutions, the 3rd sector, governments, the wider population and potential investors. Crowdfunding is often described as the ‘next big thing’ (e.g. Spierer 2013) or some new digital revolution in getting access to funding for businesses (e.g. Lawton and Marom 2013). There has been a recent flurry of books consisting of guides and introductions to crowdfunding, and a growing body of news commentary and research into the crowdfunding phenomena (e.g. Dresner 2014; Frutkin 2013; Jacobs 2013; Lawton and Marom 2013; Spierer 2013). Crowdfunding is often discussed as a new form of financial innovation, and consequently is also attracting the usual myths and hype of business innovations offering ‘radically’ new, easier, cheaper, and better ways of doing things (Crowd Valley, 2014).

There seems to be a variety of reasons for the growing interest and take up of crowdsourcing. The World Bank’s (2013) report on crowdfunding identifies the financial crisis in 2008 around much of the world as a significant driving force and catalyst towards the adoption and success of crowdfunding activity. The lengthy report identifies there has been a mass of new entrant crowdfunding platforms that have come into the market, for instance with 344 in the US, 87 in the UK and 53 in France. Avery (2012), considering how crowdfunding could impact traditional bank lending, argues that it has been almost a perfect storm for crowdfunding: “Capital for consumers, start ups and small businesses has either dried up or has become very expensive. At the same time, individuals are looking for ways to put their money to work rather than take the low interest rates in deposit or saving accounts. ... banks are not particularly good at assessing credit risk given their recent track record. [and there is] a disgruntled populace who would be happy to see the banks disintermediated.”(Avery 2012,p30).

A similar theme has been raised by Mouatt and Adams (2010) who argue that there is a need in society for access to alternative funding due to instability in financial markets and also identify there is opportunity through evolving capabilities of technology to enable significant competition to traditional banking and finance sectors: effectively ‘breaking the serfdom’ stranglehold of the global financial industries on business and people. In addition, there has been a sustained increase in the use of broadband and Web2.0 technologies resulting in more people being comfortable in using internet technologies for an increasing range of life activities, including commercial and investing. In addition, as the BCG (2013) Global Wealth report indicates, on a global scale, a significant proportion of people are getting richer and so have more disposable income to invest. The economic, technological and social climate seems to be favourable for crowdfunding activity.

From a wider innovation perspective, ensuring suitable access to funds has been critical to stimulate and support innovation (Lamoreaux and Sokoloff 2007; Boyle 2002; Lloyd-Jones and Lewis 1998; Dicken 1992). Consequently crowdfunding is an important topic for investigation from a policy perspective, and also from a practical economic and societal perspective given the recent economic downturn where SMEs, start-up micro SMEs (MSMEs), charities and individuals, found it increasingly difficult to attract funding from traditional bank sources even for very sound projects. Such a lack of access to such funds will stifle innovation, economic activity and socially good projects (Mouatt and Adams 2010).

Some form of crowdfunding has been around for many years (as will be discussed in the next section); however, the advent of the Internet and particularly Web 2.0 technologies has opened up a new arena for crowdfunding activity. This has affected the speed, reach and application of crowdfunding, potentially, enabling new forms to emerge and innovation to flourish. This makes it an exciting time to research and explore crowdfunding activity. This paper reports on such an investigation, with a focus on the practicalities, management challenges and motivations for the stakeholders in the crowdfunding arena. The research involves innovation in the research method adopted by utilising a *crowdsourcing* mechanism and identifies some structural changes taking place across the crowdfunding arena, particularly with rationalisation of service providers and in distinct categories of crowdsourcing projects emerging each with their own set of attributes. The paper also hopes to make contribution by explicit discussion of areas for theory covering crowdsourcing activity and consequently inform practice, policy and understanding of the latest crowdfunding phenomena.

The rest of the paper is structured as follows. The next section will examine some history and earlier examples of crowdsourcing activities. The research methodology is discussed along with limitations. The paper then examines different categories of crowdfunding and the practical and management issues for each category, and likely motivation of different stakeholders. The paper then explore possible areas for developing theory of crowdfunding activity before summarising and concluding.

2. Background: Early crowdfunding examples

The first citation of crowdfunding as a word, probably goes back to 2006 when it was used to describe the Fundavlog project (see <http://www.wordspy.com/words/crowdfunding.asp>), though crowdfunding is not really a new concept and examples of crowdfunding have been around for many decades, even centuries. For instance, the American presidential elections have typically been cross-nation crowdfunding events raising millions of dollars from the American population for various presidential candidates; indeed the last few examples have explicitly used Internet and social media technologies as part of the process. Going back even further we can find examples stemming from the early co-operative and Social Credit Movements (e.g. see Finlay 1972), or the People’s Bank movement initiated by Pierre-Joseph Proudhon in France during the mid 1800’s (Boyle 2002, p181). Similarly,

the early years of the Labour party in the UK was financed by a form of crowdfunding through the subscriptions from union members (though there was a some disruption through what was known as the Osborne Judgment which for a brief period stopped Trades Unions donating automatically funds for Labour candidates; this was repealed with the Trade Disputes Act which allowed opt-in for union members to fund Labour activity).

