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The role of entrepreneurship and uncertainty with reward-based crowdfunding in the digital age

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Abstract

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Crowdfunding is a transformative service innovation, a novel and revolutionary way for entrepreneurs to obtain funding for their start-up ventures. This study explores the phenomenon of reward-based crowdfunding in relation to entrepreneurial behaviour and decision-making, as well as the relationship between the entrepreneur and the community. Following a case-study approach, the phenomenon is described based on existing literature and collected empirics from five qualitative in-depth interviews with entrepreneurs performing on Kickstarter. The findings of this study reveal, that reward-based crowdfunding reveals several mechanisms, which attract entrepreneurs to execute their activities and deal with uncertainty in a safer way. These activities refer to (1) independency from traditional investors, (2) creative and effectual reasoning at affordable loss, (3) extending the entrepreneur's social network via the internet, and (4) utilizing web-based platforms for co-creation of marketing, communication, product design, and brand development. This may lead to adapted forms of entrepreneurship in the future.

Keywords: reward-based crowdfunding, entrepreneurship, effectuation, uncertainty, social networks, platforms, traditional fund-raising, Kickstarter

Acknowledgements

This master thesis represents the final assignment within the master programme *Industrial Management and Innovation* at Uppsala University. For these two years in Sweden, I am expressing my deepest gratitude to everyone supporting me on this journey and finally, on this final challenge with the master thesis project.

First of all, my gratitude goes to David Sköld, who provided valuable advice and knowledge not only during the thesis project as subject reader, but also in earlier courses as teacher and mentor, always driving me forward and deepen my analytical as well as critical thinking.

Furthermore, I am expressing my gratitude to the interviewees of this study, Derek Miller, Maya Santimano, Chris Muscarella, Lotte Vink and Alberto Espinós, who were willing to share exciting experiences of their entrepreneurial lives and their crowdfunding campaigns, which build up a major part of this study.

Also, I would like to thank my study colleague Jannik Buck and my brother Sebastian Rosinski for providing their perspectives and valuable feedback on earlier drafts of this thesis.

Finally, I express my gratitude to family, friends, colleagues, teachers and everyone who contributed one way or another with advice, support, suggestions and motivation to develop this master thesis project to a satisfying level.

Benjamin Rosinski

Uppsala, 15th June 2018

Popular Science Summary

This study departs from the entrepreneur's general problem to obtain funding for start-up ventures, projects or business ideas. Traditionally, entrepreneurs approach individuals and groups such as business angels, venture capitalists or in closer circles friends and family. However, recently a new type of funding emerged, referred to as *crowdfunding*, which is an emerging field on the internet, as well as in academics, often connected to entrepreneurship.

Using Kickstarter as a guiding example for the specific type of *reward-based* crowdfunding, this study explores this environment and how it relates to entrepreneurial activities, also considering the crowd as a new type of investor.

Applying a case-study approach enhanced with qualitative interviews, this study relies on the practical expertise of entrepreneurial individuals, who executed Kickstarter campaigns in the past. Their experiences are analysed based on existing literature revolving around crowdfunding, entrepreneurship, and social media & networking.

This study delivers insights about the meaning of platforms such as Kickstarter as *social networking* platforms utilizing social media, which the entrepreneur may exploit together with the crowd to co-create communities, products, brands and social networks.

The conclusions drawn from the empirics and analysis, illustrate reward-based crowdfunding platforms as a *safer* business environment, which promotes entrepreneurial activities in regard to (1) being independent from traditional investors, (2) being more *creative* at minimal loss, (3) extending into other types of social networks, and (4) utilizing web-based platforms for co-creation. These activities can be seen as learning and developing processes for the entrepreneur, the product and the brand, which allows the entrepreneur to 'test things out' in the face of uncertainty and the lack of capabilities to make future predictions.

However, this study also points to possible limits of this 'safety' and 'the dangers of the masses', when dealing with larger crowds. Thus, crowdfunding should be seen in contrast to traditional funding methods in order to evaluate and distribute possible risks, considering the stakeholders in both types of funding, and the knowledge types and social networks they offer.

As crowdfunding gets more popular in the digital age, we may experience shifts in the fields of entrepreneurship and possible financing options in the future.

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1   Introduction

Successful entrepreneurs are known for their passion to realize ideas while taking big risks (Schwienbacher, 2015). For unknown entrepreneurs, newly arrived in the business, a major obstacle they often have to overcome relates to acquiring the support or establishing partnerships to secure proper financing of their project, start-up or growth intentions, using the traditional ways of funding by approaching i.e. angel investors or venture capitalists (Schwienbacher and Larralde, 2010; Silver et al., 2016). Following a similar trend as Bitcoin, Crowdfunding offers an alternative, a more democratic approach (Silver et al., 2016), eliminating the traditional intermediary, and directly approaching the *crowd* (Mollick, 2014; Schwienbacher and Larralde, 2010). Entrepreneurs are known for their activities to engage in social networks (Greve and Salaff, 2003) and today's age of digitalisation and online social networks offers new opportunities for entrepreneurs (Barrett et al., 2015; Song, 2015), whereas crowdfunding may foster entrepreneurial activities in a new way.

Existing literature shows extensive research on entrepreneurs pursuing the traditional funding methods (e.g. Appelhoff et al., 2016; Clercq et al., 2006; Grünhagen, 2008). However, research and literature in regards to entrepreneurship connected to crowdfunding is young and fragmented, revealing little knowledge about crowdfunding practices (Belleflamme et al., 2013; Mollick, 2014). This is mainly due to the fact, that crowdfunding and utilizing platforms for it are of very recent popularity (Gerber and Hui, 2013). Funding volumes with crowdfunding are rising rapidly from 0,8 billion US$ in 2010 to 16,2 billion US$ in 2014, as well as the number of platforms for different types of crowdfunding (Belleflamme et al., 2015). Kickstarter for example, the most prominent platform for *reward-based* crowdfunding (Belleflamme et al., 2015; Mollick, 2014), launched its platform in 2009[1], raising to date (13th June 2018) roughly 3,3 billion US$ for 145.000 successfully funded projects, which represent a success rate of 36 % (Kickstarter, 2018).

So far, existing research dealt with issues, to give a few examples, such as creating value for stakeholders in crowdfunding (Valanciene and Jegeleviciute, 2014), and failure and success factors in crowdfunding (Belleflamme et al., 2013; Mollick, 2014). Studies on crowdfunding suggested as future research amongst other, entrepreneurial orientation and activities in early-stage fundraising (Chan and Parhankangas, 2017), strategies, entrepreneurial behaviour and personal factors motivating to engage in crowdfunding (Gerber and Hui, 2013), benefits of direct information flow between the entrepreneur and contributors (the crowd) of a

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[1] www.kickstarter.com/about

crowdfunding campaign (Belleflamme and Lambert, 2014), and finally, *"how communities coordinate, fund, and interact with crowdfunding efforts to generate new products and services"* (Mollick, 2014). The former two suggestions focus on the entrepreneur and how s/he engages in crowdfunding, whereas the latter two focus more on the whole community, the crowd behind crowdfunding campaigns. From this, two research gaps are derived, whereas the first called *entrepreneurship in crowdfunding*, and the second gap described as *the role of the crowd*. This study attempts to address these research gaps.

In addition, this study departs from the assumption, that different funding options each create a certain environment (the context) around the entrepreneur with certain characteristics or mechanisms, actors and stakeholders, which influence entrepreneurial processes. So it does for the context of *reward-based* crowdfunding. Due to scope limitations this study focuses primarily on reward-based crowdfunding, using the platform Kickstarter as a guiding example for this type of crowdfunding. According to Valanciene and Jegeleviciute (2014), *"The phenomenon of crowdfunding exists as a set of describable activities (content) in an uncertain business environment (context)."*. Following this notion of content and context, this study applies an explorative approach, leading to the overarching research question:

What characterizes the context of reward-based crowdfunding and how does it impact entrepreneurial processes?

Subsequent to the overarching question, three research questions (RQs) are formulated below, whereas RQ1 and RQ2 aim to address the first research gap described above (entrepreneurship in crowdfunding), and RQ3 the second research gap (the role of the crowd). As the phenomenon of reward-based crowdfunding and utilizing platforms for it (e.g. Kickstarter.com) become increasingly popular, this research intends to investigate from an entrepreneur's perspective, how they justify a (funding) decision towards reward-based crowdfunding (also considering traditional methods of sourcing money). Furthermore, what this study aims to address, are the entrepreneurial activities in reward-based crowdfunding, as well as the relationship between the entrepreneur and the *crowd*, which builds up the main feature of crowdfunding. Therefore, this leads to the following research questions, which will be subject to a theoretical and empirical analysis.

RQ1: *What motivates entrepreneurs to opt for reward-based crowdfunding?*

RQ2: *How can the entrepreneurial act be described within this context?*

RQ3: *What role plays the relationship between the entrepreneur and the crowd?*

Answers to these questions are expected to be found by analysing experiences of early-stage entrepreneurs who were in the past in the situation of launching a crowdfunding campaign on Kickstarter, to finance their start-up or business idea. These experiences are collected empirically via qualitative in-depth interviews and consequently analysed with existing literature, which mainly revolves around crowdfunding (also compared to traditional funding methods), entrepreneurship and social networks. This limits of course the answers to the practical expertise provided by the respondents and the assessed literature.

