The role of LinkedIn in Equity Crowdfunding

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Abstract

Traditional investment practices have been revamped with more and more modern methods to fit entrepreneurial settings. The evolution of equity crowdfunding has created an alternative to venture capital, bank loans and business angels. Due its novelty, recent studies have only focused on its mechanisms and financial regulations. We draw from crowdfunding concept and social theories to develop an understanding on the connection between social media network and equity crowdfunding success. Utilizing data from LinkedIn and a leading equity crowdfunding platform in the Nordics, we explore the impact of social media network to funding campaigns’ success. We collected data on every company on the platform, and we collected data on the key members’ LinkedIn connections. The results propose that it is possible to predict certain types of success in equity crowdfunding based on the number of LinkedIn connections. This study contributes to existing literature by providing better understanding on another social network, LinkedIn, which is often connected to project pages on crowdfunding platforms. We contribute even for improved insight in decision making processes behind the investments; which is in high interest of entrepreneurs, investors and platforms.

Keywords: social media, social networks, entrepreneurial finance, equity crowdfunding, start-up
1. Introduction

As social media is remarkable channel for entrepreneurs to communicate with different actors, crowdfunding has become a highly popular channel for founders to finance their innovative ideas (Berger & Yang, 2017). The actuality of social media phenomenon has led us to investigate how entrepreneurs seek to attract funding by exploiting the social media channels and crowdfunding platforms combined. The crowdfunding market is growing fast as well, and European platforms operate already across country lines (Lukkarinen, Teich, Wallenius & Wallenius, 2015). Crowdfunding platforms have become more and more popular, which has already led to thousands of successful projects during the past years (Koch & Siering, 2015). In 2014, as much as $16.2 billion was raised in crowdfunding globally (Lukkarinen et al., 2015). In which, equity crowdfunding amounts reached to $2.56 billion in 2016 and is projected to surpass the amounts of standard venture capital by 2020 (Nevin et al., 2017). According to Statista (2018) the current volume of crowdfunding worldwide is $16.2 billion, and the reward-based platform, Kickstarter, has reached 397,598 funded campaigns alone so far.

A recent study explored the online networks of different local communities and found a positive effect of one’s social interaction with social capital fulfillment (Berger & Yang, 2017). We could interpret that online social networks let companies engage, share knowledge and connect with the audience such as employees, clients, analysts and investors. It has been illuminated that companies’ online networking and structural properties of these networks can add to firms’ success in several ways (Berger & Yang, 2017). But does a growth in size of founders’ online network accommodate the fundraising milestone?

While there have been many studies on the relationship between social media and reward-based crowdfunding (Berger & Yang, 2017) (Brussee & Hekman, 2013) (Calic & Mosakowski, 2016) (Koch & Siering, 2015), literatures on equity crowdfunding mostly focus on its mechanisms, regulations and ways to protect new investors (Lukkarinen et al., 2015) (Vismara, 2014). Unlike reward-based crowdfunding, equity crowdfunding offers the backers a chance to become more than just contributors or donors. In reward-based crowdfunding companies offer backers to test the first product or give promotions of their early sales, but in equity crowdfunding backers
invest in the company in hope for future financial rewards (Cristoforo, Feller, Gleasure, Li, Nevin & O’ Reilly, 2017). This form of crowdfunding differs from reward-based crowdfunding in several ways. Significantly higher amounts of money are raised through equity crowdfunding, and engagement of professional investors is positively associated with financial success in crowdfunding campaigns (Malaga & Mamonov, 2017). The study conducted by Cristoforo et al. (2017) found the link between social media activities and equity-crowdfunding campaigns using social identity theory. Higher social media usage (posting) and adoption (likes and shares) lead to tighter commitment from the crowd (Cristoforo et al., 2017). Vismara (2014) reassured this connection in his research, stating that larger social networks of entrepreneurs help them to reduce uncertainty, gather attention and increase pitch popularity in their equity crowdfunding campaigns (Vismara, 2014). Lukkarinen et al. (2015) suggest that the ability of a venture to leverage social media networks is a significant forecaster of campaign success both in terms of money raised and the number of investors. Their study indicate that the availability and utilization of social media networks are important even for equity crowdfunding success (Lukkarinen et al., 2015). Still, to the best of our knowledge, there is a lack of research combining professional social media networks and equity crowdfunding campaigns. This combination provides a new view on the factors of successful equity crowdfunding campaigns and gives a better understanding of possible interrelations.

As this study focused on equity crowdfunding, which is a more professional funding method compared to reward-based, we decided to investigate LinkedIn as the social media platform. LinkedIn was the prominent choice for investigating the leverage of one’s social media network for our research due to its professional nature. Based on a sample of successfully and unsuccessfully funded projects on the crowdfunding platform Invesdor, we evaluated our study model combining social media-related and crowdfunding-related aspects. Thereby, we found that there exist significant differences in the size of social media networks and equity crowdfunding dimensions. We were determined to answer the question:

**Is founders’ professional network on social media positively associated with equity crowdfunding success?**
With this study, we contribute to better understanding on equity crowdfunding for both entrepreneurs and investors. Those who seek funding would be interested of the determinants of crowdfunding success. Our study contributes to deeper understanding according to the key elements which affect the decision-making behind investment processes. These findings are very relevant for the platform providers, as they benefit from campaign success as well.

This thesis proceeds as follows. Section 2 presents our theoretical framework, explaining all the important concepts building upon previous research on crowdfunding, social media and social identity theory. Section 3 builds up two hypotheses which aim for answering our research question. Section 4 presents and evaluates the research methodology adopted for the study, including the data collection from both Invesdor and LinkedIn. We present our results in section 5 and discuss the findings in section 7. To control the effect of extreme variables in our sample, we ran additional tests which we present and reflect in section 6. In section 8, we reflect on several limitations in our work and suggest further direction for future studies. Section 9 delivers the conclusion.

2. Theoretical framework

2.1. Crowdfunding

Crowdfunding offers an alternative to typical funding methods for inventive entrepreneurs who might find it difficult to raise money from more traditional investors. Crowdfunding means counting on the Internet to precisely seek financial support from a broad audience, over and above friends and family. Practically it means to raise money for worthy causes, cultural projects, new products and ventures (Brussee & Hekman, 2013). Crowdfunding creates an opportunity beyond venture capital, angel investing and bank loans (Kromidha & Robson, 2016). It originates from the crowdsourcing concept, in which people collaboratively try to find a solution for a task or problem (Lu, Xie & Yu, 2014).

Crowdfunding is defined as “open call, essentially through Internet, for the provision of financial resources either in form of donation or in exchange for some form of reward and/or voting rights
in order to support initiatives for specific purposes” (Borst, Ferguson & Moser, 2017). Projects and ventures are funded by many contributions from a group of individuals, permitting entrepreneurs and business start-ups to make use of their social networks to raise capital. The absence of financial intermediaries separates crowdfunding from capital and loan market activities (Lam & Law, 2015).

2.1.1. Crowdfunding components

Crowdfunding is an outgrowth of social media (Lam & Law, 2015), and has a structure which depends upon close cooperation between three essential components. Of which, crowdfunding platform connects entrepreneurs, backers (Lau, Xu & Yan 2016). Each party has a desire that brings them together (Lam & Law, 2016). Prosperous projects within crowdfunding create economic value by providing access to money, as well as other types of resources such as social value and visibility for the desired final product (Borst et al., 2017).

Founders create a crowdfunding project online, on different platforms and add relevant information to the project. Additionally, they can post further project descriptions, communicate with potential backers and guarantee some rewards or equity for funders. A crowdfunding platform is a virtual electronic broker through which all fundraising and communication appear (Koch & Siering, 2015). In this specific setting, platforms are assumed to contribute with the means for transactions; including the preselection of companies, the legal groundwork and the possibility to process the transactions (Löhner, 2017). These platforms offer a marketplace where possible investors come to browse for enterprises and add to the financial infrastructure (Brussee & Hekman, 2013). Due to the simplicity, such websites have become highly popular (Koch & Siering, 2015).

2.1.2. Different forms of crowdfunding

<table>
<thead>
<tr>
<th>Backers' motivation</th>
<th>Equity</th>
<th>Reward</th>
<th>Loan</th>
<th>Donation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Voting right, dividends, shares</td>
<td>Products, services, sales promo</td>
<td>Interest</td>
<td>Altruism</td>
<td></td>
</tr>
<tr>
<td>Loss of investment</td>
<td>Products or services not delivered</td>
<td>Loss of principal</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>5 - 8 years</td>
<td>N/A</td>
<td>0.5 - 3 years</td>
<td>N/A</td>
<td></td>
</tr>
</tbody>
</table>
Table 1: Crowdfunding categories
Crowdfunding projects can be classified into four categories; equity-based, reward-based, loan-based or donation-based (Calic & Mosakowski, 2016). In equity crowdfunding backers invest equity, and the rewards are either voting rights, dividends or shares (Danmayr, 2014). This type of crowdfunding is often used for financing the launch or scale up of a venture (Cristoforo et al., 2017). Reward-based funding considers the backers as customers with some advantages, such as first access to the products or services at lower prices (Calic & Mosakowski, 2016). Backers might even receive provision of the product’s sales once it is complete (Cristoforo et al., 2017). This form of crowdfunding usually supports producing something and the committed return is the delivery of an early version of the product or testing the service (Calic & Mosakowski, 2016).