Joachim (2011) also identifies some historical examples: “Mozart and Beethoven financed concerts and publications of new music manuscripts via advance subscriptions from interested parties. The Statue of Liberty in New York was funded by small donations from American and French people. In 1997 the British rock band Marillion collected US \$ 60,000 from their fans via an Internet call to finance their US concert tour” (Joachim 2011, p1).

In addition, Churches have used collection boxes for centuries and charities have relied on funding from the ‘crowd’, literally, for many decades using collections tins on the high street. Local social projects have also used crowdfunding. For instance, several examples of Time Banking have been used to raise funds, and human resource, to fund and resource the development of social projects (e.g. Adams and Mouatt 2011). One such example being the Garw village in South Wales, UK, which used a time bank to fund and provide the human resources for a local carnival and festival (see https://www.youtube.com/watch?v=Mh5DaE2Mj_A). Perhaps one of the most interesting historic examples of crowdfunding projects is the Guildford Cathedral which was mostly funded by the local community where members of the public could donate money and effectively buy a brick of the new cathedral: “the ‘Buy-a Brick’ campaign was launched in 1952. Between 1952 and 1961 more than 200,000 ordinary people bought a brick for 2s 6d (12½p) and inscribed it with their name.” (see <https://www.guildford-cathedral.org/learn/history/brick-givers>). With both the Garw village carnival and the Guildford Cathedral examples the projects were about more than raising money for the local projects, they also involved much ‘community activity’ such as developing engagement and ownership of the projects.

Raising funds, or more generally raising resources, for local projects and initiatives has been the domain of Local Exchange and Trading Systems (LETS), Time Banks and social money systems and have not been restricted to one geographical region (Adams and Mouatt 2010, 2011). For instance David Boyle’s books ‘the Money Changers’ and ‘The little money book’ give many examples of successful LETS schemes around the world (Boyle 2002, 2003), including Edgar Cahn’s Time Dollars (Boyle 2002, p241) and a variety of LETS systems evolving from Michael Linton’s ‘green dollars’ mutual credit model (Boyle 2002, p262). Many of the LETS are based around towns, cities and their distinct communities (Adams and Mouatt 2010). Local communities have consistency found innovative ways of raising funds for local projects.

In 1997 the rock star David Bowie, with the help of a banker David Pullman, raised \$55 million with the issue of ‘Bowie bonds’ which were bonds backed by the future royalties of Bowies music catalogue. This started a wave of ‘virtual’ asset backed fund raising adventures from the music and entertainment industry – and in the 1990s onwards stimulated a wave of raising money from the ‘investment crowd’ for a host of stars including James Brown, The Isley Brothers, Marvin Gaye, Iron Maiden, Rod Stewart and Dusty Springfield (Davies 2007). It was also the basis for a thriller novel by Linda Davies (2001), which perhaps more lucidly captures the process of evolution of innovations in generating funds from a wider ‘crowd’ of investors. Crowdfunding concepts, that of raising funds from a wider audience for a variety of purposes and projects, at least for 3rd sector, social projects, local facility projects, commercial enterprises, churches and charities have been in the public mindset for some time and predates the Internet by a long margin. The next sections will examine some more current examples explicitly making use of the Internet, first though the paper discusses the research methodology used.

3. Research method

One of the challenges of researching crowdfunding activity is the sheer numbers of crowdfunding platforms and projects that seem to be taking place (as described in the World bank report, 2013), and with much of the media, how-to-guides and reports concentrating on a few success stories effectively painting a mostly uncritical and positively biased perspective of the phenomenon. The research design aimed to achieve a depth and breadth investigation of crowdfunding activity, trying to capture the range of projects and the practicalities and issues around running crowdfunding projects, and consequently achieve a more robust view of the actual evolving crowdfunding arena. The design consisted of conducting a literature review of previous examples, research, reports and current activity in crowdfunding. This was to be supplemented with a set of interviews with people from organisations considering or actively engaged in crowdfunding activity. In addition, a novel *crowdsourcing stress testing* activity was to be used where a ‘crowd’ of contributors would evaluate a range of crowdfunding calls and projects. In addition, the research was to be informed with participation in crowdfunding road shows and events.