2 Theory

To understand the phenomenon of crowdfunding, it is certainly useful to understand its roots, how and why it emerged, the actors within crowdfunding and its characteristics. Crowdfunding has its roots in *crowdsourcing* (Schwienbacher and Larralde, 2010) and is also related to the emerging *micro-finance* community (Silver et al., 2016). It became more popular in terms of crowdfunding due to the rising number of platforms on the internet devoted to the phenomenon (Mollick, 2014). Crowdfunding itself can be seen as a service innovation for entrepreneurs. The article of Barrett, Davidson, Prabhu and Vargo (2015) revolves around "service innovation in the digital age". They claim, that *transformative new services* may drive economic development despite limited resources. Web-based platforms such as Kickstarter certainly allow entrepreneurs to realize ideas in a new way, driving innovation and competition forward. Entrepreneurship is often seen as a driver for economic development, whereas entrepreneurs build social networks to innovate and gain competitive advantage (Song, 2015). Web-based service innovations such as Kickstarter exploit the development of online social networks as they rely *"on the crowds that generate online content on social media platforms"* (Barrett et al., 2015). Furthermore, Barrett et al. (2015) elaborate that:

> "Information technology plays a central role in the formation and functioning of service ecosystems and thus in service innovation, as resources (importantly, information, skills, and knowledge) are combined and exchanged in new ways that create value for those actors engaged in the exchange."

Platforms devoted to the new phenomenon of crowdfunding such as Kickstarter exemplify this new way of combining and exchanging resources between actors, as they offer a new way for the entrepreneur to connect to and interact with potential customers via the internet (Belleflamme et al., 2013; Mollick, 2014). Recently, crowdfunding also found its way into

bigger, developed companies as they recognize the benefits and utilize them to reach new type of customer segments or testing ideas outside their core business (Silver et al., 2016). This phenomenon is referred to as *corporate* or *enterprise crowdfunding* as a more intrapreneurial act (i.e. Muller et al., 2014). Generally, crowdfunding is seen as an opportunity for entrepreneurs of start-ups or small businesses to prove their business idea, concepts or projects (Mollick, 2014) and fills an existing gap of financing options for small firms (Valanciene and Jegeleviciute, 2014). In that sense, crowdfunding should be seen as a financing option within the entrepreneur's portfolio. Throughout this study, the distinction within the portfolio is made between crowdfunding as a more specific option, and traditional funding options in summary.

2.1 The entrepreneur's problem with traditional funding methods

A point of departure of this study is the 'small' entrepreneur in an early-stage phase and the difficulties s/he faces when gathering financial resources for a new start-up, project or business idea, by approaching traditional ways of funding (Schwienbacher and Larralde, 2010; Silver et al., 2016). Most of the literature around crowdfunding refers to *traditional* (more seldom *classical*) funding methods in comparison to crowdfunding (Belleflamme et al., 2013; Mollick, 2014; Schwienbacher and Larralde, 2010; Silver et al., 2016). What the term 'traditional' in regard to funding methods or financing options captures, is the accumulation of 'old' ways the entrepreneur may fund her/his venture, i.e. bank loans, business angels, venture capitalists or simply friends and family. As in aforementioned papers, this study will also use the term 'traditional' in summary to refer to old or classical ways of financing a firm.

There are several reasons why the entrepreneur faces difficulties to obtain funding via traditional ways, which are basically manifested in the principal-agency theory (Silver et al., 2016), where the agent works on behalf of the principal. Jensen and Meckling (1976) argue, the obstacles between the agent (entrepreneur) and principals (traditional investors) are based on the information asymmetry, unaligned goals and a conflict of interests between them.

2.1.1 The problem of risk and uncertainty

Traditional investors fear the high risk associated with small entrepreneurial ventures (Silver et al., 2016). For example, there is the market risk (Schwienbacher, 2015), which refers to the problem of new ventures, to estimate future market potential and profit of the firm (Silver et al., 2016). This lack of information also connects to the problem of lack of experience of the entrepreneur. Traditional investors fear inexperienced, immature entrepreneurs as it makes

them unpredictable how they deal with risk and future developments (Schwienbacher, 2015). Therefore, investors have to place uncertain investments based on partial information about particular ventures (Mollick, 2014). In result, traditional investors try to insure themselves and gain control over the agent - the entrepreneur - by acquiring shares and ownership over a venture (Silver et al., 2016), which leads to another conflict of interest between the entrepreneur and investor.

2.1.2   Conflict of interests: control and unaligned goals

Generally, entrepreneurs do not feel comfortable and fear losing control to external actors. Thus, they tend to choose financing options in which they retain control, even if that means for their business to grow more slowly (Silver et al., 2016). The ownership and control over a venture is also important regarding decision-making about future directions of a venture. The interest of traditional, professional investors is most often solely based on financial gains from a venture (Silver et al., 2016). Figure 1 illustrates the typical investment process.

Figure 1 - The investment process of professional investors (Silver et al., 2016)

In that regards, there may be a conflict of unaligned goals between the entrepreneur and the investor, as the entrepreneur often pursues other goals than solely financial profits from his/her firm (Mollick, 2014; Silver et al., 2016).

2.2   Crowdfunding versus traditional methods

In regard to above mentioned problems, crowdfunding seems to be an attempt to solve these problems, or at least adjusting them. The latter means that in terms of Jensen's and Meckling's (1976) information symmetry, that notion has another setup between the principal and the agent in the context of crowdfunding. The crowd as principal and investor has different interests towards the agent, the entrepreneur, which leads to other types of conflict of interests. Control for example is - at least in some types of crowdfunding - not an issue anymore (Silver et al., 2016), the entrepreneur retains full ownership of his/her firm. From a risk perspective, Schwienbacher (2015) sees crowdfunding versus traditional methods as a trade-off between market risk and production risk. Crowdfunding is a great tool to reduce market risk, as it delivers reliable information about market demand. However, there is a higher production risk, as the entrepreneur needs to rely on estimates regarding production

cost. While traditional investors cannot help to prove market demand as crowdfunding does, they can support the entrepreneur on the other hand with several capital infusions, if the production should require more capital. Crowdfunding does not 'give second chances' (Schwienbacher, 2015), as the entrepreneur cannot simply run a second crowdfunding campaign and ask for more capital for the same project. Apart from capital, traditional investors may provide helpful advice and contacts within a network based on their experience in a certain business (Vinturella and Erickson, 2013, p. 81), thus, traditional investors are also referred to as 'smart money' (Schwienbacher and Larralde, 2010). This may lead to the assumption to refer crowdfunding to 'stupid money', however researchers see an advantage in the aggregate knowledge of the crowd i.e. as collective feedback, which is known as 'wisdom of the crowd' (Mannes et al., 2012). This type of knowledge may be more efficient in solving corporate problems (Schwienbacher and Larralde, 2010).

Geography is another difference between crowdfunding and traditional methods. Traditional funding requires closer distance between the entrepreneur and the investor due to face-to-face meetings etc., crowdfunding however eliminates geographical limits, as it serves a global stage via the internet, which also supports entrepreneurs from rural areas (Silver et al., 2016).

2.2.1 The reallocation of the gatekeeper

Obviously, one of the main differences between crowdfunding and traditional methods is, that crowdfunding happens *"without standard financial intermediaries"* (Mollick, 2014). What Mollick means with 'standard financial intermediaries', is illustrated well in the documentary 'Capital C' (Birkhofer and Kundinger, 2014). The film demonstrates the basic idea of reward-based crowdfunding and how it differs to traditional methods. Crowdfunding helps small entrepreneurs to obtain funding directly from potential customers. The traditional (standard financial) intermediary, in the documentary described as *gatekeeper*, is most often an investor, venture capitalist or financial institution. These are the ones, the entrepreneur needs to convince and perhaps collaborate with, as they act as a gatekeeper towards the realisation of the entrepreneur's project (Vinturella and Erickson, 2013). The other approach is to utilize crowdfunding, which follows a more democratic scheme, as it eliminates the gatekeeper in between (Mollick, 2014). Here, the entrepreneur needs to convince the *crowd,* as they have the collective power over the realisation of the entrepreneur's project.

2.2.2   Crowdfunding as a complement to traditional methods

For entrepreneurs it is a major challenge to obtain funding resources for their projects, especially via traditional methods, whereas crowdfunding offers a new possibility for the small entrepreneur (Mollick, 2014; Schwienbacher and Larralde, 2010; Silver et al., 2016). An obstacle a newly arrived entrepreneur needs to overcome, is uncertainty, which is a main reason why many investors hesitate to support start-up projects (Vinturella and Erickson, 2013). Crowdfunding intends to 'kick-start' new ventures, whereas traditional methods may be more suitable to grow a business further, after it succeeded the start-up phase. Many campaigns represent a particular one-time project and are used for marketing purposes or to demonstrate demand for a proposed product (Mollick, 2014), which diminishes the uncertainty of potential future traditional investors. Some entrepreneurs combine different funding methods - as the traditional ones, own financial support or from friends & family - with crowdfunding (Belleflamme et al., 2013). From a risk perspective, Schwienbacher (2015) sees the combination of crowdfunding and traditional methods as an ideal way to reduce both, market and production risk. Thus, these funding methods complement each other, rather than substitute, as it gives the possibility of co-investment by the crowd and an investor. Crowdfunding and traditional methods such as venture capital, angel investors or revenue-based funding each offer specific possibilities at different stages of a start-up, which is a strategic issue the entrepreneur needs to address in different points of time (Vinturella and Erickson, 2013). In addition to that, the entrepreneur *"owns, launches, manages, and assumes the risk of an economic venture"* (Greve and Salaff, 2003), which is an issue the entrepreneur needs to address in different funding contexts. Also Valanciene and Jegeleviciute (2014) argue, crowdfunding does not compete with traditional investors and fills an existing gap of funding options for the entrepreneur. Concluding from the literature, crowdfunding is a complementary funding method within the strategic portfolio of an entrepreneur, depending on the goals the entrepreneur wishes to achieve with a specific funding method.