Loan-based crowdfunding is an alternative to long-term lending and is defined by the interest paid and lending period. This model is also called peer-to-peer lending (Cristoforo et al., 2017) but instead of regular payments of interest, the funder gets an amount which is defined in advance. The amount includes a determined share of the venture’s earnings (Danmayr, 2014). Depending on which platform is used, some lenders will gain interests, while others do not (Cristoforo et al., 2017). Donation-based crowdfunding or crowd charity could be described as an altruistic act almost without any requirement for the entrepreneur to give his funder anything in return (Danmayr, 2014). This type of crowdfunding is often used by non-profit and non-governmental organizations to get funding (Cristoforo et al., 2017).

2.1.3. Equity crowdfunding
In equity crowdfunding, investors give money to get a certain equity in the company they are funding, which is in most cases shares or dividends (Sierra, Vilkan & Åstebro, 2015). Thereby, this form of crowdfunding offers the backers a chance to become more than just contributors or donors (Cristoforo et al., 2017). Opposite from the traditional entrepreneurial finance, where start-ups often are checked up on in person at regular meetings with business angels, equity crowdfunding utilizes a virtual platform to link investors and founders together. Because investors obtain equity in exchange for their funds, they are buying “securities” (Ibrahim, 2015). Equity crowdfunding deviates from the typical reward-based crowdfunding in several
meaningful aspects: (i) a much higher average amount raised, (ii) a higher average goal for the campaign which regularly increases over time, (iii) the presence of (pre-money) valuation of each project and (iii) the explicit goal of the funders to get a positive monetary return on their investment (Sierra et al., 2015).

Equity crowdfunding shares several similarities with, and is a forefather, complement or even substitute to, business angel investing and venture capital financing (Lukkarinen et al., 2015). At the same time, engagement of professional investors is positively associated with success in equity crowdfunding campaigns. Equity crowdfunding volume has been doubling each year since 2012 and today each country in the European Union area has at least one equity crowdfunding platform (Malaga & Mamonov, 2017). Based on the rapid growth of equity crowdfunding, Forbes predicts that equity crowdfunding might surpass standard venture capital models by 2020 (Cristoforo et al., 2017). Although the main goal of equity crowdfunding campaigns is typically fundraising, companies often have other aims as well. Companies might aim for getting valuable feedback, as well as promotion and marketing for their products and services (Lukkarinen et al., 2015).

2.1.4. Motivation of backers

Researchers seek to understand why people give and how to get certain people to give more. Considered aspects of giving include empathy, guilt, identity and happiness. The framing of giving or funding can also affect the amount money given (Gerber, Gergle & Hui, 2014). People tend to support crowdfunding projects financially if they believe that their investment will have an impact (Bayus & Kuppuswamy, 2015) but it has also been seen that a person’s identity influences why they give (Cristoforo et al., 2017). Support for a project increases as the project gets closer its target goal and decreases as the project has reached the target. The pattern is explained by that received feeling of the investment having an impact increases when the project’s deadline is near (Bayus & Kuppuswamy, 2015). Generally, motivations for giving are related to interpersonal ties between the giver and the receiver and the styles used in communication (Gerber et al., 2014).
Many backers reportedly support their friends and family, while others are motivated by supporting causes (Gerber et al., 2014). Crowdfunding contains typical investment decision-making and a host of psychological aspects affecting giving decisions (Lam & Law, 2016). The main motivators for individuals to participate in crowdfunding seem to be to strengthen social participation, explore innovative ideas and gain financial rewards (Lau et al., 2015). A funder who participates in crowdfunding can be described as a rather entrepreneurial individual with desire for excitement within his/her investment and who has the intrinsic drive to be part of an innovative group (Danmayr, 2014).

Traditional investors are highly driven by the prospect of future financial returns, while charitable donors are inspired by gaining psychological affect. Investors could mix financial gains with their non-economic objectives, and sometimes investors are up for forgoing financial returns to earn social benefits instead. There are three kinds of motivation for individuals involved in crowdfunding: social return, material gain and financial reward. The social return means that backers can feel satisfied without any kind of actual returns, but the funder is motivated by public recognition, self-esteem and satisfaction for one’s own wellbeing (Lam & Law, 2016). In respect of material return, funders can receive a non-financial asset in return for their monetary input. Backers are rewarded with a product or service. The funder is trusted with a reward having a higher perceived value than the actual economic value. On the contrary, in equity crowdfunding investors like the crowdfunding idea and invest to get some monetary return for interest or pay-outs. Some backers are mainly motivated by the projects which demonstrate their common values (Lam & Law, 2016).

2.1.5. Social identity and crowdfunding

Jeff Howe, the first to coin the term *crowdsourcing*, believes that crowd models present a form of social revolution. While technological development and changes are essential, he argues: “far more important are the human changes technology engenders, especially the potential to weave the mass of humanity together into a thriving, infinitely powerful organism”. He states reasons that crowdsourcing and -funding use technology to foster unique levels of teamwork and meaningful exchanges between people from every possible background and geographical location. Crowdfunding platforms promote the exchange of ideas, the interconnection with
entrepreneurs and funders and new opportunities for organizations (Bannerman, 2013). Thereby these virtual platforms can fulfill at least two of the basic motivational needs; belonging and self-actualization (Maslow, 1943) through offering the possibility for entrepreneurs to share their ideas and receive feedback from the crowd at the same time as the backers feel belonging to the venture, its values and each other (Bannerman, 2013).

Social identity theory submits that when people categorize themselves as a part of a group, they act according to their social identity. Social identity theory was found by Henri Tajfel and John Turner in the 1970s, as means of analyzing intergroup behavior (Cristoforo et al., 2017). Social identity theory originally sought to expound interrelations generally and social conflicts specifically. The theory integrated three key points; People are motivated to keep a positive self-concept, one’s self-concept is obtained mostly from group identification and people establish positive social identities by comparing their in-group with the out-group (Padilla & Perez, 2003). In social identity theory, the self is reflexive; it can see itself as an object in different classes and categories in relation to other social classes or categories. This process is termed identification, and through the process an identity is found (Burke & Stets, 2000). In social identity theory, a person’s identity is his/her insight that he/she is a part of a social group or category. A social group is a set of individuals who have a similar social identification or see themselves as part of the same social class (Burke & Stets, 2000). Social identity theory claims that people act, think and feel as members of collective groups and cultures. The theoretical approach strengthens the idea that individuals’ social cognitions are socially build depending on the collective frames of reference, the groups where they belong (Padilla & Perez, 2003). The theory has been applied to define how we categorize ourselves in organizations and how we might make financial decisions that may emerge irrational (Cristoforo et al., 2017).

As development of social identity theory is self-categorization theory. It is claimed that social contexts establish meaningful group boundaries and that social identities are construed categories which change depending on. The consequence in that the situational aspects guide cognitive processes and form the ground for intergroup interactions, including prejudice and conflicts between group members (Padilla & Perez, 2003). Shared social identities are based on shared passion or interests which run social networks, leading social capital (Kromidha & Robson,
Social capital is defined as resources planted in one’s social networks, resources that can be turned into something useful through ties in these networks (Brussee & Hekman, 2013). The consequence of social comparison process leads to judging the in-group positively and the out-group negatively. Central to this are shared values and norms, which regulate how members of an in-group relate (Cristoforo et al., 2017). The social categories and classes in which people place themselves exist only in relation to other categories; each of them has different status, prestige or influence and so on (Burke & Stets, 2000).

Earlier research suggests that personal identities are value expressive and thereby have an impact on goals founders set for their ventures, both directly and indirectly (Kromidha & Robson, 2016). The essence of an identity is the categorization of the self as a holder of a role, with specific expectations linked with that role and its achievements. In general, one’s identities are built on the self-views that emerge from the reflexive actions of categorizing the self and identification in terms of membership in special roles and groups. In-group identification leads to tighter commitment to the group, although the status of the group would be relatively vile (Burke & Stets, 2000). To be noticed, social identifications are guided by two core motives: need for belonging and the need to be unique. Traditionally, it has been the strong ties, high trust relations like family and friends, who create the references for one’s identity (Solomon & Wood, 2014). These strong networks share mutual understanding and knowledge about the ways how they can and should act and communicate (Atterton, 2007). Today, the virtual world offers many more opportunities to experiment with diverse identities (Solomon & Wood, 2014). Above all, individuals still want to see themselves in terms of meanings transmitted by a structured society (Burke & Stets, 2000).

A person perceives normative attitudes of group membership in the pattern and then acts according to those norms. This is the basic process underlying group phenomena like cooperation, altruism, emotional contagion, social stereotyping and collective action (Burke & Stets, 2000). In the context of crowdfunding, identity and group-identification influence what and how much, for what and why people give (Kromidha & Robson, 2016). Social identification is one of the strong bases for participation in social movements, like crowdfunding (Burke & Stets, 2000). Earlier research has shown that fundraisers who can transmit their personality and
identity to the crowd are more likely to get funding. People will invest more of their own time and effort to support the ventures and entrepreneurs which vibrate their social identity. Investors pay attention to the founders themselves, which means that fundraisers should get their identity across to the backers to hold the attention of the crowd (Cristoforo et al., 2017). Understanding identity in the framework of crowdfunding and social media is important to ongoing engagement and devotes to what could be called motivational crowd-work (Gerber et al., 2014). The efforts of founders should be in line with the backers’ identity and aspirations (Kromidha & Robson, 2016). The motivations identified to contribute to online community, include desire for learning, peer togetherness, approval, desire to improve society and to be autonomous (Gerber et al., 2014).