The literature review was to provide the foundation for understanding the context, background, current guidance and state of play in the crowdfunding arena. The interviews were to provide some depth in understanding the practicalities and issues involved in considering and conducting a crowdfunding project. The crowdsourcing stress testing activity was to capture a snapshot of crowdfunding activities, effectively providing an evaluation of many projects taking place within the snapshot period. This included looking at the range of crowdfunding calls and assignments to see what types of projects are seeking crowdfunding, what platforms are being used, what are the characteristics of such calls, which projects seem to be attracting interest and support along with which ones did not, and generally looking for any emergent structure and anything interesting across the crowdsourcing arena within that snapshot. The engagement in crowdfunding event aimed to get insights from the crowdfunding industry, including lessons from successful and unsuccessful examples, trends in the industry, and emergent themes from the industry perspective.

The crowdsourcing stress testing activity consisting of two set of events separated by a six month time period. The participants for the events were drawn from final year computing students (set 1 n=7+6, set 2 n=16+12). The events lasted between one hour and two hours each. The mini-crowdsourcing activity followed the general principles of a crowdsourcing used on other crowd projects (Adams 2011; Adams and Ramos 2009). A list of crowdfunding providers was generated for each session and participants were allocated a selection of examples of different crowdfunding calls from an allocated set of crowdfunding providers to evaluate. The allocation was mostly alphabetically for the crowdfunding providers and then most prominent displayed examples within the crowdfunding platform. A developed framework was used for the evaluation to ensure some consistency in the individual evaluations, and participants posted their evaluations on a common repository within the university’s learning environment. Participants could see each other’s postings and evaluations.

Most of the crowdfunding calls considered were evaluated by more than one of the participants and some had three separate evaluations. The number of evaluations done by participants ranged from three to eight with an average of just over 4.

The result was the articulation of the range of crowdfunding projects and the main models of operation, as well as identifying any ‘interesting’ examples out of the ordinary. After the individual

evaluations, there followed an open discussion session to compare the evaluations, cases and the crowdfunding providers.

The mini-crowdsourcing evaluation approach enabled several crowdfunding examples to be examined concurrently resulting in a wider range of examples to be considered than possible by one researcher. Also the multiple perspective and discussions provided opportunity to gain richer insights than from just one researcher. The approach builds on previous work covered in Adams (2011), though the method actually used on this project evolved into something a little less structured (in timing and format for discussion) which will add to understanding of applying such group/crowdsourcing ‘stress testing’ methods. The participants in previous mini-crowdsourcing ‘stress testing’ activities were compensated by food vouchers (the focus being evaluating group buying activity), though for this research participants participated on a voluntary basis (with approximate 25% take up from the target population), though the topic was of interest and relevant to their course of study, and could be considered as potentially contributing towards their learning experience.

The participation in the crowdfunding events (one in London and one in Bognor on the South Coast of the UK) involved attend the events and networking with people from the crowdfunding platform providers and those interested in crowdfunding as a means of raising funds.

The interviews consisted of

- An MD of an SME considering using crowdfunding for a new business activity wo main crowdfunding events
- Three interviews from the 3rd Sector/Charity sector (a small and a medium sized example), covering the accounts, marketing and operational personnel.
- Participation at the crowdfunding events also enabled a further interview from a crowdfunding platform provider and capturing short focussed discussions with representatives from the wider crowdfunding ecosystem (e.g. crowdfunding organisations & providers, public sector representatives, SMEs and charity members looking to crowdfund).
- In addition, there was a serendipitous interview with a participant of the Guildford Cathedral example.

The research method adopted aimed to capture a more balanced and critical perspective of crowdfunding activity that is present in much of the existing reporting. However, as with most research, there are limitations in the research and approach taken. The selection of interviewees was dictated mostly by location (i.e. mostly in the South Coast of UK) and was relatively small in number. A different perspective may have materialised if interviews were done with a different sample and perhaps from an increased number of stakeholders. The literature review followed a general ‘snowball’ approach, and by its very nature may have missed important or insightful reference material covering either very current activity or salient older examples. The mini-crowdsourcing events capturing a snapshot of activity captured examples from different countries and much variation in the type of project seeking crowdfunding. Clearly though the samples examined were only a subset of crowdfunding calls taking place and if the mini-crowdsourcing events were run at other times, more frequently or involved a bigger mini-crowd, or even a different type of niche crowd than that used, then different types of examples may have emerged. Consequently, the study cannot be considered as a comprehensive representation of *all* crowdfunding activity and issues; the breadth of activity taking place around the globe is too large (e.g. World Bank 2013) for one study and is in a state of flux and change as more stakeholders engage in the various aspects of crowdfunding activity. Criticisms aside, the size of the study was fairly consistent with other studies (e.g. Joachim 2011), adopted a balanced and robust approach to the investigation and, can be considered as a snapshot of crowdfunding activity and issues and so provides a base for researchers, practitioners and policy makers to interpret the evolving crowdfunding phenomenon. Developing robust research methods to capture the quite often fast changing activity in the digital economy is an area calling for further research. The mini-

crowdsourcing approach presented here is one approach, using crowdsourcing concepts (Adams and Ramos 2009, 2011), to capture a snapshot of activity in the digital economy.