2.3   Characteristics of the crowdfunding context

The nature of crowdfunding is, that it typically attracts entrepreneurs launching start-ups or growing of small ventures, as it usually attracts small funding amounts[2] compared to traditional funding methods (Belleflamme et al., 2013). Most studies around crowdfunding refer to "small entrepreneurial ventures" or small and medium-sized enterprises (SMEs; i.e. Silver et al., 2016). However, no measurement is provided what these terms or 'small'

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[2] See i.e. https://www.kickstarter.com/help/stats for detailed statistics

actually means. Given the definition of the European Commission (EC, 2018), small companies account for less than 50 employees. They provide an additional category for micro companies, accounting for less than 10 employees, which are more probable to be seen in crowdfunding. Silver et al., (2016) emphasize the entrepreneurial nature, as crowdfunding is an *"extraordinary way for firms to try new ideas without committing financial resources."*. In an entrepreneurial context, Mollick (2014) provides the following definition:

> "Crowdfunding refers to the efforts by entrepreneurial individuals and groups – cultural, social, and for-profit – to fund their ventures by drawing on relatively small contributions from a relatively large number of individuals using the internet, without standard financial intermediaries."

What Mollick's definition captures, is that entrepreneurs fund their ventures using the internet as a platform to receive small contributions from a large crowd. A typical characteristic is that, entrepreneurs draw attention to their crowdfunding campaigns via the internet, i.e. social networks or blogs as channels to collect funds (Belleflamme et al., 2013). Crowdfunding is a democratized financing form connected with social media (Silver et al., 2016).

Beside financial aspects, there are other characteristics in the context of crowdfunding. For instance, Belleflamme et al. (2013) found that entrepreneurs enjoy *community benefits*, which boost their crowdfunding projects. The direct involvement allow entrepreneurs to extract value from the crowd, by e.g. support in decision-making, provision of time and expertise (Belleflamme et al., 2013). Valanciene and Jegeleviciute (2014) argue, that beside providing finance as a key feature for entrepreneurs, crowdfunding also involves the organization of the crowdfunding process, mobilizing people and generating ideas for further project development. Furthermore, there seems to be a preference to incremental innovations, as the so called *backers* of a crowdfunding campaign perceive less risk and a better understanding of the product (Chan and Parhankangas, 2017).

2.3.1 Crowdfunding as part of the social media ecosystem

In today's digital age social media developed into something more interactive, *"where consumers are dictating the nature, extent, and context of marketing exchanges."* (Hanna et al., 2011). Consumers are nowadays active participants in the creation of content, and entrepreneurs take the role as marketers to keep them engaged, as Hanna et al. (2011) explain:

> "In the new social media-driven business model defined by customer connectivity and interactivity, content goes hand in hand with technology, producing far-reaching effects for the way marketers influence current and potential customers."

With crowdfunding campaigns, entrepreneurs emphasize raising money, public attention and feedback on the project (Belleflamme et al., 2013), whereas the internet and social networks offer a global stage for that. While the internet and social networks allow the entrepreneur to reach a global audience, s/he still may need to consider local geographical areas, as crowdfunding projects can be connected to local areas with a specific cultural background (Agrawal et al., 2015; Mollick, 2014). In that regard it is useful to profile the social network, the entrepreneur is engaging in. Social networks can be characterized with three attributes: size, positioning and relationship structure. These are adapted to social contexts, depending on required needs of the entrepreneur (Greve and Salaff, 2003). Numerous crowdfunding *platforms* arose to support the entrepreneur, utilizing the internet and social media, which is something Agrawal et al. (2015) refer to as *social networking platforms*. These web-based platforms basically demonstrate a shift of the entrepreneur's *offline* social networks to *online* social networks (Song, 2015). Social networking and engaging the crowd is an important feature for the entrepreneur with crowdfunding, especially in today's digital age, as it provides tremendous value for the entrepreneur in form of firm-customer exchanges, as Hanna et al. (2011) demonstrate in the following:

> "Content in the form of social networks and blogs that enable individuals to create, share, and recommend information is extending the spheres of marketing influence, and a wide variety of social media platforms are providing the tools necessary for these influential and meaningful firm-customer exchanges."

2.3.2 Types of crowdfunding

According to Mollick (2014) there are four types of crowdfunding: (1) patronage, which is simply a donation model, (2) lending, which offers funds as a loan, (3) equity, which offers - in exchange for investments - shares or future returns, and (4) reward-based, in which backers of a crowdfunding campaign receive a reward. These types represent funding contexts, which may not be clearly separable from each other as they may overlap (Mollick, 2014). As the reward-based model is the main focus of this study and the empirics, it shall be discussed more in detail. Thus, the following use of the term 'crowdfunding' refers to that type.

2.3.3 Characteristics of the reward-based crowdfunding context

Apart from the general characteristics of crowdfunding discussed earlier, the reward-based type draws upon some additional characteristics. The most typical is the way it *rewards* the crowd. The entrepreneur offers a product in an exclusive way with 'early-bird' access and

allows potential customers to place pre-purchase orders (Schwienbacher, 2015; Silver et al., 2016). The number of pre-purchases will be in turn an indication for the entrepreneur to prove demand and validate a market (Mollick, 2014). The reward-based model is the most popular nowadays, which is mainly due to Kickstarter, the largest and most dominant crowdfunding platform on the internet (Mollick, 2014). Typically, the reward-based model involves the crowd more than other types of crowdfunding (Belleflamme et al., 2013) in contributing to the product-development process for example. The theory about crowdfunding, more specifically the reward-based model, revolves around entrepreneurial activities in crowdfunding campaigns (Mollick, 2014), and the community, which is built around them (Belleflamme et al., 2013). A great illustration delivers the documentary 'Capital C' (Birkhofer and Kundinger, 2014) as it describes the journey of three entrepreneurs collecting funds through Kickstarter: (1) Zach, who created funny designed socks for bottles, (2) Jackson, who designs hand-drawn poker card decks, and (3) Brian who reboots a classical computer game 'Wasteland'. What these three have in common, is sort of a craft-making culture, which can be recognized in many other campaigns on Kickstarter. The crowd may have a high impact on the development of the project, providing feedback, new ideas, etc. (Valanciene and Jegeleviciute, 2014). Building the community during this process, also means developing relationships between the entrepreneur and the crowd. However, reward-based crowdfunding is also less regulated than other types (Schwienbacher, 2015).

2.3.4 Actors and their roles in reward-based crowdfunding

The process of reward-based crowdfunding is an interaction between the entrepreneur and the crowd, typically with a platform in between acting as an intermediary (Valanciene and Jegeleviciute, 2014). Figure 2 below illustrates the crowdfunding process and actors within this process on platforms such as Kickstarter.

Figure 2 - A framework of the crowdfunding process (Valanciene and Jegeleviciute, 2014)
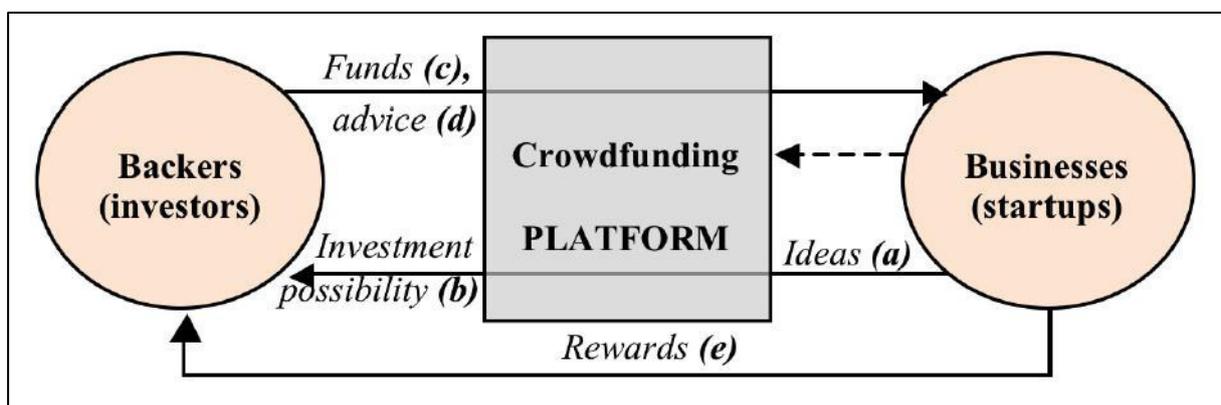
Start-ups / The entrepreneur: The entrepreneur offers via a crowdfunding platform a project or business idea, and utilizes the platform to connect with backers (Valanciene and Jegeleviciute, 2014), which happens through the internet (Mollick, 2014). The entrepreneur uses social media channels (Belleflamme et al., 2013) to extent his/her social network (Agrawal et al., 2015). As one who launches a crowdfunding campaign, they are also referred to as *fundraisers* (Belleflamme et al., 2015), *crowdfunders* or *creators*.