2.1.6. Crowdfunding process

The crowdfunding process flow is divided into four stages. The first stage is Business application to platform where the project owner submits his/her plan to the platform for review. The application is usually called a pitch and includes the business idea/plan, financial goals the company plans to achieve, pre-money valuation and shareholders agreement (Lasrado & Lugmayr, 2014). Platforms are varying in terms of putting out every idea or making a pre-selection based on their own guidelines (Danmayr, 2014). During the second stage, the Pitch goes live. Project owners publish their campaign online and people can show their interest by signing up, and this phase is called “pre-round”. Pre-round makes it possible for the project owners to gather all relevant data on crowd’s interest and they can decide if they should seek capital by going for an “open round”. Interaction develops during this phase, when investors give feedback and share their thoughts on the material published by owners (Lasrado & Lugmayr, 2014).

Third stage in the process is termed as Funding Window. The crowdfunding pitches are usually open on the platform for 60-120 days and funding campaigns are often active between five to ten weeks. Equity crowdfunding campaigns take usually eight weeks (Lasrado & Lugmayr, 2014). Longer durations may be an indicator of lack of confidence (Danmayr, 2014). During the campaign period the project owner tries to market the campaign and the project through the platform and other marketing tools, and the platform markets itself (Lasrado & Lugmayr, 2014).
The typical pattern of the support is not systematic over the project’s funding cycle. Roughly, backers are most likely to act during the first and last weeks of the period and they are much less likely to contribute once a project hits its goal. For example, if many weeks are left in the company’s funding round, it is possible to come into the play later. But if only a couple days remain, giving now is necessary. Since people tend to have time-inconsistent preferences, missions that don’t have to be done immediately tend to be procrastinated. As can be seen from the table below, the coefficient estimated for funded projects are higher during the first and last few days, forming a U-shape pattern (Bayus & Kuppuswamy, 2015). The funding window may be closed for two reasons; if the target is not reached after certain days or if the target is reached within the limited period. The failure or success of the crowdfunding campaign is decided at this phase (Lasrado & Lugmayr, 2014).

<table>
<thead>
<tr>
<th>Day in funding cycle</th>
<th>Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st</td>
<td>1.13</td>
</tr>
<tr>
<td>2nd</td>
<td>1</td>
</tr>
<tr>
<td>3rd</td>
<td>0.68</td>
</tr>
<tr>
<td>4th</td>
<td>0.49</td>
</tr>
<tr>
<td>5th</td>
<td>0.36</td>
</tr>
<tr>
<td>6th</td>
<td>0.28</td>
</tr>
<tr>
<td>7th</td>
<td>0.19</td>
</tr>
<tr>
<td>7th to last</td>
<td>0.45</td>
</tr>
<tr>
<td>6th to last</td>
<td>0.55</td>
</tr>
<tr>
<td>5th to last</td>
<td>0.69</td>
</tr>
<tr>
<td>4th to last</td>
<td>0.87</td>
</tr>
<tr>
<td>3rd to last</td>
<td>1.16</td>
</tr>
<tr>
<td>2nd to last</td>
<td>1.53</td>
</tr>
<tr>
<td>Last day</td>
<td>1.45</td>
</tr>
</tbody>
</table>

Table 2: Coefficient for the dynamic of backers’ support

Fourth phase of the process is called Post Investment. Even after the funding round is finished, the communication between investors and companies’ founders should continue. If the campaign was finished successfully, most investors will have post investment interaction with the company owners. In the case of equity crowdfunding projects, owners estimate which investors they should choose as stakeholders for a variety of reasons. If the entrepreneur wouldn’t accept the investor money raised, the money is transferred back to the investor through the crowdfunding platform used in fundraising. If the campaign failed (minimum target was not reached) the
platform will transfer the money back to backers. After this stage, the platform may get out of the picture and the communication exists only between the backers and project owners (Lasrado & Lugmayr, 2014). Some platforms remain as tools for connecting campaign owners and funders, letting them share ideas and document project progress (Danmayr, 2014).

2.2. Types of companies seeking funding

2.2.1. Start-up companies

The definition of a start-up company is sometimes confusing and there is not only one single explanation for what can be defined as a start-up (Plowman & Saini, 2007). Start-up companies have been described as small companies, often operating within high-tech, which are in an early stage of development, forming a service or product (Plowman & Saini, 2007). Start-ups are also described as legally independent companies which are no older than max ten years (Dzupka, Klasova & Kovac, 2016).

Start-up life cycle could be split into three stages; an initial phase, seed stage and scale-up (Dzupka et al., 2016). Thereby companies can be divided into: early, seed and growth companies (Invesdor). Further, it must be noticed that financing of a start-up company relies heavily on the phase of actual progress (Dzupka et al., 2016). Company development stages influence the success of company financing, for instance through crowdfunding campaigns. Ventures with only a prototype are less likely to raise funding compared to ventures with a completed product. Additionally, companies with only an idea of the future product are likely to fail in raising the full target amount (Malaga & Mamonov, 2017).

First stage in the life cycle is an initial phase where founders investigate if there exists a problem which could be solved. During the first phase the founding team is build and a business plan is written. After the business plan is created, innovative start-ups tend to lack on financial resources which are needed for developing the business. During the first stage start-ups often lean on subsidized bank loans, venture capital investments and business angels (Dzupka et al., 2016). Several studies point out that finding investment at the initial phase is a stumbling block faced by many start-ups (Dzupka et al., 2016). Early-stage ventures present high levels of uncertainty and
information asymmetry. Information asymmetry means that the entrepreneur knows more than his funders (Ibrahim, 2015). It might be challenging for start-up owners to show advance proof of ambitious competence and financial achievements (Dzupka et al., 2016). For this reason, financing of early ventures remains quite centralized because funding decisions are generally based on personal relationships and existing networks in response to possible risks (Kromidha & Robson, 2016).

During the second phase, start-ups’ focus lies on developing and promoting the product. This is commonly known as the seed stage where valuation, market entry and prototyping are done. As such, ventures are most likely to seek support in the form of incubators, accelerators and advisors at this stage (Salamzadeh & Kesim, 2015). During the third stage a company makes the transition from start-up to actual business, the company scales up. The third stage involves growth of the company leading to more employees, bigger market share or higher revenue (Dzupka et al., 2016). In development it’s essential to raise awareness of the business among both investors and general population, which could be achieved through crowdfunding (Bayus & Kuppuswamy, 2015).

2.2.2. Scale-up companies

Scale-up companies are defined as start-up companies which have passed the initial phase. These companies have found their basic product or service and are entering a phase of growth where they seek to obtain a significant market share. Scale-up companies are aiming for rapid growth. Both start-ups and scale-ups can exist in any industry or region (Durufle, Hellman & Wilson, 2016).

Scale-ups can develop in many dimensions, and the strategic choices may have long term implications; employee-scale up, scale up on intellectual property and funding-scale up may be key dimensions. Any mismatch in the processes could lead to change of management or even ownership (Momaya, 2017). Both start-ups and scale-ups could be categorized as small businesses. According to the European Commission, such kind of companies typically have less than 50 employees with annual turnover of less than €50 million (Burn, 2016).
2.3. Social media

Social media is a pioneer in the ground of communication. It boosts the maintenance of weaker ties, allowing relatively enormous number of contacts to be managed at the same time (Berger & Yang, 2017). Weaker ties mean a range of less well-known individuals where the relation between the individuals is often of short duration or low frequency, have flat levels of trust and can be broken effortlessly. Weaker ties are extremely important in providing access to wider sources of expertise and information, but they can also contribute with range of new customers, suppliers and backers (Atterton, 2007). Social media consists mainly of internet-based relationships, applications and mechanisms to share information among people. It includes any aspect of an interactive presence which gives individuals the ability to engage in dialogues with one another online. Compared to traditional media; within social media channels lines are blurred between who is producing the material and who is following or responding to it (Desjardins, 2017).

A primary reason for companies having a social media channel is that this tool has direct impact on stakeholders’ attitudes and decision making. Social media channels are especially meaningful for small businesses because they can be utilized to breach the clutter and connect with the stakeholders. The ability of social media to create interactivity and discussions represents a dynamic way to engage the crowd and develop long-term relationships with businesses (Borgman, Jones & Ulusoy, 2015).

2.3.1. Social media networks and crowdfunding

Entrepreneurs can access various resources from their social networks (Rooks & Solano, 2018). Firm achievement is improved when entrepreneurs succeed to form relationships within groups of people. Some groups can contribute with money and advice, and another group may contribute with emotional support and love (Kromidha & Robson, 2016). By maintaining contact with a few individuals from a range of different groupings, an entrepreneur can have access to a wider variety of important resources (Armstrong, Johnson & McCulloch, 2013). Social networks are hard to analyze and are constantly maturing in response to both external and internal components. Social networks are important for businesses as sources of support and knowledge.
Networks might be notably important for small and early businesses, as a means of outweighing some of the uncertainty of small size. Additionally, network plays a significant role in gathering credibility before the early company develops a track record and before the owner creates professional relationships (Atterton, 2007). However, some studies have disputed the degree to which networks are favorable for the businesses. Littunen (2000) discusses that networks should not be a means of compensating entrepreneurial skills, competence or previous experience. Networks could also become diminishing and restricting, if they involve no new members or information, and thus could result in unfavorable impacts (Littunen, 2000).