4. Results

Analysing the data from the investigation highlights some practical issues, barriers and challenges, likely motivations from stakeholders in crowdfunding assignments, and some interesting findings covering the wider often non-monetary contributions within crowdfunding. These will be expanded on throughout this section.

4.1 Categories, motivations and Barriers

From examining a range of crowdfunding assignments four different categories of crowdfunding emerged, these being individual assignments (i.e. individual chasing funds to do some individual development or good causes project), 3rd sector assignments (usually charities with specific projects requiring funding) , SME / MSME assignments (usually start-up adventures requiring seed funding) and some larger community projects. An examination of these different classifications identifies that there are distinct sets of stakeholders involved each with their own set of motivations for being engaged in the crowdfunding activity. In addition the different classifications seem to have their own set of barriers and challenges for successful assignments. Some of the key points from the emergent practical and management issues are collated together below – these have been mainly informed with the interviews of the different stakeholders and with further evaluation of the examined crowdfunding calls and projects. Table 1 collates together the main motivations along with the barriers and challenges for each of the four categories of crowdfunding assignments.

Crowdfunding category	Motivations for crowdfunding	Barriers / Challenges
Individual projects	<ul style="list-style-type: none"> • Need to raise funds (for the project) • A means to an end • Usually for a good cause • ‘It is fun’ • ‘Testing your idea out on the crowd’ and confirmation that it is a good idea (moral support) 	<ul style="list-style-type: none"> • Takes time and effort • Fear of failure (‘what if people don’t contribute?’) • Opening oneself up to the public • The unknowns and risks • ‘Someone might nick your idea’
3 rd Sector projects	<ul style="list-style-type: none"> • Need funds generally (lack of funding / declining funds from other sources – harsh economic climate) • Need funds for a particular project • Innovation in fund raising (to complement existing fund raising) • Getting contributions from a wider group of contributors • Raise awareness of the charity, project, issues or organisation 	<ul style="list-style-type: none"> • Takes time, effort and resources (which they have only a limited amount of) • Corresponding opportunity cost • Detracts from existing charity activities (providing the services etc) • Detracts from existing charity fundraising activities • Extra risk in losing existing volunteers or contributors (charities have their own list of contributors / supporters which they don’t want to send to some other crowdfunding site)
SMEs projects	<ul style="list-style-type: none"> • Need to raise fund for the business idea 	<ul style="list-style-type: none"> • Risk of losing IPR (someone else might copy the idea)

	<ul style="list-style-type: none"> • Need to get the project going • Need enough funds to try it out, do it right • Want support and engagement for idea, product or service • ‘Testing your idea out on the crowd’ 	<ul style="list-style-type: none"> • Takes time and effort and may not get any reward • Corresponding opportunity cost • Lack of control - need the funds to do the work • Needs management • Lack of (positive) feedback
Community projects	<ul style="list-style-type: none"> • Raises (extra) funds for community project • Raises awareness, buy-in and support for community project • Develop community engagement • Novelty and public awareness opportunities • Complements existing fund raising, engagement and awareness activities 	<ul style="list-style-type: none"> • Takes resources, time and effort • Needs managing and a team effort • Usually have to provide own infrastructure (extending existing infrastructure) • Detracts from alternative solutions, such as possible council, lottery or corporate funds

Table 1: Motivations and Challenges for crowdfunding projects (adapted from Adams 2013)

The interviews of wider stakeholders involved in or considering crowdfunding activity demonstrate the main stages in a ‘typical’ crowdfunding assignment and some common management and practical issues and concerns in setting up and ‘managing’ a crowdfunding project. One key theme was the ‘opportunity cost’ perspective that of the crowdfunding would be one of multiple options to be considered and, if chosen, would limit involvement in those other options. This was evident particularly with the charity examples who were facing limited manpower resources covering funding raising along with an existing set of fund raising activities, so any new projects (such as crowdfunding) were considered in terms of how it would impact existing activity. Some further emergent themes cover the practicalities and need for active management and making the pitch, as covered in the next sections.

4.2 Active management and stages of a project

Key to the success of the crowdfunding projects seems to be the active management and treating the crowdfunding assignment like a professional project. Just putting up an idea on a crowdfunding site and letting it run will likely not be the best approach to ensure a successful assignment achieving the target funding. Three phases of a generic crowdfunding project emerged each with their own management challenges. The generic phases identified in this work are mostly similar to those identified in other works and how-to-guides (e.g. Dresner 2014; Spierer 2013). Table 2 collates together the main activities and challenges in the form of generic guidance notes for the stages of crowdfunding projects.