Backers: These are the collective amount of individuals, who provide the entrepreneur with financial resources as they 'back' a project with consumption-based decisions (Schwienbacher, 2015). Beside financial support, backers also provide collective feedback, revealing preferences and public information related to the promoted product (Schwienbacher, 2015). Backers are sort of 'working consumers', which take part in the product development and create value by providing new ideas (Schwienbacher and Larralde, 2010; Valanciene and Jegeleviciute, 2014). Consumers are getting more active and take the role as co-creators in marketing communication, building brands and product design (Hanna et al., 2011).

Platforms: Crowdfunding platforms are a relatively new phenomena, first established in 2001, and have received a lot of attention in the recent years (Gerber and Hui, 2013). They act as internet-based intermediary platforms (Belleflamme et al., 2013; Valanciene and Jegeleviciute, 2014) and are seen as a revolutionized way for entrepreneurs to obtain funding for the initiation of for-profit, cultural or social projects, as it allows entrepreneurs to connect directly with the *crowd* (Belleflamme et al., 2013; Mollick, 2014). Intermediary platforms such as Kickstarter are supportive to harness the effects of social networks and community benefits (Belleflamme et al., 2013).

2.3.5 The crowd versus the traditional investor

In reward-based crowdfunding the entrepreneur deals with a different kind of stakeholder, the crowd, compared to traditional financing options. Stakeholders are commonly described by the authority and influence they have on a project (Bourne and Walker, 2006), as well as their needed contributions in exchange for an expected reward (Jepsen and Eskerod, 2009). Chapter 2.2.1 described the traditional investor as gatekeeper and in reward-based crowdfunding the crowd takes over the role as gatekeeper. On crowdfunding platforms, consumers choose which projects to support, which is how they execute their authority over which projects are going to be realized and available on the market (Belleflamme et al., 2015). In each case, the crowd and the traditional investor provide the entrepreneur with capital, which come along with certain expectations, certain stakes the entrepreneur needs to

address. The decisions of the crowd in which crowdfunding projects to invest, are consumption-based (Schwienbacher, 2015) and in contrast to the traditional investor's decision. The traditional investor expects of course financial rewards i.e. ROI, and contributes in exchange with professional advice, support in decision-making, or contacts to business partners (Silver et al., 2016). The crowd however, expects a product, but also has a stake in the shared creation process of the product as a part of the community. As an online community, they generate content on social media and exchange resources with the entrepreneur in an open, public way on any kind of web-based platform (Barrett et al., 2015), whereas the resource exchange with traditional investors usually happens closed from the public, and further requires close proximity (Silver et al., 2016). Moreover, in the traditional setting the financial risk is distributed on a low number of investors (Schwienbacher and Larralde, 2010). With crowdfunding, it is distributed across all backers of projects, resulting in usually small pledged amounts per head (Belleflamme et al., 2013). This low financial risks lowers the threshold for backers, to support crowdfunding projects out of altruism (Giudici et al., 2018). Finally, the type of social networks the entrepreneur is expanding into, are usually smaller and developing offline in the case of traditional methods, whereas crowdfunding offers the entrepreneur to exploit large social networks online on the internet (Song, 2015).

Table 1 - Reward-based crowdfunding in contrast to traditional methods

	The crowd	**Traditional methods**
Stake, interest	• Reward in form of a product • Participation in product and community creation	• Financial rewards, i.e. ROI • Shares of the firm, collaboration
Knowledge type	• Informational feedback on the product and the project the entrepreneur is running • 'Wisdom of the crowd'	• Professional advice on business development, governance, strategies, business contacts • 'Smart money'
Social network	• Online, global, large number of individuals	• Offline, close proximity, small number of individuals
Risks	• <u>Financial</u>: low threshold for backers; low risk for entrepreneur due to 'pre-payment' of backers • <u>Production</u>: high, entrepreneur cannot rely on the crowd to receive more funding in face of unexpected developments • <u>Market</u>: low, crowd signals market demand to the entrepreneur	• <u>Financial</u>: high, investors give away large amounts, which also means high debts for entrepreneurs • <u>Production</u>: low, investor may provide several capital infusions in face of unexpected developments • <u>Market</u>: high, based on estimations

Table 1 above puts in summary the crowd of reward-based crowdfunding in contrast to traditional methods and leads back to the initial assumption of this study, that different funding options build different contexts around the entrepreneur. From a project stakeholder perspective, the setup of stakeholders in each project may vary and thus build different project contexts (Westerveld, 2003). Consequently, the entrepreneur needs to consider various aspects of stakeholders (i.e. stakes, knowledge types, social networks, risks), as well as the influence and expectations both types of stakeholders, the crowd and the traditional investor, have on the entrepreneur. Certainly, the requirements to manage these stakeholders have an impact on entrepreneurial processes and decision-making. Thus, they differ in the context of reward-based crowdfunding.

2.4   Entrepreneurship

Earlier discussed characteristics of crowdfunding already implied that crowdfunding is heavily connected to small firms and the presence of entrepreneurs (i.e. Schwienbacher and Larralde, 2010; Silver et al., 2016), Crowdfunding is a new phenomenon in entrepreneurship (Mollick, 2014), which "*exists as a set of describable activities (content) in an uncertain business environment (context)."* (Valanciene and Jegeleviciute, 2014). To understand the content, it is certainly necessary, what type of entrepreneurs are of relevance, how do they act and how do they think. Prominent classical theories of entrepreneurship are mostly based on the works of Joseph Schumpeter, and more seldom on Israel Kirzner and Frank Knight (Shockley and Frank, 2011). Each of them describes the entrepreneurial act in a different way. For Schumpeter (1934), it is an creative innovative act, which is in essence *"the carrying out of new combinations"*, destroying the existing equilibrium in a market and creating a new one, commonly known as the act of *creative destruction* (Schumpeter, 1934). In result, new markets, products, processes, etc. emerge. On the other hand, Kirzner (1997) represents a different perspective. For him, there is a continuously existing disequilibrium in the market, in which entrepreneurs are alert, discover and act upon missed market opportunities. He describes this act as *entrepreneurial discovery* (Kirzner, 1997). Finally, what Knight (1964) contributed to the field of entrepreneurship, is the essence of the entrepreneur surrounded by an *uncertain* environment. The entrepreneurial act is one of *bearing uncertainty* (Knight, 1964). Based on these classical theories, a more recent one developed, which is referred to as *effectual entrepreneurship* (Read et al., 2011). The main advocate behind the principle of effectuation, Saras Sarasvathy, introduced this principle in 2001, based on an in-depth investigation she did among 27 expert entrepreneurs, analysing their reasoning and decision-

making process (Sarasvathy, 2008, p. 19 ff.). The theory she built from the findings, shall be discussed in the following and applied to the context of reward-based crowdfunding.

2.4.1 Effectual versus causal thinking

From the works of Schumpeter, Kirzner, and Knight it is clear, that entrepreneurs think differently compared to the rational economist. In regard to Schumpeter for example: *"...far from the rational calculation of business planning and strategy or systematic market research, insight from 'gut' feelings drives the Schumpeterian entrepreneur."* (Shockley and Frank, 2011). Knight (1964) makes the distinction to economic rationality in terms of risk and uncertainty. Risk are known probabilities, which a rational thinker can address by planning different scenarios. However, uncertainty are unknown probabilities. Therefore, future predictions are not possible and the entrepreneurial act becomes a more creative one rather than rational (Shockley and Frank, 2011). These two ways of thinking, rational and creative, is what Sarasvathy (2001) refers to as causal and effectual:

> "Causation processes take a particular effect as given and focus on selecting
> between means to create that effect. Effectuation processes take a set of means as
> given and focus on selecting between possible effects that can be created with that
> set of means." (Sarasvathy, 2001)

The rational, causal way of thinking represents more a managerial role, for which a future goal is pre-determined. The manager sets out a plan, which resources and given means are required to reach this goal (what Sarasvathy refers to as given effect). This of course requires the ability to predict future outcomes. In contrast without this ability, the creative and entrepreneurial way of thinking is based on given means and resources, in which the entrepreneur imagines different possible outcomes, which is in essence a creative process.

Figure 3 below visualizes the difference between the causal and effectual way of reasoning.

Figure 3 - Causal versus effectual reasoning (Read et al., 2011, p. 74)

14
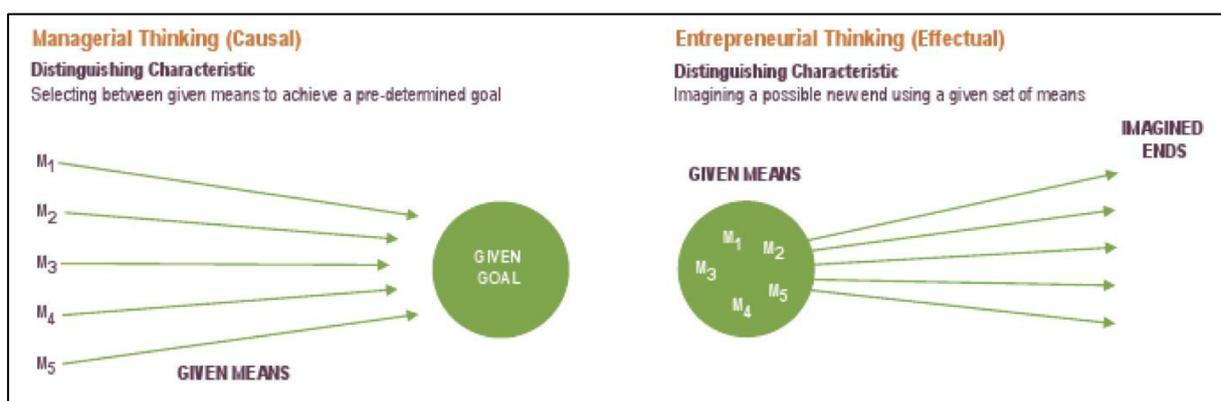
2.4.2 The effectual act of the entrepreneur

Since the entrepreneur acts in an uncertain business environment (Knight, 1964; Valanciene and Jegeleviciute, 2014), s/he applies the effectuation principle and evaluates given means (Sarasvathy, 2001). In other words, it is a more short-term perspective, which focuses on present resources to perform different acts. These acts happen under the premise of affordable loss instead of potential maximum profits (Sarasvathy, 2001). Effectuation "*is fundamentally premised on action: it is a logic for a stream of actions the entrepreneur undertakes.*" (Sarasvathy et al., 2008). As Sarasvathy (2001) elaborates:

> "Entrepreneurs begin with three categories of "means": they know who they are, what they know, and whom they know-their own traits, tastes, and abilities; the knowledge corridors they are in; and the social networks they are a part of."