An increasing number of modern studies have explored the role of social capital in the virtual environment, assigning it also as social media capital, virtual business relationships, learning online and identification of opportunities (Brussee & Hekman, 2013). Social capital is a wide concept with several different interpretations but could be defined as “ability of actors to secure benefits by virtue of membership in social networks” (Rooks & Solano, 2018). Studies identify the positive effect of individual’s social capital on crowdfunding realization, but no tie with territorial social capital (Kromidha & Robson, 2016). Online-based communities and communication systems create unique opportunities for capital attainment, exposing the potential for unique entrepreneurial projects and different success drivers (Berger & Yang, 2017). Because perceived sympathy, openness and trustworthiness are needed to reduce the information asymmetries between the investors and founders, pseudo-personal communication via social media can fulfill the important personal communication (Löhner, 2017). Therefore, start-ups might need to expand and advance their strategies for social media. Firms with competent social media content are more likely to raise more money in total. Even if using social media to appeal to investors is still new, it is predicted to have an even more vital role in the future (Berger & Yang, 2017). As companies and entrepreneurs use social media to spread their identity, potential investors who identify themselves with the company will begin to respond. With respond we mean likes, shares, comments and retweets. Even so, too much social media usage can also have an adverse effect on companies’ social media valuation. Regarding social identity, posts which don’t get across the company’s identity to the crowd are less appealing to those who they are trying to engage with. Companies and entrepreneurs need to make sure that each post is communicating their identity to the followers (Cristoforo et al., 2017).
Crowdfunding platforms are essentially social media networks without many features from a typical one. Participants mainly interact with the campaign creators via a strip-down comment system. Therefore, other social media networks, such as Twitter, Facebook, LinkedIn and Instagram, fill the gap as the complementary part of crowdfunding platforms. In other words, these function as publishing tools for creators in viral marketing (Gerber et al., 2014). The biggest platforms link the companies’ or founders’ social media pages to their project layouts. Kickstarter transmits the backers to companies’ Facebook pages and FundedByMe relies on founding teams’ LinkedIn profiles (Moisseyev, 2013). A base of crowdfunding literature accepts that networks are important in collecting funds. Earlier studies propose that social networks promote the identification and valuation of investment opportunities. The larger part of funds collected at least in reward-based crowdfunding come from founders’ existing networks which include the founders’ personal social networks and social media followers (Lukkarinen et al., 2015).

Benlian, Thies and Wessel (2014) dig deeper into the function of social networks as word-of-mouth vehicle for crowdfunding projects. Generating social buzz is crucial for the success of crowdfunding campaign but contribution behavior depends on the types of network. Accordingly, people prefer and trust recommendations from bidirectional networks like Facebook more than impersonal ones like Twitter. Interestingly enough, there is also an inverse effect of word-of-mouth on contribution behavior: backers would not re-share the campaign to their network if they perceive it to be too successful or well-financed already (Benlian et al., 2014).

While crowdfunding platforms host the actual campaign, it is discussed more widely on different social media channels. Those channels are where people spread information about the campaign to their contacts via posts, comments and shares. Though overall fundraising goal depends much on a campaign design, the number of backers correspond to the number of patrons or promoters who react by writing comments and sharing the campaign (Borst et al., 2017). To add on, in Moisseyev’s study (2013), we can see that ‘likes’ on social media are hard currency in crowdfunding as they have an impact on all the fundraising results; the delivery of funding ratio,
the total amount of money raised and the number of backers for the project. Interestingly, only 40% of the companies in the study conducted by Lukkarinen et al. (2014) shared their campaign on their social media pages, even though 87% had profiles on social media webpages. By choosing not to share the project on a social media page, a founder may wish to avoid possible damage for company reputation (Lukkarinen et al., 2014).

2.3.2. Founder’s social media network

Previous studies indicate towards an existing connection between online networks and crowdfunding success (Borst et al., 2017) (Lukkarinen et al., 2014) (Moisseyev, 2013) (Mollick, 2014). Mollick (2014) shows that the size of founder’s social media network is a meaningful predictor of crowdfunding success in at least reward-based crowdfunding. The capacity of fundraisers to bare their identity within bigger social networks like Facebook, even before communicating their need for crowdfunding, could place them in a positive position when they decide to do so. Earlier literature approves that the higher number of owner’s Facebook contacts, the more fruitful an online crowdfunded project could be in terms of capital raised. The number of contacts the founder/fundraiser has on her/his Facebook page linked to the project page on the platform (Kickstarter) and the number of backers’ comments on the project’s page are certainly connected to the amount allied per backer (Kromidha & Robson, 2016).

It’s important to notice that bigger social networks don’t lose their capability due to potential higher breadth over depth of ties. Weak ties can function as bridges between current network groups. Weak ties might be crucial by providing a wider source of information and experience. These weak ties can also give access to new customers, suppliers or backers. However, stronger ties are still needed for structuring and evaluating this knowledge attained through weak ties (Atterton, 2007). The study of Kromidha and Robson (2016) confirms that the bigger the social media network is, the more fruitful a crowdfunding project could be in terms of money founded. It confirms the rooted characteristic of bigger network to have a positive impact on crowdfunding (Kromidha & Robson, 2016). A previous study found that a project creator with ten Facebook contacts has a nine percent chance of success, one with 100 contacts has a 20 percent chance and one with 1000 has 40 percent chance of success in reward-based crowdfunding (Moisseyev, 2013). On the contrary, unsuccessful initiators do not necessarily
have smaller network but a rather dense one (Gerber et al., 2014). Aside from the asset of reaching weaker ties, Borst (2017) argues that a bigger social media network also helps reaching latent ties. Latent ties are yet unknown to the business owner or project creator. Retweets on Twitter or comments on Facebook might be seen by yet unconnected people. Since latent ties, which are yet unknown people, can be reached through online networks, it is expected that social media networks can mobilize latent ties into backers for the project (Borst et al., 2017).

Still, it can be discussed that weak and latent relations are somewhat sensitive to bystander behavior because those relations communicate mainly on wide-group social media. This open communication tells potential backers that many others have also received the request for funding. As an outcome, these people may feel that their contribution is not needed. Due to the transparency of online social networks, every connection might be able to see who has received and responded the funding request. This is likely to increase the bystander effect among people in the same social media network (Borst et al., 2017).

3. Hypotheses

Researchers have yet to find a clear relationship between the social media and success in several types of crowdfunding (Lukkarinen et al., 2014). Less than half of the companies in the study conducted by Lukkarinen et al. (2014) shared their projects on their social media pages, though 87% of the business owners had profiles on some social media website. Yet, previous research suggests that founders’ social media activity contributes to a tighter bond between the crowd and the company, leading to better financial performance. Bigger network size means larger group of potential backers is reached, evidently in earlier literature where more Facebook friends led to more fruitful reward-based crowdfunding campaigns (Kromidha & Robson, 2016). The size of one’s social media network might be a crucial factor in getting higher amount of investments (Moisseyev, 2013). If many social media users take a positive stance towards the campaign, investors are also engaged (Mollick, 2014). In turn, inexperienced investors often follow the lead of seasoned influencers who are visible on both crowdfunding platforms and social media channels (Malaga & Mamonov, 2017).
We hypothesized that such effect could be replicated in equity crowdfunding. Most participating firms on Invesdor has LinkedIn profiles of their key personnel such as CEO or Chairman of the board on the pitches, further cementing its relevance as a social media network for professional. As a component of the pitch, LinkedIn might very then factor in the success of the participants. We hereby investigated the level of success and its tie to LinkedIn in two dimensions: funding percentage and number of investments.

Funding percentage is widely used as the measurement for projects’ achievements at different crowdfunding platforms. A campaign reaching its 180% target is more successful than a campaign which reaching 120% target with (Lasrado & Lugmayr, 2014). Thereby it became natural for us to use the percentage as one of our performance measures. The larger set of investments is an operative measure for crowdfunding success, because it indicates that the company has reached out to a wider group of participating stakeholders. Thereby the company can benefit from other types of resources such as social value and visibility for the desired final product or service. The larger amount of investments in other words indicates even future success of the company.

By figuring out the relationship between LinkedIn – a network for professional – and two distinct spectrums of equity funding, we could then answer whether founders’ professional network on social media is positively associated with equity crowdfunding success.

![Figure 1: Hypotheses on equity crowdfunding success](image-url)
Hypothesis 1:

An increase in the size of founder’s LinkedIn network leads to higher funding percentage in equity crowdfunding.

Funding percentage is a better determinant of success than the actual funding figure because it is a better reflection on funding goal. For instance, Yepzon, raising about €1.3 million over €450,000 goal (289%), appears to be more successful than Pyynikin, raising almost the same amount over €1 million goal (131%). Furthermore, percentage appears to be a more critical metrics in the eyes of technical investors. One can estimate firm’s success at first glance without having to

Hypothesis 2:

An increase in the size of founder’s LinkedIn network leads to higher numbers of investments in equity crowdfunding.

The larger part of the funds collected in at least reward-based equity crowdfunding comes from founders’ existing networks, which include the founders’ personal networks and social media connections (Malaga & Mamonov, 2017). Since the number of backers has a positive relationship to entrepreneurs’ supporters, we landed on a hypothesis in which there is a positive relationship between the size of founder’s social media network and the number of investments per equity crowdfunding campaign.