Project set up and initiation	<ul style="list-style-type: none"> • Identifying what you want to do • Consider alternatives and be clear why you want to use crowdfunding options • Work out the full set of costs for the project, and remember to include any fees from the crowdfunding hosting sites when working out the costing figures. These charges can vary considerably between crowdfunding platforms, and sometimes have different rates for charities and businesses. • Consider whether to have one big pitch or multiple smaller pitches. One of the main models for crowdfunding is the all-or-nothing (you only get funded if you get pledges for <u>all</u> the funds you ask for, otherwise you don’t get
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	<p>anything), so it may be less risky to have two smaller projects than one large project. Most crowdfunding platforms have different funding models for charities, such as giving all the pledged funds to the charity regardless of if it reaches the target figure for the project.</p> <ul style="list-style-type: none"> • Consider which crowdsourcing hosting company to use. Look at the terms and conditions of the site, particularly the crowdfunding options they offer, the costs and any other terms and conditions (T&Cs) relevant to your pitch. Choose the options and provider that most meets your needs. (You may need some guidance in this, particularly with the long set of T&Cs that some provider have – alternatively look at the feedbacks from the users of such services.) • Produce you pitch and test it out – usually a short minute or two video with supporting details, such as a written outline of the project main details. • Produce a marketing plan, such as using social media, drawing upon you network of associates, friends etc, and using more traditional avenues such as news papers, posters and press releases. Identify likely trusted people or early contributors to your project. These may also be the people who would ‘test out’ and give feedback on your project pitch. • Decide on a timeframe for the crowdfunding assignment.
<p>Running the crowdfunding event</p>	<ul style="list-style-type: none"> • Start the hosting of your pitch (register with the crowdfunding hosting company and load up the pitch and details of your project, money needed, timeframe etc). • Start implementing the marketing plan and let people know about your project and point them to your pitch one the crowdfunding hosting website. • Prime the start of responses to your pitch by drawing upon some trusted people to contribute to your project. There is some thoughts that people don’t like to be the first to contribute to an idea that they don’t really know, so if you can get a few early contributions from the trusted ea • Monitor progress and if needed take corrective action, such as conduct further marketing to stimulate further contributions and contributors (issue press releases, using the social media network etc). A good way to do this is to report on progress, such as “ the xyz project is nearly 70% funded”.
<p>Reflection and learning</p>	<ul style="list-style-type: none"> • If you raise the funds within the time frame then you can start using your funds (less the crowdfunding hosting company’s cut) to do your project and meet the contract you have with the crowd that supplied the funds. This is where the hard work actually starts in delivering what you promised you would do with the funds. • It is also a time to reflect on what went well and what did not go so well, even if you got the funds. If you don’t then you can revisit what happened and see if it is possible to re-run the crowdfunding assignment at a later date. • It is also an opportunity to keep the relationship going with the crowd of contributors, such as reporting on progress on your website. Remember the crowdfunding assignment is as much about managing the relationship between you and the contributors. If you are going down the route of have two or more small projects (rather than a big project), then maintaining that relationships is important sine you would likely have a ready made crowd of contributors for the follow-on project.

Table 2: Guidance on three phases of a generic crowdfunding project (adopted from Adams 2013)

4.3 The importance of making ‘your pitch’

Also key to the success of the crowdfunding projects seems to be the ‘pitch’ and is a prominent theme in the how-to-guides. For SMEs/MSMEs, Start ups and business pitches they have to be clear on how much is required, what it is needed for, and what will the different contributors get back (where relevant). A good base would be to look at the ‘Dragons Den’ type programmes to see what short business pitches are like. Larger community type assignments will be very specific to the community project the funding is for, so the pitch should capture the community aspects, why it is important for the community and what contribution they require (which may not be just monetary). For charity type assignment then pitch should show what the money will be used for and who would benefit from the money.

It is important to test out the pitch before putting it up on the crowdfunding site. This would include getting feedback from independent sources, and hopefully from likely contributors. Key things you want to find out are does your pitch capture what the project is about, why you need the money, what will be the rewards or value going back to the individual and does it capture suitable enthusiasm for the project idea. For individuals hoping to raise funds then you can draw upon family and friends for feedback, but also try and get some independent feedback as well .

Most of the examples of the business pitches have been for SMEs and start up companies. There are a few bigger ideas around (e.g. Arkyd a public-use space telescope which the project initiators hope will be due to be placed in orbit in 2015 raised over \$1.5M - <http://www.americaspace.com/?p=38436>), but the bigger projects seemed to mostly go for other traditional sources of funding (like business angels or equity funds).

The pitch needs to be short and pithy capturing the main points of the project idea. The pitch also has to be aimed at the target audience of likely contributors. Elements to have in a pitch are:

- Background – what the project is about, why it is important or interesting?
- What you need the money for (what you will do with the money)?
- What will be the outputs from the project?
- What will be in it for the contributors, if anything?
- Enthusiasm and interest – you need to capture the attention of likely contributors so it has to be in their language, be of interest to them and show your enthusiasm for the project.
- Have a good, believable story that fits in with the right amount of funds being asked for.