This process is iterative as illustrated in Figure 4 below. The entrepreneur goes through a development process, expanding his/her resources such as personal knowledge and skills, as well as stakeholders as part of the entrepreneur's social network. These resources allow the entrepreneur to create new means and imagine new goals. Essentially, for Sarasvathy the entrepreneur follows with effectuation a transformational logic. Based on Schumpeter's (1934) notion of creative destruction, effectual entrepreneurs transform possibilities (based on given means) into opportunities. Thus, the entrepreneur does not discover opportunities as Kirzner (1997) argues, s/he *creates* them (Read et al., 2011, p. 4 ff.; Sarasvathy, 2001).

Figure 4 - Effectuation in action (Read et al., 2011, p. 116)
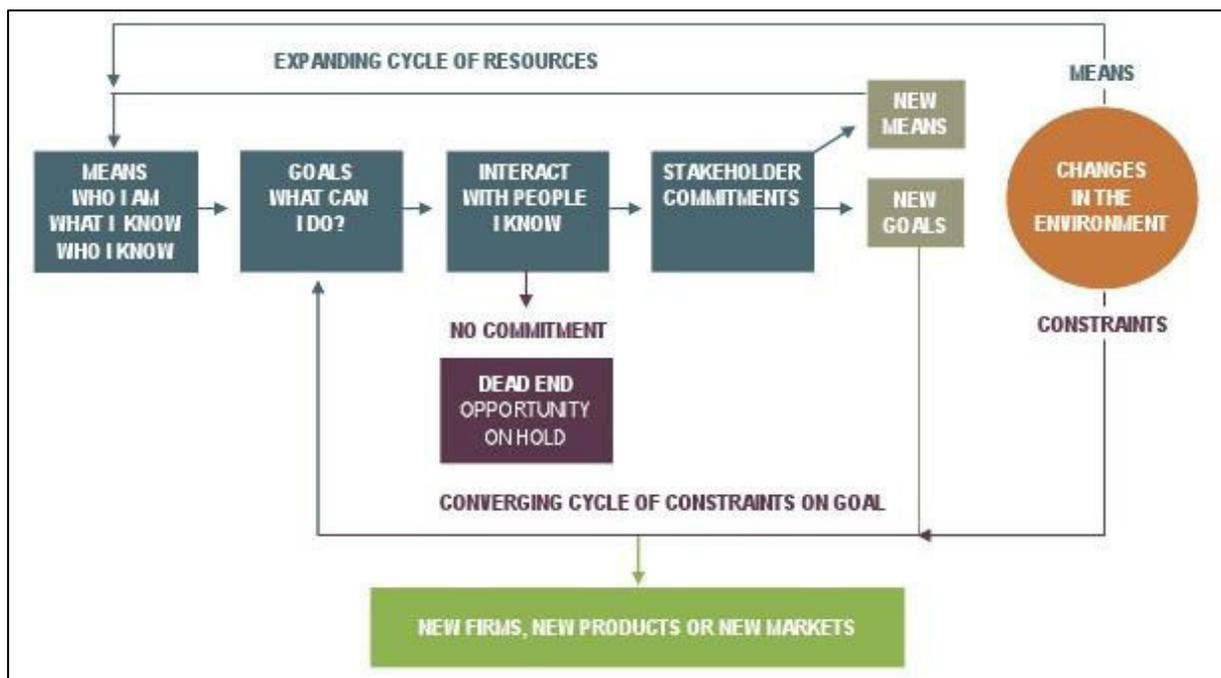
3   Methodology

In the following the methodology of this research is outlined in terms of research design, data collection method, reliability and validity, and possible issues related to bias and ethics.

3.1   Research design

This study is laid out as an exploration into the phenomenon of reward-based crowdfunding. As this research field is still young and fragmented (Belleflamme et al., 2013; Mollick, 2014), it can be seen as a learning process to develop theories further. The study aims to contribute to a research gap with theory built from empirics and literature. Thus, this research is designed as an inductive theory-generating approach combined with a qualitative case-study (Bryman and Bell, 2011, p. 60). Qualitative research often relies on individuals' interpretations of the social world, referred to as *interpretivism*, and a constantly shifting, subjective truth, created by individuals, referred to as *constructionism* (Bryman and Bell, 2011, p. 16 ff.). Since interpretation and truth is subjective, a deeper understanding is required of the reasoning procedure that motivates entrepreneurs to engage in reward-based crowdfunding. Thus, a case study approach is suitable. Robert Yin, a proponent of case-study research, defines it as:

> "…an empirical enquiry that investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident." (Yin, 2009, p. 18)

This definition implies, that case studies intend to tackle a research problem and its complex nature with a deeper level of detail and understanding. Furthermore, case studies produce valuable context-dependent knowledge from practical experiences, which is a learning process to develop theoretical expertise (Flyvbjerg, 2006). The phenomenon of this case study is built upon entrepreneurial experiences within the context of reward-based crowdfunding, collected with the empirics from qualitative interviews.

3.2   Data collection method

To look behind the curtains of reward-based crowdfunding and the reasoning processes of the entrepreneur, the researcher must establish a more interactive connection to the respondent. This will force an interaction between the researcher and the respondent, allowing for knowledge creation and viewing through the eyes of participants (Bryman and Bell, 2011, p. 402 ff.). Qualitative interviews allow for this connection by creating a natural conversation, which is flexible and is not obliged to follow a specific structure (Bryman and Bell, 2011, p. 466 ff.). In combination with the case study approach, qualitative interviews with pre-selected

informants have the effect of providing rich information based on practical expertise, which may be transformed through a learning process into theoretical expertise: *"The highest levels in the learning process, that is, virtuosity and true expertise, are reached only via a person's own experiences as practitioner of the relevant skills."* (Flyvbjerg, 2006). In that sense, the experience and knowledge of each entrepreneur is utmost important to understand the phenomenon of reward-based crowdfunding. Thus, qualitative, semi-structured interviews (Bryman and Bell, 2011, p. 467) are chosen as a data collection method to follow a common structure in each interview, but still allowing for flexibility to clarify reasonings on subjects, the respondent emphasizes. The structured part allows to create a common set of questions and keep the focus on the issues related to this research. However, flexibility is required as the interviewees differ a lot in personalities and their unique experience with reward-based crowdfunding. Each respondent must be understood as an individual and differences require different questions. Kickstarter is a platform with a global audience and entrepreneurs come from all over the world. Therefore, all five interviews are based on a set of pre-determined questions, which were left open for further discussions. These questions are placed into three categories, which determine the structure and backbone of the questionnaire, as described in the following.

1. Background information about the entrepreneurial journey
   o Motivations for reward-based crowdfunding
   o Idea and business development
2. Entrepreneurship
   o Activities, characteristics, decision-making
   o Goal versus resource-orientation
3. The community
   o Role and impact
   o Ways of communication and interaction

3.3 Validity

Validity refers to *"the integrity of the conclusions that are generated from a piece of research"* (Bryman and Bell, 2011, p. 42). It is always in question related to qualitative research due to subjectivism and interpretivism. This study's scope encompasses five interviews revolving around eight crowdfunding projects (introduced with Table 2), which may be considered small for an empirical analysis. However, as case studies usually do not intend to provide externally valid or statistically generalizable results (Bryman and Bell, 2011, p. 61; Yin, 2009, p. 38), this study is seen as an exploration and learning process into

the phenomenon of reward-based crowdfunding. Nevertheless, generalizable conclusions still may be drawn to a limited extend based on the learnings from a single case (Flyvbjerg, 2006). In that regards, internal validity is accounted to be high, as the collected empirics provide rich information in the applied context of reward-based crowdfunding. In line with Flyvbjerg's (2006) notion of transforming practical expertise into theoretical expertise, the knowledge provided by the respondents represent rich entrepreneurial experiences with reward-based crowdfunding, which provide the main value for the collected empirics. These experiences are of course limited to each respondent's knowledge and provided information may differ in their scopes and their 'richness'. However, the entrepreneurial experience and how entrepreneurs act and decide within reward-based crowdfunding stands at the center of this study and its internal validity. The external validity is rather low, although limited implications can be drawn from reward-based crowdfunding addressing other types of crowdfunding as well as other types of funding in general.