4. Research frame

Even though startups and scaleups can exist in any industry or location (Durufle et al., 2016), we focused on the ones which have tried to attract funding through the Finnish crowdfunding platform Invesdor. This Finnish crowdfunding platform is a pioneer in digital fundraising and investments in the Nordics, but its focus is equity crowdfunding. The platform has 237 European companies listed, and is connecting ventures with investors around the globe, but most of its investors are from Finland, Germany and the United Kingdom (Invesdor). The platform operates under the “all-or nothing” model which means that a creator sets a fixed funding amount, usually at a lower platform fee. The crowdfunding campaign is only deemed successful and carried out if the target is met; otherwise all pledges are cancelled (Cumming, Leboeuf & Schwienbacher,
Most of the investors on this platform are one-time investors (Lukkarinen et al., 2014) which makes it reasonable for us to assume that the amount of investments per campaign is equal to the number of investors.

While Invesdor hosts the actual campaigns, major social networks (including Facebook, Twitter and LinkedIn) garner most of the crowd’s attention. By taking advantage of these social media channels, both entrepreneurs and their crowd can spread the projects to their followers and connections via posts, comments, likes and shares (Mollick, 2014). We selected LinkedIn as the centerpiece of our study for two key reasons.

First, LinkedIn is more suitable for the research of equity crowdfunding. It specifically targets professionals who want to build their networks for professional openings and businesses. One can find jobs, investment opportunities or simply profiles of other interesting professionals and companies. The existence of professional and business-oriented interest groups in LinkedIn supports our study perspective according to the social identity theory in which people identify themselves according to the in-groups where they belong (Burke & Stets, 2000). Therefore, it is possible for new or less experienced investors to take cues from the experts and connect with aspiring business owners online through LinkedIn, especially in times of uncertainty (Malaga & Mamonov, 2017).

Despite being the top two of social networks, Facebook and Twitter do not fit the scope of our research. Twitter is meant for microblogging; people share short messages (“tweets”) to their followers, with the hope that their messages are interesting and engaging. Some use Twitter to observe interesting people, ventures and trends, but it is not commonly used for finding professional opportunities. Meanwhile, Facebook users share vastly different content from news links to personal pictures. It is also possible to play games, make voice and video calls or stream live via Facebook publicly or privately. The platform supports group sites, fan pages and business pages, and has become a remarkable marketing tool for many businesses. Facebook has more personal nature compared to LinkedIn and is often used for keeping in touch with friends and family. As such, the ads and website suggestions on Facebook target users’ personal interests such as shopping or leisure instead of businesses and investments.
4.1. Data

Our research question required us to sample data to generalize statistically about all the crowdfunding projects and business owners from which our sample has been selected. Our data sample was designed to provide acceptable detail to compare the characteristics of our sample from LinkedIn and Invesdor with the characteristics of the previous studies on crowdfunding projects (Lewis, Saunders & Thornhill, 2016). With the data collected, we reached for attributing statistical evidence for the consequences caused by founders’ or chairmen’s professional network size on social media (Bell & Bryman, 2015).

We chose companies, which have been seeking funding through Invesdor, as our target population (Lewis et al., 2016) for five key reasons. First, Invesdor is an established and reliable equity crowdfunding platform, operating in the Nordics. Invesdor received an investment firm license by the Finnish Financial Supervisory Authority, which legitimizes its operations. Invesdor is also the first crowdfunding platform in Europe to receive the MiFID license in April 2015, which allows the platform to provide equity crowdfunding in 31 EEA countries (Invesdor, 2015). Second, equity crowdfunding for non-accredited investors began several years ago in Finland, making it possible to make statistically powerful reasonings (Lukkarinen et al., 2014). Statistically, Invesdor has raised €48.93 million in 113 successful rounds since its incorporation in 2012. Third, we assume a Finnish sample to provide indications about how equity crowdfunding for non-accredited investors can function in other Western economies. Finnish economy provides a notable example of small open Western economies and Finland has a similar share of internet users as many other Western countries like U.K. and U.S.A (Lukkarinen et al., 2014). Fourth, we chose Invesdor for its diversity in terms of ventures and investors, which would factor in a holistic study. The participating companies’ range covered all three phases in companies’ life cycle (Dzupka et al., 2016); early, seed and growth. The range of crowdfunded companies vary widely, and the companies operate on several different industries, from fast food restaurants and breweries to finance. At the same time, Invesdor as a research target was appealing for us due to its international trend and because of the strong position which it holds on the crowdfunding market (Lukkarinen et al., 2014). To work with data from Invesdor serves
great opportunities for future research due to the platform’s plans for expansion globally. Fifth, we found Invesdor very applicable for studying the effect of networks, because the campaigns at Invesdor typically have two steps; hidden and public. The hidden step serves an opportunity for the venture to collect funding from its network, invited participants and Invesdor’s partners only. After the hidden stage, campaign usually goes public and becomes open for anyone interested to invest in it (Invesdor).

Previous studies with focus on the relationship between social media and crowdfunding have been mostly linked to Facebook and Twitter. As equity crowdfunding was the main field of our research, we turned to LinkedIn as our social media platform due to its professional trait. LinkedIn was launched in 2003 and despite the slow growth in the beginning, it got financed by Sequoia Capital. Two years later LinkedIn presented its first business lines: Jobs and Subscriptions. Company went truly global in 2008 and by 2014 the network site had reached over 330 million users which is a real breakthrough for the network (LinkedIn). Additionally, Vismara (2014) pointed out that public profile of investors on LinkedIn plays a key role in attracting other investors in early days, which supports our view on LinkedIn as an interesting platform to study in the equity crowdfunding context. Their investments are particularly visible to connections who share similar interest online which again supports the social identity theory. With LinkedIn’s professional nature and its purpose to create business openings, it helps create legitimacy and build trust among investors (Vismara, 2014). Profiles on social media could range from being “open” to everyone to selectively “restricted” for private connections (Lewis et al., 2016). As such, the desired data from different profiles on LinkedIn had variations in terms of visibility. One profile only displays a maximum counter of 500 connections, anything higher will be denoted as “500 plus”. LinkedIn followers, one of our metrics of interest, match the counter of connections by default but might or might not be displayed publicly based on complex algorithm on connection tiers. As such, if the followers counter was not explicitly shown, we took the connections counter for it (for example a profile “with 500 plus connections” without the followers counter had only 500 followers when we documented the data).
4.2. Data collection

Data was collected on our own with a specific goal in mind: to test the proposed research question; to validate or invalidate our two hypotheses (Lewis et al., 2016). We acquired 104 project descriptions from Invesdor, which we transformed into data. This means that the information must be prepared so that it could be quantified (Bell & Bryman, 2015). The sample of 104 projects is the complete list of companies seeking funding on the chosen platform. The data of individual crowdfunding campaigns included specific information about the funded ventures: pre-value valuation, funding target, amount raised, percentage raised, number of investments and the phase in company’s life cycle. We extracted data also from LinkedIn, from the profiles of ventures’ CEOs and Chairmen of the Board or another significant team member, collecting information about the number of their connections and followers. We selected the metrics which we believe are linked to LinkedIn, where we extracted chosen independent variables. As such, the metrics from Invesdor which were used in our tests were funding percentage, number of investments, information on founders’/CEO’s/chairman of the board’s connections or followers and different development phases of the companies which were divided into early, seed and growth. By collecting the quantitative data on our own we could find the measures to match those that we needed for our research model. Quantitative data had to be processed to make it useful and for us being able to turn it into information (Lewis et al., 2016).

We collected data on individual crowdfunding campaigns which were public available on Invesdor. The complete list of companies from the platform was 104 objects, including companies seeking funding through IPO, bond and equity crowdfunding. In bonds offering, investors receive bonds instead of shares in the company for their investment. As for IPO, companies which offer equity are already listed on the stock exchanges. For the study, we omitted seven cases of IPO and bond crowdfunding, which left 97 pure equity crowdfunding campaigns, dated between June 2013 and April 2018. We further set the cut-off line at 8th May 2014 (date of the first campaign in 2014) and discarded thereby 13 older campaigns. Because LinkedIn reached its real breakthrough 2014, it is reasonable to expect that the business owners were already active on LinkedIn by that date. Besides, older campaigns are likely to contain outdated information regarding their team members’ LinkedIn connections and followers. We
landed at 84 campaigns in our final sample pool, which we dig into in detail.

The following information was extracted into our raw data file: company name, growth phase, pre-money valuation, start date for the campaign, minimum goal, maximum goal, equity offered, invested amount, number of investments, funding percentage, CEO/founder, CEO/founder’s LinkedIn connections and CEO/founder’s LinkedIn followers.

4.3. Measures and model variables

**Dependent variables:**

The variable in question was the degree of success in equity crowdfunding campaigns. There were two ways to gauge how the individual campaigns had succeeded, which we based on the retrieved data from Invesdor platform.