Perhaps the best guidance is to look at other example pitches for similar projects on the crowdfunding website you hope to use and see what works for you. The crowdfunding website will also likely have some guidance on what they consider to be good things to have in a pitch.

5. Discussion and Analysis

Collating together the results within the wider context of the crowdfunding arena we are able to identify emergent themes, trends and further attributes of the context. These include changes taking place within the crowdfunding market space, and how crowdfunding is evolving and maturing as a topic of investigation. These emergent themes will be explored in the following sections.

5.1 Consolidation in the crowdfunding marketplace

One clear emergent theme when looking at the crowdfunding platform providers is that the whole crowdfunding market place is going through a period of consolidation and rationalising. Not all crowdfunding platforms have a healthy set of active crowdfunding calls and projects; indeed there are several that have very few active projects and even crowdfunding platforms with very minimal successful examples of previous successful projects.

On one level the business model for hosting crowdfunding platforms seems very attractive and low risk. Once a platform is up and running then there would be sitting back and taking a steady income, consisting of the 5% or so of each project hosted on the crowdfunding platform. Another indication of the attractiveness of the crowdfunding platform hosting companies is the emergence of industry bodies and associations. For instance the UK Crowd Funding Association (www.ukcfa.org.uk), the National Crowdfunding Association (of America) (www.nlcfa.org), the American Crowdfunding Association (americancrowdfundingassociation.com), the National Crowdfunding Association of Canada (nfcacanada.org), the European Crowdfunding network (europeancrowdfundingnetwork.com), another European Crowdfunding network (<http://www.europecrowdfunding.org>), and the Crowdfunding Professional Association (www.cfpa.org) to name a few. Some of the fees to join these associations are considerable and it is not clear what benefits the crowdfunding platforms providers gain from membership of the associations.

The reality is that there has been a flood of crowdfunding platforms, as the World Bank (2013) report shows, all vying for a growing but relatively small market of crowdfunding projects to be hosted. Some of the early entrants into the market have already disappeared (at least their websites are no longer functioning). The market is consolidating into a few big players covering general crowdfunding activity, such as Kickstarter and CrowdCube, big players covering charities calls, such as JustGiving, and a selection of niche examples such as ones aimed at the music or entertainment industry with niche crowds. Presumably, there will be further consolidation ahead for the crowdfunding platforms along with some further competition (such as more active marketing by the platform providers) and developing more niche crowdfunding ecosystems. Similarly, as with the oversupply of crowdfunding platforms providers there seem to be too many crowdfunding association new entrants to the market place and there may well be some rationalisation in the future.

5.2 Towards a theory of crowdfunding

A further emergent theme is that it is not clear where crowdfunding fits into existing academic domains and body of knowledge. Should it fit in Internet and technology studies, social media studies, business studies, finance, banking or accounting studies, innovation and entrepreneur studies, small business studies, policy studies, politics and economics studies, sociology studies, psychology studies or some other studies? There are elements of crowdfunding related to all of these fields, both in informing practice and in adding insight to a significant change taking place in society. Crowdfunding clearly has multidisciplinary aspects, yet there is relatively little discussion of crowdsourcing as a sub-discipline or a multidisciplinary topic, and further there is little discussion of relevant theories that can adequately describe and inform crowdfunding activity. Having sound theoretical foundations may provide a suitable lens to interpret activity as well as provide a base to inform policy. Crowdfunding theory is not well developed, though a few works have touched upon theoretical aspects of crowd funding (one example being Evers et al (2012)). In this section we will explore possible theoretical foundations to support and explore crowdfunding activity.

Innovation studies, entrepreneur studies, small and general business studies, economics and even development studies provide a good foundation to explore some aspects of crowdfunding. Perhaps a good place to start with these is the work by Joseph Schumpeter (2000) (and others – see Mouatt and Adams 2010 for more full list) with his theory of money, credit and financial systems. One of the key

themes here is that innovation needs support and funding, and Schumpeter argues that entrepreneurs cannot afford to fully finance innovation out of their business savings, and consequently needs alternative investment channels. Without investment channels then innovation is stifled (Lamoreaux and Sokoloff 2007). Crowdfunding also fits in with Schumpeter's 'creative destruction' that of innovations challenging and changing existing structures within the economy and society.

From the development perspective, works from Amartya Sen with a welfare economics and his Capability Approach perspective as well as a strong social and ethical dimension, provide a lens to explore how development activity can be informed with crowdfunding. This is further enhanced with the prospects from a Capability Approach to innovation in business and social good activities.

From the political and political economic perspective there seems much opportunity to view crowdfunding from a 'counter balances' and creative tensions (between people, state and TNC/corporations) where crowdfunding is challenging existing powerful structures covering access to needed resources. This would build on work from Strange (1998) and Stopford et al (1991) and others, or even works on anarchy (e.g. Grieco 1988), or the political tensions discussed by Machiavelli, Marx and Hayek (e.g. Skinner et al 1981; Hayek 1948), or Simmel's (1971) work on the strong social and ethical aspect of controlling access to money and other resources.