3.4 Bias-related problems

Bias is a common problem with qualitative research, but also a general problem with any research method (Flyvbjerg, 2006). The interviews are based on subjective judgement and interpretation. Thus, bias cannot be entirely avoided. To deal with the intrusion of biases and expectations, the researcher must be self-reflective and use reflexivity (Bryman and Bell, 2011, p. 29 f.). Reading transcriptions after an interview using a self-reflective perspective may reveal biased questions or statements (Bryman and Bell, 2011, p. 481 f.). According to Flyvbjerg (2006), the advantage of the qualitative case study approach lies in the researcher's close distance to the problem, and the possibility to correct statements together with the respondents during an interview. Within this study, the empirics and analysis were processed to the researcher's best knowledge, by also applying different perspectives and methods for structuring, i.e. coding (Bryman and Bell, 2011, p. 585 ff.; Seers, 2012). The applied coding method heavily depends on the researcher's knowledge and preferences. Thus, the identified topics are biased and subjective. Bias may also arise from the conversation with the respondents, as there are different interpretations of i.e. what an innovation or entrepreneur defines. This required discussions to reach mutual understanding, which is not possible in every single point. However, in accordance with the research design as case study, bias is not seen as a major issue, and has little impact on the general outcomes of this research.

3.5   Ethic-related problems

Although this study makes inquiries about entrepreneurial experiences with crowdfunding during the interviews, this is certainly something that may reveal personal and business-related information as each respondent describes a personal journey and the development of his/her business. In that regard it is important to avoid any harm to participants (Bryman and Bell, 2011, p. 128 ff.). Therefore, caution is required during the interview and also when presenting the empirics within this study to avoid ethical issues. However, the major interest of this research lays in the experience with reward-based crowdfunding, not in the business or private aspects of the interviewed individuals. Thus, the investigation moves on a level, which provides a low risk of producing sensitive information. To avoid any ethical issues regarding a lack of informed consent (Bryman and Bell, 2011, p. 132 ff.), the respondents have been informed before, throughout and after the interviews. To eliminate sensitive issues to the furthest extent, each respondent has been informed about the aim and publication of this study beforehand. At the beginning of each interview, the respondent has been provided with a declaration about the audio recording, which remains solely for the researcher's use for a detailed interview transcription, and the option to remain anonymous. No anonymity has been requested. Consequently, a pre-final draft of the interview story and presented business-related information were sent to each respondent, to request their consent. No sensitive issues were addressed and the respondents approved the following presented information.

4   Empirical findings

In the following, the investigated "location" and the respondents are described. The five entrepreneurial journeys with crowdfunding build the main part of the empirics and reflect the experiences of each respondent. The empirics section concludes with an overview and summary of the five journeys.

4.1   The investigated platform and the respondents

Kickstarter represents a typical platform for reward-based crowdfunding and is the most popular and largest intermediary platform on the internet for that type of crowdfunding (Belleflamme et al., 2015; Mollick, 2014). To date (13th June 2018), Kickstarter raised about 3,3 billion US$ from 14,77 million backers, resulting in roughly 145.000 successfully funded projects, which represent a success rate of 36 % amongst all projects (Kickstarter, 2018).

All five respondents launched between one and three Kickstarter campaigns in the past and are presented in Table 2 below. Each interview lasted between 60 and 90 minutes.

Table 2 - The respondents and their Kickstarter campaigns

Name / Country	Company / Industry	Kickstarter campaign	Year	Capital raised & No. of backers
Chris Muscarella / United States	Field Company [3] / Cookware	The Field Skillet – cast-iron pan [4]	2016	~1,63 million US$ 12.553 backers
Maya Santimano / Sweden	Puka Wear [5] / Fashion	Puka Wear African Print Yoga Wear [6]	2016	~18.000 US$ 120 backers
Derek Miller [7] / United States	Cyanide & Happiness [8] / Entertainment	The Cyanide & Happiness Show [9]	2013	770.309 US$ 14.242 backers
		Joking Hazard [10] (card game)	2016	~3,25 million US$ 63.758 backers
		The Cyanide & Happiness Adventure Game [11] (video game)	2017-18	575.377 US$ 14.971 backers
Lotte Vink / Netherlands	Labfresh [12] / Fashion	Odor & Stain Repellant Cotton Shirts [13]	2017	~180.000 US$ 1.164 backers
		Stain & Odor Repellent T-shirt [14]	2018	~397.000 US$ 5.104 backers
Alberto Espinós / Spain	Tropic [15] / Fashion	Tropic - The Ultimate Travel Shoe [16]	2018	~2,48 million US$ 26.284 backers

All respondents except for Derek within entertainment, fall under the category of tech entrepreneurs in the sense of launching start-ups which *"aim at marketing innovative technology-based products for the mass market"* (Roma et al., 2017).

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[3] https://fieldcompany.com

[4] https://www.kickstarter.com/projects/field-company/the-field-skillet-lighter-smoother-cast-iron

[5] https://pukashop.com

[6] https://www.kickstarter.com/projects/1530276172/puka-wear-african-print-yoga-wear

[7] https://sixfigurecrowdfunding.com

[8] http://explosm.net

[9] https://www.kickstarter.com/projects/explosm/the-cyanide-and-happiness-show

[10] https://www.kickstarter.com/projects/cyanideandhappiness/joking-hazard

[11] https://www.kickstarter.com/projects/982292262/the-cyanide-and-happiness-adventure-game

[12] https://labfresh.eu

[13] https://www.kickstarter.com/projects/1655200223/labfresh-odor-stain-and-wrinkle-repellent-cotton-s

[14] https://www.kickstarter.com/projects/1655200223/the-most-advanced-stain-and-odour-repellent-t-shir

[15] https://tropicfeel.com

[16] https://www.kickstarter.com/projects/1466745684/tropic-the-ultimate-travel-shoe

4.2 Five entrepreneurial journeys with crowdfunding

Each experience is presented as entrepreneurial journey with Kickstarter. The terms 'crowdfunding' and 'Kickstarter' are used interchangeably and refer in any case to reward-based crowdfunding. Depicted from the structure of the questionnaire, each entrepreneurial experience is described in regard to three categories: (1) background and reasons for Kickstarter, (2) entrepreneurship, and (3) the community. In these categories, sub-topics have been derived using a simple coding process (Bryman and Bell, 2011, p. 585 ff.; Seers, 2012). These sub-topics result from the application to the transcribed version of each interview.

4.2.1 How a joke turns into an individual project and finally a business

<u>(1) Background and reasons for Kickstarter</u>

Chris Muscarella, who co-founded different companies before, most recently co-founded together with his brother the Field Company. Sometime before, they started *"nerding out about vintage cast iron"*. The cast iron pan, which is an iconic American product tracing back to the 1880s, was always of particular interest of the two brothers. However, they noticed current cast iron pans on the market do not live up to the old standards. Chris says:

> "[it became] a product that used to be much nicer and made much better than it's currently made. […] We kind of joked about it, that we should make something. Then the joke got serious and we started to do some research. After a few months we got into a place, where we said, we can actually do this."

So, that started off as an individual side project first. What happened they acquired the knowledge and resources they needed, to re-engineer the cast iron pan, delivering a new higher standard, creating a product which is a tribute to the old vintage pans. Later, Chris and his brother realized, that this is too ambitious as a side project, they needed a bigger budget, so they decided to go all-in with this project and come up with a more sophisticated plan by pulling *"those things together from multiple different angles: brand, product and business. […] We had to be very committed to make it successful, […] we laid the ground as if we were launching a new brand."*. They gained the impression, the Field Skillet is a type of product, which fits 'organically' well to Kickstarter. In turn, this led to the campaign for several reasons.

<u>Building a brand:</u> With the Field Skillet, Chris and his brother aim to build an iconic American brand, which reflects a certain set of values, and which tells a story:

"You need something that ties the past, this idea of history and culture, where it comes from, but then you also need to make it feel like new and fresh. So, of course you start on the internet, and crowdfunding is a great way to do that."

Kickstarter allowed them to communicate this story, this notion of standing for something more than just the pan, and creating something what people are willing to be part of:

"We saw the opportunity to build a very nice small business with a product and value system we are interested in. We saw that the product itself is very culturally relevant in some very interesting ways, and that if we did a really good job doing that, distributing that, telling that story, we would have a brand and a product that people could believe in. And ultimately that's what a consumer brand is, a consumer brand is like a church, it gives people something to believe in."

Having the right stakeholders: Chris explains, that Kickstarter allows the entrepreneur to deal with a different set of stakeholders. This set basically determines what responsibilities and commitment the entrepreneur has to undertake, to deliver a project. With Kickstarter, *"it limits the responsibilities in some ways you have to other people."*. If you get capital from traditional investors, you have obligations to return that money with profit or giving away equity. With crowdfunding or Kickstarter, your obligations are more simple in a way, that you are going to make the product, which you promised to deliver. However, this does not mean that traditional investors are a bad thing, Chris elaborates:

"I believe one of the keys to be successful, is to have a lot of other people that want you to be successful. […] The challenge with giving up control is: what are the expectations? If you take certain sources of capital, they have their own expectations going along with them. If you are an entrepreneur, you have to understand those expectations."

As an entrepreneur the company is a vehicle for good, social change, whereas investors often look for fast growth and sell the firm at some point.

Staying in control: To choose crowdfunding, was very much a deliberate choice of Chris and his brother. The Kickstarter campaign was a huge success, which motivated them to develop the business further, *"We are growing relatively quickly, mainly because people love our products."*. Chris believes, they could raise more capital and grow faster approaching traditional investors. However, as Chris says: *"From our perspective, we feel very comfortable being in control of our own destiny right now."*

(2) Entrepreneurship

Chris states, *"The word entrepreneur is the best way to describe my career. It's basically all I have ever done. […] If I want to do something, I have to figure it out myself."* He thinks, being an entrepreneur requires a lot of sales skill, you have to make people excited about what you are doing, otherwise they are missing out on something really great.