First, success can be measured by the funding percentage of a given equity crowdfunding campaign. The figure was computed as the fraction of final funding amount over minimum funding target. Since roughly 93% (77 out of 83) of the chosen campaigns in our final sample frame had reached their goals, whether one managed to cross the line was not a meaningful measure for comparing companies’ campaign success. As such, the actual percentage achieved of original funding goal was selected as the dependent variable for being scaling data, which provided better insight. As per Invesdor's mechanism, one company must set a range of minimum investment (which is the same as the original funding target) and maximum investment level. Hence the higher achieved funding percentage, the more successful a campaign was in comparison in our study model. The funding percentages in our sample varies from 29% to 1008% which confirms that there are significant differences in companies’ performance using this metric. As mentioned earlier, the funding percentage is a commonly used measure for crowdfunding performance and thereby presents convincing measurement for campaigns’ success (Lukkarinen et al., 2014). By gauging the funding percentage, we could make assumptions about the venture’s financial circumstances directly after the crowdfunding process and in the future. If a project gets successfully funded, the venture in question has promising possibilities for development and the next phase in their life cycle, with the requirement that the
The second dependent variable was the number of investments that individual campaigns had received. It might be easier to gauge the level of interest in the campaign this way since monetary metric (the first variable) seems subjective in determining success. Previous studies suggest that investments in equity crowdfunding are unlikely to be repeated, which means that each investment made is with a high probability to be unique (Vismara, 2014) (Lukkarinen et al., 2014). Consequently, the number of investments represents the number of investors who proceeded to transfer their money to the target venture. The range of investments in our study varied from one to 1743 investments in one project. A higher number of investments and investors diversifies upcoming risks with the investors, which could be prominent for companies’ future success. At the same time, ventures in crowdfunding often have other goals, including collecting feedback, testing the market and building relationships. Therefore, the most successful campaigns are those which appeal to a wide base of individual investors (Belleflamme et al., 2014). Additionally, it is proven that the success of a crowdfunding campaign is tightly related to the number early investments (Gerber et al., 2014). Therefore, the degree of success could be measured by how many times a campaign had received an investment.

**Independent variables**
The independent variable of interest was the number of followers that key personnel of the ventures had on LinkedIn by the time this study was conducted. The number of social media followers was operationalized in few ways in our hypotheses. The chosen independent variable arises from crowdfunding and social identity theories (Brussee & Hekman, 2013) (Bannerman, 2013). Most of the leading crowdfunding platforms links to project owners’ social media pages, which we interpret to be a significant factor in campaign success in such. Kickstarter connects with founders’ private Facebook profiles and FundedByMe forwards possible backers to founders’ private LinkedIn profiles. We look at the size of founders’ social media network as the amount of connections or followers in LinkedIn. We chose LinkedIn for variable operationalization because it is the social network commonly used in professional means and because it is the platform where we could obtain information about target founders’ connections.
In most cases, we considered the CEOs or the founders of the companies. According to previous studies, social networks facilitate the identification and assessment of investment opportunities (Lukkarinen et al., 2014). According to Kuppuswamy and Bayus (2015) the majority of collected funds in crowdfunding comes from companies’ actual networks which include founders’ social media followers. However, in two projects where such data was not available, we opted for the information about the chairmen of the board. We supposed that founders and chairmen of the board would have same exposure for the company and have the same value in their social capital fulfillment. If the higher number of followers or connections could show causality with the degree of success in equity crowdfunding campaigns, it would assure our two hypotheses.

**Control variables**

We ran the tests with three control variables to see if they would make a significant difference for the results. Our first control variable was the categorization of the participating companies. We divided the sample into tech-companies, which have internet-based technology as their core business, and into non-tech-companies which are often described as traditional businesses such as food, drinks, recreational activities and so on (Plowman & Saini, 2007). Tech-companies are associated with modern, re-thinking, entrepreneurial employees and business owners (Dzupka et al., 2016). Thereby we assumed the teams of tech-companies to have a wider base of entrepreneurial people as connections on their social media channels, which would indicate that these companies should have a higher impact of the independent variable. Due to owners’ entrepreneurial and innovative social networks we assumed the followers variable to affect tech-companies more than non-tech. As described earlier, crowdfunding is an entrepreneurial act often carried through by a group of entrepreneurial individuals who are excited about exploring ideas and innovative projects (Danmayr, 2014). These companies (tech vs non-tech) were coded as 0 and 1 as we ran the model in SPSS. We had expected that tech-companies would be more concerned and affected in greater extent by social media as their key members are more likely to show their visions and build hype around them through social media networks such as LinkedIn. Therefore, larger network on LinkedIn should have stronger impact on the success of tech-companies’ crowdfunding success than what it has on traditional businesses.
We investigated the effect of phases of companies’ life cycle as another control variable. The phase, the progress of a company’s development cycle, is one of the measures used in earlier studies which resemble our research (Dzupka et al., 2016). It is noticed in earlier studies that financing of start-up companies relies on the phase of their actual product development progress (Kromidha & Robson, 2016). The development stage of a company has claimed to have a significant effect on the success of a company to receive funding. Three dummy variables (coded 0 and 1) represented early phase, seed phase and growth phase. These categories were also found in previous studies, named as in ours, and were claimed to generally affect the possibilities for ventures to succeed in funding (Salamzadeh & Kesim, 2015). Companies in early stage (with only a prototype) are less likely to raise funding compared to companies with completed product or service (Dzupka et al., 2016). Further, we supposed that companies in later phases would have considerably expanded their professional networks and would have higher degree of influence of the independent variable.

Third, pre-money valuation was included to measure the effect of the size of individual companies. The company valuations at the platform are always conducted by the due diligence team from Invesdor. All monetary measurements were euro-equivalent since many have their original numbers in different currencies. The pre-money valuation should be a convincing estimation of the company’s predicted financial picture in the future, and inexperienced investors often follow the cues of experts (Cristoforo et al., 2017). The higher the pre-money valuation, the higher the impact of our independent variable should be. Experts have already valued the company based on their persuasive knowledge, which should lead to more investments from inexperienced backers compared to companies with lower pre-money valuations. This control variable gave us a glimpse of whether a larger company would benefit more from a wider professional network on social media to receive higher funding percentage and/or more investments.

4.4. Statistical method

The data was categorized into ordinal, nominal and scale data before entering the numbers to SPSS (Lewis et al., 2016). Ordinal data is statistical data type in which variables are divided into
ordered, natural categories and the distance between these categories is unknown. With ordinal scales, it is the order of rates that is significant, even if we do not know about the exact difference between each other. On the contrary, interval scales are numeral scales in which we know the exact difference between the values. In a nominal scale, the increments are known, measurable and consistent. The ordinal scale differs from nominal scale by having arranged categories. Nominal scales are used for designing variables, without any quantitative rate. Nominal scales could naturally be called groups or labels (Lewis et al., 2016).

A linear relationship between two variables can take two forms: positive correlation and negative correlation. In positive correlation, an increase in the value of one valuable means the other one also rises. Meanwhile in negative correlation, two variables move in opposite incremental direction (Lewis et al., 2016). For the research topic, we sought to investigate causality, which mean one variable is not only correlated but also is a predictor of another variable (Bell et al., 2015). We chose multiple linear regression as our technique which was used to explore the causal relationship between continuous dependent variables (crowdfunding success in terms of funding percentage or the number of investments) and independent variable (LinkedIn followers). Multiple linear regression allows testing for the effect of additional control variables (type of the company, growth phases and pre-money valuation) on the predicting ability of the models. The method should tell us how much of success (in statistical terms) could be explained by the breadth of social media networks (Lewis et al., 2016). According to Julie Pallant (2005), we would need 90 cases for four to five independent variables to run multiple linear regression analysis. Our final sample pool consisted of 83 firms, which is reasonable for the chosen method. The data file was first collected in Excel and later converted into a format that is executable in SPSS – a statistical software by IBM.

Multiple linear regression is preferred over logistics regression in this study because all variables are continuous to certain degrees. For instance, with the “phases” variable, growth is the later stage of a venture’s phase where it has developed its operations further than seed and early companies. Thereby growth phase got a higher assigned value in our model in SPSS. Based on either negative or positive results, we could infer the negative or positive predictive abilities of independent variables. In logistics regression, the dependent variable could only have been a
limited number of positive values. Its variables are also categorical in nature (for example male or female, yes or no and so on) which was not relevant for our study model.

5. Results

5.1. Descriptive data

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<th>Investments</th>
<th>Pre-Money Valuation</th>
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<td>Maximum</td>
<td>13010</td>
<td>1008</td>
<td>1743</td>
<td>24411700</td>
</tr>
</tbody>
</table>

Table 3: Descriptive statistics

In terms of investment variable, we have companies that had received only one investment (which in these cases meant a rather large amount) to ventures which had reached 1743 investors. With mean of 231.06 and high standard deviation of nearly 306, data on number of investments was fairly spread out. The funding percentage appeared to be a tad more consistent. While the figure went as low as 29%, only five projects out of 83 did not reach succeed to hit their goal with 100% and on the contrary only three of the studied ventures surpassed 1000%.

As for independent variable, there were a few CEOs who simply had a “placeholder” LinkedIn with followers as low as 27 and a wasteland profile. Meanwhile, there are certified influencers with as many as 13010 followers. The mode of 500 suggests that most key personnel achieved the display limit of 500 connections on LinkedIn. Anyhow, with segregate mean/median and a large standard deviation, the followers variables varied considerably across the sample firms.
Data on pre-money valuation suggested that ventures’ size varied significantly from one valued to €80,000 to one valued as high as to €24 million. What we could see, the older the project was, the more likely these ventures were valued lowered.