From the technology perspectives, including media studies, information system, computing studies, networking (technical and social), web sciences and semantics, there is much scope to explore how technology is changing user practices and culture (e.g. Robins and Webster 1999). A further avenue that seems particularly relevant is exploring (technology) adoption patterns of crowdfunding for different stakeholder groups.

For this work, emerging theoretical themes are the aspects of capability creating and co-production and co-resourcing. It is clear that for some of the examples of crowdfunding calls and projects that they are about more than just money: they are about creating the capability to do something. In this light crowdfunding would fit as one aspect of *crowdresourcing*, of which the funds is one significant dimension. Other aspects of crowdresourcing would be co-creation and co-production with different stakeholders having different roles to play (this is the foundation of further work and publication).

Overall, though there are few explicit theoretical works covering crowdfunding activity it seems that there are many fruitful areas, and possibly from a multidisciplinary perspective, with which to provide foundation for theories on crowdsourcing.

Discussion, Summary and Conclusion

After examining a variety of crowdfunding examples and in depth interviews for this research it seems we need to have a more critical view of what crowdfunding consists of. There are multiple definitions of crowdfunding which bring out the current mindset and rhetoric of crowdfunding activity as a new phenomenon, a sample collection of definitions which bring out common elements include:-

- Prive from Forbes describes it as "the practice of funding a project or venture by raising many small amounts of money from a large number of people, typically via the Internet." (Forbes 2012)
- The Oxford Dictionaries and Wikipedia define it as: "Crowdfunding is the practice of funding a project or venture by raising monetary contributions from a large number of people, typically via the Internet" (Oxford Dictionaries n.d.; Wikipedia n.d.)

- The Financial Times describes it as: “Crowdfunding is a new and emerging way of funding new ideas or projects by borrowing funding from large numbers of people often accessed through a website.” (FT 2014)
- A further definition from Joachim (2011) who adopts a definition by Schwienbacher and Lambert (2010), captures other aspects of crowdfunding mindset: “Crowdfunding involves an open call, essentially through the Internet, for the provision of financial resources either in the form of donations (without reward) or in exchange for some form of reward and / or voting rights in order to support initiatives for specific purposes”

Some of these elements of these common definitions may need challenging. For instance, in the examples examined they were not always large crowds, and did not always consist of many small donations from many people. The crowds were not always open, and indeed mostly seemed to involve elements of a defined crowd and often involve some selected elements: the how-to-guides almost exclusively suggest kick starting the crowdfunding campaign by seeding funding support from family and friends or the usual support network in order to show some early traction in the funding contributions and so achieve a prominent position on the crowdfunding platform. It is also not exclusively restricted activity on the Internet and the activity is not necessarily novel or new. Indeed, for many of the charity examples and the larger social projects the crowdfunding activity is usually part of an overall blend of other fund raising activities.

In addition, the examples examined, and covered elsewhere in the literature, indicate a very rich variety of crowdfunding activity that probably defy a definitive all inclusive definition. Future innovations may also stretch any definition.

The size, attributes and openness of crowds for crowdfunding activity has been an emergent theme throughout the research and warrants further discussion. The crowd funding of the US presidential elections and the early Labour Party in the UK, discussed earlier, raises questions on what constitutes a crowd. In both examples they are fairly big crowds, but not really open since they are constrained and defined to a particular groups of people, in these cases defined by their political persuasion. Similarly with the examples of Mozart and Beethoven, and more currently Marillion, financing their concerts from crowds, their crowds were again well defined in this case by the groups of people interested in the artists work. Similarly funding examples for other music, art and the examples of churches and charity funding also indicate some well-defined ‘crowds’ consisting of people or groups who follow a particular interest, concern or religion. However, hosting crowdfunding calls on the Internet offers opportunity to broaden the reach to a potentially wider crowd of contributors, even if the actual people contributing are from a defined group by interest or other attribute. Attributes and make up of crowd contributors is clearly an interesting area for future work.