As an entrepreneur, you need to know roughly which direction to go, but also what you have right now and what resources you can get. Chris is constantly balancing these two states:

> "In any business, you always have to get one thing to work first, before you worry
> about other things. And one of the fastest way to fail in business, is to take your eye
> of the ball so the speak, and trying to be doing things which are 18 months in the
> future, when the thing you have in front of you isn't working."

Regarding the people he choose to work with, Chris emphasizes the assessment of talents you need when putting together an idea, *"Then you go out there and you start talking to people and you are getting introduced to new people, you are trying to get a sense of is this the right talent."*, and finally evaluating, if they understand and if it is a good vibe.

(3) The community

Chris explains that a part of the community are *"people, who love the joy of creation and something new getting made, they like to support that process. And those people are incredibly supportive, when things don't go according plan."*. With any crowdfunding project there is a chance to fail, so a part of what the community is buying into, is the spirit and character of the people who are trying to realize an idea.

Impact of the community: The fact, that the Kickstarter campaign for the Field Skillet was fully funded after 14 days resulted in different impacts. That created a sudden moment of success, which Chris had to deal with:

> "You get to the point, where you don't need to work anymore, but yet you do
> because you have a tremendous sense of responsibility to the community of people
> that use that product, and making sure that it stays in good hands. I think we felt that
> way what happened to us during our Kickstarter, which was 'hey, people love this,
> this feels culturally relevant and important to a fair number of people'. We have
> some obligation doing this thing and see where it goes."

Another reason for the success of the campaign was the publicity it created. Chris refers to a created *"echo chamber among a certain set of people, that should be in your community."*. When these people started to talk about the Field skillet in social media and press, it *"took off*

like a rocket". People got excited and it led to more publicity. However, this success also led to more demanding customers, who see Kickstarter more like a *"e-commerce store like Amazon"* with quick delivery etc. Furthermore, the success led to difficulties handling the communication with every individual, a small start-up like Field Company has limited time and resources for that.

<u>Preparedness to create credibility:</u> Chris emphasized that with their Kickstarter campaign they 'did their homework'. These are signs of preparedness and potential backers can tell if you did yours, if you lined up the pieces to realize the project, if you are realistic about time frames etc. That is a way to create credibility for Chris: *"We made it look inevitable what we are trying to achieve."*.

4.2.2 Going a new path and turning into an entrepreneur

<u>(1) Background and reasons for Kickstarter</u>

Maya Santimano is the founder of Puka Wear, a brand for Yoga wear with a transparent supply-chain tracing all the way back to the source of materials and production. Her entrepreneurial journey started while she was living in Portugal for a year and discovered Yoga for herself. Leaving her past with political science behind, *"it was a super big transition"* for her to follow this new path with Yoga and turning into an entrepreneur, which felt 'more true' to her. Maya could not really develop a proper business plan, as she was on her own, *"I'm just one person, I can't do everything on my own, I'm just going to do my best and see."*, it was rather a feeling to go that path, and see what it has to offer and how far it takes her. She developed this idea of the Yoga pants with African print design, which is not that common to be printed on clothes, and even less on stretchy materials, in other words she combined existing technologies in a new way. As she did her research about the textile industry, she was terrified of the production processes related to cheap labor and chemical materials. Maya elaborates:

> "I really wanted to go into that as a company, as a company you have certain responsibilities, because you are bigger than just one customer. […] Big players are not sustainable, they don't really care about the workers. And I really want to change that. That's what I wanted to bring new to the market. […] willing to be committed, to do something good within the industry, being transparent, fair production, sustainability. That will always be more important than to make money."

Thus, she turned to Kickstarter for several reasons.

Uncertainty & personal development: Maya as a new entrepreneur has to deal with uncertainty, *"Everything was new for me. I didn't know anything about production, design, and so on."* So, she has to learn about this and entrepreneurship. This applies to her whole entrepreneurial journey and exceeds of course the Kickstarter campaign, which Maya explains in the following:

> "This whole experience and adventure with Puka will always be one of the reasons why I do this, I want to keep… not pushing myself, but I want to keep evolving as a human being. To evolve you need to do things which are not so comfortable sometimes. But even the Kickstarter was a big thing to get out of the comfort zone for me."

Product & market validation: Maya's product *"was very straight forward"*, and the first prototype she received was already really good. The simplicity of the product did not require many improvements nor much testing. She saw it as a product which fits well to Kickstarter. As Maya explains:

> "I really like Kickstarter for gathering the community and it's also a really good way to verify your product […] if there is a market for it. In that way Kickstarter is brilliant because first you don't have a product [ready] so you can alter your product depending on the conversation you have with the ones who become interested in your campaign."

Kickstarter made her continue to develop together with the customer. If she does not get funded it is obviously a sign, she needs to change something.

Building a brand & a community: Maya sees the Kickstarter platform as a great way to build a community as a foundation for her start-up. It is a way for marketing yourself and build a brand. What values she wants to communicate, Maya states as follows:

> "I needed to show the world this is the new me. I'm not the one that I used to be, I want to be this really cool, fun, vibrant person, and I want to love life, and I want to go my own path. So, that idea of 'be your color', which is the slogan of Puka Wear, will always be at the center. I want to inspire others to 'do your thing', being true to themselves, and express who you are. And also being a voice for African design, that will always be at the center of the brand."

(2) Entrepreneurship

As implied before, being a new entrepreneur is also a learning process for Maya, which is also a reason she wants to grow Puka Wear gradually:

> "I'm not going to get a big investment for Puka, because me as an entrepreneur, I know there is so much more I need to learn. I want to learn as I go, this will always be like a personal adventure and development for me as a person. That's why I decided to grow Puka organically, then I can follow with my own development. Maybe in 5 years I can think about a big investment. But now, I love doing it this way, you don't need to take huge risky decisions. […] I will make mistakes on my path, so I want to be able to learn from that in a more step-by-step way."

This is also a way for her to minimize risks. In her day-to-day life she has a rather resource-oriented view, so she used this 'step-by-step' thinking to gather knowledge and partners to work with:

> "When I first started out, first I needed to know what African print is, what designers are there, then I learned a lot about the industry behind African print. When I went to Mozambique I found 2 designers, with whom I collaborated […] Now I know what to look for producing, I found one producer, who would produce my low quantities. […]. Then I was like 'I need a website', and I knew a friend to help. […] You just need to pay attention to the signals you get in life."

Furthermore, Maya explains, it is a very personal business she is running. She prioritizes personal life and health over the company as it is a prerequisite to run the company.

(3) The community

For Maya, the community is 'everything'. They are the reason why she could do this, and they represent her network. This network spreads over different channels, such as the Kickstarter campaign itself but also social media, i.e. Facebook and Instagram.

Impact of the community: In Maya's case, product-wise the community demanded more different sizes, resulting in an offer of seven different sizes, which is usually a lot in that industry. Marketing-wise the community helped in the following way:

> "I have a lot of customers, who are like 'this is a good brand, because they are doing it in a fair, open and transparent way.' They are taking the idea and spreading it."

Creating credibility: From the start Maya presented her business as a very personal one. So, she also wanted to create this personal connection to customers:

> "It's very important to be honest, to talk about yourself, and to have a direct communication with them. For all the orders I send a personal note for them to feel like connected, that there is actually a person behind, doing everything.".

4.2.3   Crowdfunding as a tool to create new business units

(1) Background and reasons for Kickstarter

Derek Miller is part of the core team behind Cyanide & Happiness (C&H), which is his major working area. Due to his experience and success with crowdfunding and C&H, Derek also started to coach others creating their campaigns (see i.e. "It's All In Your Head - A Collection of Mental Health Art"[17]) and is about to publish his book "Six Figure Crowdfunding"[18] as a guide for crowdfunders. C&H started off as a web-comic from four creating artists within the entertainment industry in 2004. Later in 2010 they started to create their own animations trying to sell a TV show. Derek joined in 2013, which was also the year to bring the animated series – 'The Cyanide & Happiness Show' - to Kickstarter as the first campaign. Their second campaign was the most successful and introduced a card game based on C&H - 'Joking Hazard' – raising about 3,2 million US$ in 2016. The most recent campaign from 2017 – 'The Cyanide & Happiness Adventure Game' – introduced a video game based on C&H, which is currently in development. After the first campaign, C&H turned into a full-fledged business accounting for 26 employees in 2018 distributed across three companies, whereas each has its peculiar responsibility: animation, card game, and core holding. Kickstarter has served for C&H in several ways.

Creating new business units: As Derek explains:

> "Because of these three Kickstarters, every single one has not just launched a project, but generally a business unit as well. […] Crowdfunding for us has served as a very good way to jump head-first into a new business. We are able to validate our market, we are able to get the product we needed […] without having to invest much on our own ends. So, it's a very useful tool for breaking open new markets for us, without having to convince anyone or trying to persuade a bank or an angel [investor] or something like that."

Creating a new project and business unit was a learning process at the same time, consequently each campaign fostered new capabilities across C&H. This also follows the business strategy of C&H: grow and scale up with each project.

Product and market validation: For the creation of each business unit, it was also necessary to verify the product and market for each unit. Market validation is the main value for C&H with crowdfunding. As Derek elaborates, this means also testing the market, talking to customers, getting feedback. This is something that helps Derek to innovate:

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[17] https://www.kickstarter.com/projects/shawncoss/its-all-in-your-head-a-collection-of-mental-health
[18] https://sixfigurecrowdfunding.com

> "Innovative thinking comes from understanding people and understanding their needs. […] You are not going to get the insight, you get from talking with customers and testing out ideas. […] Every campaign is a hypothesis you test with a market."