5.2. Spearman correlation matrix

<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
<th>(6)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Followers</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2) Pre-Money Valuation</td>
<td>.302**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3) Types</td>
<td>0.104</td>
<td>-0.119</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4) Phases</td>
<td>0.08</td>
<td>0.293**</td>
<td>0.044</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5) Funding Percentage</td>
<td>.288**</td>
<td>0.087</td>
<td>0.174</td>
<td>0.096</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>6) Investments</td>
<td>.278*</td>
<td>.427**</td>
<td>0.169</td>
<td>.467**</td>
<td>.479**</td>
<td>1</td>
</tr>
</tbody>
</table>

* significant at .05 level, ** significant at .01 level

Table 4: Spearman correlation matrix between variables

The matrix indicated significant correlation between the various set of variables. There was a considerable positive linear relationship between followers and valuation (30.2%), followers and funding (28.8%), and followers and the number of investments (27.8%) The followers metric should be an impactful independent variable in the follow-up regression tests. Phases (early, seed and growth) had high correlation with pre-money valuation as they were interchangeable stages of company valuation.

The number of investments proves to be a convincing dependent variable as it has high positive linear correlation with all others. High correlation with Pre-Money Valuation (42.7%) and Phases (46.7%) indicates that larger, more developed companies might have better start to get more investments. Being two spectrums of success, funding percentage and investments are highly correlated at 47.9% (significant at .01 level), meaning the more investments lead to higher funding considering investors are largely unique.

All the while, the correlation level between each two of independent variables did not hit the
critical level of .7, meaning there is no multicollinearity issue and coming up regression tests could be carried on.

5.3. Regression models

Adopting multiple linear regression, we constructed four models to predict the funding percentage and the number of investments, two for each hypothesis. The first type of test (Model 1 and Model 3) has only control variables (types of company, growth phases and pre-money valuation) to see whether such variables alone could explain the outcome. The second type of test (Model 2 and Model 4) is complete multiple regression which include both the main independent variable (LinkedIn followers) and control variables. These full tests checked for the effect of LinkedIn followers on success level while considering whether a bigger, developed tech company would benefit more from the effect.

The result of all fours tests is shown in underneath tables. Adjusted $R^2$ explained how much (percentage) of the success metrics could be explained by respective models. Standardized $\beta$ of the coefficients signify the important of individual variable, provided that all other variables are held constant.

<table>
<thead>
<tr>
<th>Dependent variable</th>
<th>Model</th>
<th>Independent variables</th>
<th>R</th>
<th>Adjusted $R^2$</th>
<th>Std. Error</th>
<th>F</th>
<th>sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funding Percentage</td>
<td>1</td>
<td>Control variables</td>
<td>.415</td>
<td>.13</td>
<td>130.997</td>
<td>4.062</td>
<td>.005</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>Control variables</td>
<td>.417</td>
<td>.12</td>
<td>131.734</td>
<td>3.239</td>
<td>.01</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Main independent variable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>3</td>
<td>Control variables</td>
<td>.452</td>
<td>.164</td>
<td>279.262</td>
<td>5.018</td>
<td>.001</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>Control variables</td>
<td>.491</td>
<td><strong>.192</strong></td>
<td>274.528</td>
<td>4.896</td>
<td>.001</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Main independent variable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Table 5:** Regression summary
Model 1 | Model 2 | Model 3 | Model 4
--- | --- | --- | ---
Followers | n/a | -0.002 | n/a | 0.21
Pre-Money Valuation | 0.424 | 0.436 | 0.186 | 0.122
Tech | -0.006 | 0.004 | -0.117 | -1.59
Early | -0.135 | -0.141 | -0.094 | -0.066
Growth | -0.12 | -0.126 | 0.269 | 0.296

Table 6: Coefficients summary

5.3.1. Hypothesis 1

Followers’ effect on Funding Percentage

Model 1 attempted to predict funding percentage solely based on the categorization of the companies. Only 13% of the outcome could be explained by the input data. With F (4, 78) = 4.062, p = .005, model 1 was relatively applicable for our study. At first glance, both types and phases showed no significance in explaining the funding goal in this model (p-value of these categories was higher than .05). Pre-money valuation, however, had magnificent effect in predicting funding (standardized β = .424, p < .001). Firms that are bigger in size were more likely to achieve a higher percentage in their crowdfunding campaigns. To put that proposition in the number perspective, every €1 million which increases in terms of company valuation would raise the final funding percentage by 13.52%.

Model 2 explained the impact of LinkedIn followers on success while controlling for the effect of different categorizations. This key test for hypothesis one is relatively significant at an adjusted R² of 13% and significance level of .05. However, the coefficient of LinkedIn followers has a p level of .720, which is statistically insignificant in predicting funding. In the same fashion, it did not matter whether a firm belongs in tech industry or is in more developed phase. The only telling point is that Pre-money Valuation, again, statistically explains the funding
(standardized \(\beta = .436, p < .001\)). These results rejected hypothesis 1. The size of founders’ LinkedIn has no explanatory power over funding percentage.

5.3.2. Hypothesis 2

Followers’ effect on the Number of Investments

Model 3 investigated whether certain types, phases and pre-money valuation lead to more investments. With adjusted R\(^2\) being 16.4\%, model concerning investments seemed to have a better explanatory power than those targeting funding percentage. It was also statistically highly significant with F = 5.018 and \(p = .001\). Yet, the precision of the model was inferior as Std. Error of Estimate (279.262) was twice those of previous models. With significance being higher than .05, either Pre-Money Valuation (\(p = .101\)) or Types (.267) were not meaningful predictors for the number of investments received. Meanwhile, development phases were a significant variable (\(p = .03\)) as a company in growth stage might have a head-start of .269 standard deviation of investments over companies in earlier stages.

Finally, Model 4 found out that an increase in the size of founder’s LinkedIn network would lead to more investments in equity crowdfunding, all things considered. It has recognizable predictive ability at R = .491. Yet, only 13.9\% of the outcome (number of investments received) could be explained by the model, suggesting moderate fit with data. In this case, both Pre-money Valuation (\(p = .289 > .05\)) and Types seemed unrelated. LinkedIn followers could be considered borderline significant in predicting the number of investments made. A \(\beta = .03\) indicated that every additional 100 followers on LinkedIn might have yielded three more investments for the campaign in question. That was significant since there was one company in the pool that reached funding target with one single investment. Hypothesis 2 was thereby supported. With positive standardized \(\beta\) and \(p < .05\), scale-up companies were more likely to receive a higher number of investments than those in earlier stages in their life cycle. Whether one venture was a tech-based company or non-tech had no correlation with our dependent variable.
6. Additional test

Additional multiple linear regression tests were conducted to see if our expectations would hold true in two extreme scenarios. We supposed that companies with highly outstanding LinkedIn network would attain a higher level of success. There are four cases in which success (funding percentage or investments) was predicted using two types of samples. Higher tale of the pool consisted of founders with over 2000 LinkedIn followers. Meanwhile, the lower tale consisted of 16 who had less than 500 LinkedIn connections. Key statistics on the significance of each model are summarized as followed:

<table>
<thead>
<tr>
<th>Sample pool</th>
<th>Adjusted R²</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt;2000</td>
<td>Case 1: -0.22</td>
</tr>
<tr>
<td>&lt;500</td>
<td>Case 2: -.179</td>
</tr>
</tbody>
</table>

**Table 7**: Regression summary of additional test

The tests result is in line with our four main models. It indicates that LinkedIn followers is still not a good metrics in explaining funding percentage, regardless of extreme variables. The investments model with the lower tales of independent variables is also insignificant (Adjusted $R^2 = .119$), indicating that LinkedIn profiles under the 500 connections threshold have no impact over success.

Case 3 with outstanding LinkedIn network significantly outperformed Model 4: 33.1% of the investments can be explained (72% improvement). The $\beta$ coefficient of LinkedIn followers also fell within statistical significance level ($p = .042 < .05$), meaning it has considerable explanatory power over the number of investments. Our Hypothesis 2 is further supported: significantly larger LinkedIn network of key personnel will lead to higher number of investments in equity crowdfunding.

<table>
<thead>
<tr>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>.759$^a$</td>
<td>.576</td>
<td>.311</td>
<td>287.375</td>
<td>2.174</td>
<td>.157$^b$</td>
</tr>
</tbody>
</table>

**Table 8**: Regression summary of Case 3
7. Discussion

The purpose of this study was to gain a better understanding of the equity crowdfunding projects and to identify whether there is a correlation between one’s social media network and equity crowdfunding success, which seemed to be overlooked in previous literature (Berger & Yang, 2017). Our analysis of 83 companies, which were seeking funding during 2014-2018 on Invesdor, revealed only a limited correlation between key personnel’s LinkedIn network size and equity crowdfunding success. The behavior and policies of the different stakeholders (backers and entrepreneurs) does not appear to be led by social capital fulfillment in the context of professional social media channels (Kromidha & Robson, 2016). The findings indicate that an equity crowdfunding campaign only benefits from a big LinkedIn network in certain scenarios.

Accordingly, the size of LinkedIn network might be a significant predictor of success on a provision level. Yet, it only works when we look at the number of investments instead of the funding percentage, which is reasonable considering the state of LinkedIn as a platform. Connections on social media channels have always had a more quantitative effect than qualitative. Certain studies have figured out the positive effect of more Facebook friends or Twitter followers leading to crowdfunding success but struggled to understand the quality of each tie (Benlian et al., 2014) (Borst et al., 2017) (Moisseyev, 2013). Statistically, the same applied to our study when higher count of LinkedIn followers converted to more investments, but not bigger single investments. It is especially true considering that professionals have yet to fully utilize and appreciate the power of LinkedIn, despite it having similar features to the features on Facebook.
It is worth noting that certain variables factored in the impact of LinkedIn on success level. For once, pre-money valuation was significant in funding percentage models but not in investments models. The difference could be explained by the cognitive bias among investors. The bigger size of certain companies might prompt the backers into investing higher amounts of money, which leads to higher funding percentage. Lam and Law (2016) highlighted that crowdfunding contains typical investment decision-making, and at least traditional investors are strongly driven by the prospect of future financial rewards. Bigger companies are supposed to have better chances in delivering higher financial rewards in the future, which drives backers to invest more money into the venture. Meanwhile, experienced investors might closely consider the pre-money valuation and invest bigger amounts into bigger-sized companies. Inexperienced ones would chip in lesser amounts into several new ventures, partly driven by their excitement with trying new prospects (Danmayr, 2014).