Innovation in raising funds and general financial activity has been a continual activity for centuries and has consequently kept the financial services and the regulators on their toes in trying to make use of the innovations and ensuring there is adequate oversight to protect the various stakeholders (Weiner 2008; Towell et al 2007). The current Internet based crowdfunding activity has stimulated responses from regulators around the world. For instance, the ‘Jumpstart Our Business Startups Act’ (JOBS act 2012), in the USA looks at measures to make it easier for start up companies and small businesses to raise funds from sources such as crowdfunding. It also tries to bring the crowdfunding arena within some consistent regulatory oversight that enable and encourage crowdfunding activity as well as provide measures to protect the various stakeholder groups. The JOBS act covers such things as ensure the emerging financial activity fits within their existing Securities Act regulating aspects of financial services (covering such things as reporting and auditing requirements). It is about stimulating economic activity by making it easier for non-accredited investors and 3rd parties to participate in funding activity: effectively making it possible for a wave of new small investors to participate in

lending money to companies, and so do similar things to what was previous the preserve of the highly regulated financial sector. JOBS focuses on businesses and funding business innovation, so 3rd sector, individual help projects and charity projects are not really its main concern (other than the entities lending money to them). Looking at the JOBS act within the context of the considerable variety of crowdfunding calls and projects examined raises significant challenges in producing oversight policy that meets the needs of all the potential stakeholders and the diversity of projects. This is further challenged when considering there is no consistent definition of crowdfunding that captures the diversity of projects and context.

The work by Stopford et al (1991), Dicken (1992), Strange (1998) and others show there has been a shift in power relationships on a global scale. This has results in the rise of Transnational Corporations (TNC) with the economic clout similar to the combined GDP of many smaller nations. The TNC flex their economic muscle and influence within the global competitive market space and have significant influence over government and markets. Countries have changed their policy and practice towards enticing TNC presences. Small enterprises (social and commercial) have a significant battle to develop a presence in a competitive environment dominated by TNCs and with access to funds restricted by a global financial system itself dominated by TNCs and their needs – notably short term profit and limiting competition to that of the status quo. New projects and start up companies find it very difficult to raise funds, even for very good commercial projects or socially good projects. Strange argues we need to have some counter balances to the TNC. Similarly, some resilience is needed to the domination of the global financial markets and banking sector operating independently of government influence (Mouatt and Adams 2010). The crowdfunding phenomenon potentially offers some counterbalance to the TNCs and to the global financial sectors dominance, all be it a relative small counterbalance.

As discussed earlier, local communities and groups have consistency found innovative ways of raising funds for local and community projects, and it seems crowdfunding is an extension of those innovative practices. In addition, such community projects are rarely just about the money; they also incorporate getting wider support and contributions, such volunteers' time and energy, public awareness and acceptance and community building.

The paper hoped to provide a critical perspective on crowdfunding activity moving away from the positive-only view and 'crowdfunding hype' in some areas of the press and literature. Crowdfunding is clearly not a panacea to solve all fund raising problems and can be considered as one of several funding and resourcing options and mechanisms. This was most strongly observed through interviews with third sector organizations and charities: For the charity respondents, crowdsourcing was sometimes seen as a possible dilution or distancing of their existing support and funding networks. The charity sector is heavily reliant on an army of volunteers and often a recurrent and close relationship with a network of funders and givers. For charities to go down the crowdfunding route using crowdfunding websites would mean directing their existing network of contributors to crowdfunding infrastructure that have other 'equally good' causes requiring funding, and so could be seen as "pushing [their members] away to a crowdfunding site which they may be tempted away to focus their support on other charities". A further set of emergent issues is that realising success in crowdfunding projects requires planning, preparation and active management – much like other projects. The paper articulates three phases of a generic crowdfunding project highlighting some of the practical considerations during each of the phases.

The practical guidance included in the paper provides a brief list of alternative mechanisms and collates them together in a table comparing the main attributes. For example, alternatives for charity organisations would be to utilise the existing base of contributors and volunteers which they have more than like developed over time and so have a lot of embedded buy-in to the charity.

Some of the examples demonstrated interesting novelty, such as with SMEs in engaging with their potential customer base and providing a product, service or recognition as part of the crowdfunding package. For instance, an interesting innovation observed in the crowdfunding domain was the use of *crowdsourcing* to support the *crowdfunding* activity, typically in sourcing the social media marketing plan. A generic example observed was on the www.freelancer.co.uk/ website and asked for “We want to market a Crowdfunding campaign over the next three days. We want help promoting it over social media sites”, and would typically ask for a marketing plan. Further examples of different innovative support activities were also posted on the [freelancer.co.uk](http://www.freelancer.co.uk/job-search/market-crowdfunding-campaign/1/) website (e.g. www.freelancer.co.uk/job-search/market-crowdfunding-campaign/1/).

Crowdfunding activity is maturing, but still evolving and resulting in innovation and co-contribution from a ‘crowd’ which is not necessarily just monetary. There are many parallels with the early co-operative movements and the Social Credit Movements of the late 19th and early 20th Century which provided economic stability for different groups in society as well as funding a host of social and business innovations (e.g. Finlay 1972; Mouatt and Adams 2010). There are clearly some policy implications that emerge when one examines the practicalities of crowdfunding options, such as ensuring that adequate protections are in place for the various stakeholders to match their level of contribution, involvement and risk. A key challenge will be to develop policy that addresses the concerns of all stakeholders while encouraging the socially economically good projects that crowdfunding could make possible.

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