In reverse, the development phases of ventures were not significant in predicting funding percentage but were instrumental in predicting the number of investments. Previous logic might not be applied in this case because phases is a loosely defined term in the world of start-up companies. There exist different categorizations of stages such as start-ups and scale-ups, unlisted, listed and many more. Meanwhile, valuation could be a definite, concrete number that might have better persuasive power. Evidently in this study, higher pre-money valuation attracted higher amount of money and later phases on the other hand attracted a higher number of investments.

This could be simply explained by the fact that later-stage companies take part in a wider environment. A growth-phase firm is likely to have more employees, more partners, more customers (and even associated friends, families and followers) compared to earlier ventures. These team members have probably gone to more conferences, visited coworking hubs and networking events and thereby met more people. That sheer superiority would definitely and understandably convert to more investments in more-developed companies. Same logic explained why later phases works in tandem with bigger LinkedIn networks to improve success. Later-stage companies might even have their own LinkedIn pages, as well as they could have
specialists who work full time on the company’s social media strategies. This could eventuate to a more interactive LinkedIn network with higher leverage. At the same time, further developed companies have clear, outwards communicated values which backers can relate to. Identification is one of the strongest bases for participation in social movements, like crowdfunding (Burke & Stets, 2000) and people will support entrepreneurs which vibrate their social identity (Cristoforo et al., 2017). Why developed companies receive higher number of investments, which can be smaller single amounts, could be explained by received social gains and the feeling of peer togetherness. Certain types of investors might simply have a strong desire for learning and belonging (Gerber et al., 2014). They want to chip in the more popular, growing projects, also known as the bandwagon effect.

Contrary to the popular belief, whether a company is in tech or non-tech sector does not dictate its success in equity crowdfunding, as far as LinkedIn is concerned as the social media platform. First, the company types had little linear correlation with most of the variables, evidently by the Spearman matrix. Second, the company types’ beta coefficients are insignificant in the regression tests for all four models. That could be explained by the fact that the founders of non-tech ventures might have the same social media presence as those of tech companies. Take non-tech projects like Pyynikin Brewing Company, Oy Hockey Team - Vasan Sport and Huone for instance: their leaders have 893, 3008 and 1749 followers on robust, active LinkedIn page. They are as much of influential serial entrepreneurs as their tech counterpart are and thus exerting as much influence on LinkedIn.

8. Limitation and future research

Several important limitations should be kept in mind when judging the data and our test results. First, we acknowledged the obstacle with LinkedIn - the chosen social media platform. Our data has a six-year span from 2013 to 2018. The size of individual LinkedIn networks, which was obtained by the time of this research, might have already changed. We attempted to overcome the drawback by setting a cut-off period to eliminate outdated samples. Meanwhile, LinkedIn would not display the number of followers (the main independent variable) in certain profiles
with more than 500 connections due to its privacy policies. While we would not know the accurate number of followers in such cases, it fortunately only happened to nine samples.

As for types of data, we were only able to retrieve information on network size, which consists of connections and followers. How founders leverage their LinkedIn or engage with their network is unbeknown. The research would have had better depth had we been able to study the contents, posts, comments and shares on LinkedIn. Furthermore, we also had no means to assess the quality of a founder’s LinkedIn network since everyone can create accounts without any requirements for common contacts, possible business openings or similar interests. It would have been interesting for us to know in which type of groups and pages the founders are active on. Are they in line with the industry of the venture? Are backers also active in said groups?

Second, there were a few limitations with the available data on Invesdor. A good measure for the campaign success would be funding speed - how many days did it take the campaign to reach 100%. As Invesdor’s investment process is divided into hidden and public phase, it would have been useful for us to see how much of the target was reached during the hidden phase. Hidden phase is only available for the founder’s network and Invesdor partners, which would help understand the effect of LinkedIn further. While the ventures represent a representative portion of crowdfunded companies in the Nordic region, they are not necessarily representative of firms of other regional origin. On the balancing side, like explained before, the Finnish sample is a good example of an open Western economy. Thereby a Finnish sample offered a useful testing ground for identifying tendencies in equity crowdfunding trends in other Western countries.

Even if it was possible to extract data from every completed campaign at Invesdor platform, the sample size was still small. Totally 97 campaigns were available, of which 83 were approved novel enough for this research. Due to the small sample size, we might have obtained results that cannot be repeated as such with other samples. The chosen timeline for chosen crowdfunding campaigns was still widespread (2013-2018). It was impractical for us to implement the several factors, which affect the influence and adoption rate of LinkedIn connections and how these have changed between the widespread time interval.
Third, there was hindering regarding the control variables. Most of the companies participating in equity crowdfunding are in seed or growth phase in their life cycles. Thereby companies in early phase were slightly under-represented in this study. Industrial categorization is another issue since we were only able to classify firms into tech and non-tech. It might be easier to raise fund in certain industries.

The results of our study point to opportunities for future research. While we only found moderate correlation between the founders’ LinkedIn size and equity crowdfunding success, there are still several important aspects of the platform that could factor in investment in the future. As LinkedIn becomes the de-facto tool for every business owner to create and maintain professional ties, it gradually adds valuable features such as LinkedIn Premium and Verified Influencer. Several entrepreneurs have already adopted those, and it would be interesting to study the changes that they deliver. To have an in-depth view, it is also recommendable to study advanced elements such interest groups, endorsement or talent solutions.

9. Conclusion

Previous literature has yet to dissect the practice of equity crowdfunding nor its relationship with social media, which has considerable impact on professional endeavor. Our study unveiled the determinants of success with practical insight by exploring the impact of LinkedIn, a prominent but often overlooked social network. LinkedIn might become an indispensable part of the modern culture and professional environment, considering the platform already has over 500 million users with 40% daily usage. Realizing LinkedIn’s potential, this paper is a pioneer attempt to identify its role in equity crowdfunding, a rising sub-brand of entrepreneurship.

In hindsight, it is practicable to predict certain aspect of success in equity crowdfunding based on the number of LinkedIn followers. With the current state of perception and adoption of LinkedIn, it is only feasible to arrive at the number of investments with consideration of company valuation and growth phases. It could be because of a variety of reasons outside of data availability. For once, LinkedIn, while self-labeling a professional network, might be still regarded as a job hunting platform rather than a professional forum for investing opportunities. Furthermore, a
large sector of backers looks for causes and vision as a meaningful part of their decision-making (Gerber et al., 2014). Such reasoning could be found on Facebook or Twitter but certainly not LinkedIn.

Our findings support previous literature by further cementing that bigger size of social media network leads to better success in crowdfunding. Although the explanatory power of LinkedIn is moderate and constrained by various variables, we have analyzed the outcome under various quantitative perspectives. We took one step further compared to previous studies by not looking at whether the target was reached/not reached but rather detailed scaling data. We also acknowledge that not only quantity but also quality of the followers factored in crowdfunding success. That is evident by the somewhat non-linear relationship between network size and funding percentage.

Our study contributes to existing literature on crowdfunding by proving the relevance of another significant social network; LinkedIn. In fact, the LinkedIn profile section on each projects’ pages on Invesdor is more prominent than their Facebook handles. That speaks volume about how LinkedIn and its mechanisms deserve more attention and greater understanding in funding processes. Second, we delivered practical understanding into equity crowdfunding, a field that mostly had discussions on legal practices. The contributing variables for equity crowdfunding success, such as pre-money valuation and growth phases, are closer to those which affect investment banking or venture capital financing. Meanwhile, those of reward-based crowdfunding, the more popular field of empirical studies, are media or emails. There is a stark contrast between the deciding factors of the two methods and equity crowdfunding mechanisms, much like LinkedIn, needs to be dissected further.

Most of all, the current study looked to better equip entrepreneurs and investors alike in equity crowdfunding. Success can be addressed from different angles than only reaching the funding target. Would the entrepreneurs prefer their funding incentives to just hit the minimum or to reach as high as possible? Would they opt for quantity of investments to diversify risk? Such preferences could be achieved by changing the method of valuation or by writing your prospectus differently. Since company’s evaluation seems to be a key predictor, investors can
also look for second opinion on pre-money valuation outside of the platform (Invesdor in this case). Evidently in this research, how ventures look in the eyes of an investor, be it size, development phases and so on, certainly do factor the result. The final revelation is that entrepreneurs should not take LinkedIn lightly since the number of followers alone has been a borderline predictor of success. We noticed two consistent trends among the biggest firms (in valuation and development phase) that might be of interests for entrepreneurs. First, leadership from those companies usually have complete, detailed LinkedIn profiles with all the necessary sections filled (such as summary, experience, education, skills, accomplishments and interests). Second, such firms are likely to have their board chairman to be a LinkedIn influencer with mass followers and interaction (posts and articles). This move could possibly have something influential enough to spread awareness about the venture, off-setting CEO’s smaller web.
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