Staying in control: Derek emphasizes: *"One of the reasons we went for crowdfunding was control. We've got large infusions of capital without giving up any control. It provided us with a great opportunity to just do what we want as a business."*. As Derek's team is in the entertainment industry, they require freedom in their creativity to create the right product. Business partners, in the sense of traditional investors who would somehow gain control over C&H, or more stakeholders or simply people who tell them what to do, would hamper the projects of Derek's team and constrain their creative process. Thus, launching a Kickstarter campaign was the most appropriate choice to develop the business further. Ultimately, *"Crowdfunding is why our business is here."* and allowed them to stay in full control.

Bargaining power: Derek believes, crowdfunding is underrated in terms of early-stage investment. After a crowdfunding campaign you have a public proof for demand, and thus a stronger bargaining position when approaching new business partners (traditional investors): *"After executing a crowdfunding campaign you say: 'I can find a market', 'I can run a campaign', 'I can produce', 'I can not just come up with an idea, but I can execute on it'."*. In turn, the quality of deal you can get afterwards is much better since you already have proven that you can do something with this product and you have access to a list of customers. Using a platform such as Kickstarter makes your project and business concept publicly visible. It is a public record of raised money and it is more credible, resulting in verifiable historical data.

Public attention: Kickstarter supported C&H to create a large presence on social media. Launch day is of particular importance, as Derek says, *"The size of your e-mail list is the largest predictor of how well your campaign will go."* There is nothing more important than the number of potential customers before you hit launch, so Derek and his team focused on a strong 'Day 1 launch'. Getting funded quickly in the beginning is a good way to get the attention from Kickstarter as a 'featured project', which results in more public press. Derek explains: *"As soon as you reach 100% you can sell the message: 'This thing is real, it is happening.'"*. It is makes people feel comfortable, and also more excited.

(2) Entrepreneurship

As an entrepreneur, Derek describes himself as a 'ready-fire-aim' person, which is pretty much the role he takes within the company:

> "The artists I work with they want to make sure everything is right, they a have a very clear vision. To grow the company, I had to break work against that a bit and push the people just to get things done, put them out there and test them."

This had a very big impact not just on Derek's professional skills, but also on his world view. He became much more attuned with the power of marketing and sales. Derek elaborates:

> "I'm not afraid to charge ahead and test something out, because that's the only way you find solutions. Sometimes it works, sometimes it doesn't. All I try to do is to minimize loss and keep trying. Because then when a big idea comes like Joking Hazard, all those small losses don't matter."

This leads to the next point: risk. Derek mentions that in general entrepreneurs are seen as 'super-risky' people. However, he feels it as an incorrect statement as this description may deliver a wrong impression. For Derek, the entrepreneurs' long-term goal is to minimize loss:

> "A lot of the entrepreneurs I know, myself included, their goal is to minimize loss. They are willing to take risks like a poker player, you can have a good hand, you can have a bad hand, but over the long-term, it's minimizing loss. […] Effective entrepreneurs don't love risk, they just understand it is necessary, so they plan around it."

(3) The community

Derek states clearly: *"They are everything. They are the investor, the community, and the customer at the same time, which we want to make happy. They are our boss."*.

Ways of communication: The way C&H connects to the community is story-telling. As Derek explains, that is what crowdfunding is essentially about. An investor is buying ROI, but on crowdfunding, people buy a story, with which they can personally identify and emotionally connect to, to get a feeling of togetherness, and also to support others achieving their dreams, *"What it comes down to is how effective are you at story-telling. That's one of the biggest key points to the major campaigns I have seen."*. By selling this story, people get a feeling of participation in the joy of creation, thus Derek emphasizes:

> "All marketing communication needs to revolve around that. […] Addressing people with the right story and the right value, identity keeps them engaged, that's what brought them there in the first place."

Creating Credibility: Story-telling is also a part of creating credibility. Telling stories about how the product was developed, and why, those are things people can emotionally connect to and that is what gets them bought in. Gaining trust of the community is absolutely essential:

"Without trust you will raise much less than you actually could.". There are scammers on crowdfunding sites, and due to lack of regulation there is not much one can do about them. In Derek's case, it is of course of advantage, when C&H can refer to earlier executed crowdfunding campaigns. It is a good credibility indicator.

Impact of the community: For Derek, the community has a massive impact:

> "What a crowdfunding campaign accomplishes is unifying your customers. As such, there's a much stronger expectation of involvement through the development of the product in terms of design, development, and the overall direction of the brand. If you're listening and nurturing your crowd, you'll get amazing customer feedback about your product that you'd otherwise have to work hard to get out of a normal, non-involved customer base."

After the campaign the conversation with the community is essential as it provides valuable feedback about how they are using the product, what changes it makes in their life. This helps the entrepreneur to potentially draw new customers, as s/he sees how people identify with a certain product. Marketing-wise there was a great impact on social media, which came from achievement stretch goals introduced in the campaign for the 'Joking Hazard' card game:

> "Instead of traditional financial stretch goals, we based our stretch goals on having our fans send us photos of them doing very dumb things. Then, promoting us on social media worked pretty well for us, because we incentivized our fans to continue marketing the campaign, and that created just a very excellent effect of people trying to loop their friends into this."

4.2.4   Being personal and building a strong, loyal community

(1) Background and reasons for Kickstarter

Based in Netherlands, Lotte Vink is the co-founder of Labfresh, a company which strives for more sustainability within the fashion industry. With two Kickstarter campaigns in the past, Lotte first introduced dress and business shirts, which are technology-infused to make them last longer by repelling any odor and stains. The same technology has been used for basic T-shirts, introduced with the second campaign. These products reflect what Lotte is aiming for with her company:

> "We want to be innovators, we want to create a new standard for clothing […] we just want to make clothing smarter and better, just as good and feel as any other premium clothing, just more technology-infused. Making the most innovative garments out there."

As Lotte elaborates how they innovated, it is clear that it is no revolutionary invention. The applied technologies have been already used for years for outdoor gear for example:

> "We use different technologies that already existed and combined them in a unique way. […] I think it's also about having a commercial mindset, and how can you use this and turn it into something what people want."

There are different reasons why Lotte opted for a Kickstarter campaign.

Product & Market validation: When Lotte ran the first campaign for Labfresh shirts in 2016, crowdfunding respectively Kickstarter was the first choice as it is a great way to test market demand. In particular for Labfresh products, Kickstarter has an important type of customers. Most of the people are men and early adopters who were an important target group at that time. If they do not like the product, one may reconsider it to launch it or not. So, it is a great way to validate an idea before investing a lot of money, which leads to the next point.

Dealing with uncertainty: Lotte explains, they were of course very uncertain in the beginning, which is typical for a start-up in the first year: *"That's why it's such a nice and safe way to do a Kickstarter. […] Money-wise it's a lot safer"*. People place pre-orders before one invests in production. So, for Lotte it is safe way to start, as she does not have to invest so much on her end before the first production. Lotte also manages risk in a different way, as she approached angel investors to collaborate with Labfresh, as *"they can help you and advice you throughout the process."*. Lotte is rather business-oriented, willing to give away equity, as she aims with Labfresh to scale as big as possible, which is another reason to collaborate with angel investors. It is also a confirmation of professionals that they have trust in what you are doing.

Public attention & building a community: Lotte believes, platforms such as Kickstarter are a great way to reach out and build a large base of potential customers. With Kickstarter campaigns one can create something limited and exclusive, resulting in something that Lotte refers to as FOMO (fear of missing out). There is a lot of preparation that happens before 'launch day' of the campaign. Lotte approached journalists to test their product and write about it, getting hands on emails, and also using social media channels, getting people signed up to post in their timeline. Timing was very important here, as it gets all published on launch day, which *"created a virtual flash mob"*.

(2) Entrepreneurship

Describing herself as an entrepreneur, Lotte refers to *"becoming more and more your identity"* and possessing more soft skills, *"Having your own company or being an entrepreneur is also a much more personal development and journey."*. Within the company,

she has more of a manager role, focusing on the employees, and also on the customers in a personal way *"making sure everyone is happy"*. As an entrepreneur she is more tactical and short-minded, focusing and fixing things on a day-to-day basis. But it is also important to look ahead and have a long-term strategy, a vision. However, in the beginning this can be hard due to lack of time, *"Urgency always seems to trump importance."*, which results for some important things not getting enough attention.

Regarding the people she chose to work with, Lotte explains:

> "For me the most important is the gut feeling, people can look good on paper and give right answers, but you have to work so closely with each other… you don't have to become best friends, but you do have to like each other. I think it's always the feeling as you spoke to someone."

In the beginning, Lotte wanted people who are good at different things, to be more of a generalist. Now Labfresh developed to a point, where to roles are more specific and responsibilities are clearer for new team complements.

(3) The community

Regarding the role of the community, Lotte explains that essentially:

> "What you have with Kickstarter, that you build a community which may become an investor of your brand and they tell their friends about it. They are also the nicest customers to have, because they know they're backing a start-up, so if something goes wrong, they are more easy-going on that. […] We treat them like kings."

Treating them well is very important for Lotte, as in their second campaign, there are over 5.000 people trusting her with their money, *"that's something you very much have to appreciate and show them that"*.

Ways of communication: To connect with the community, Lotte uses a wide variety of channels from social media such as Facebook and Instagram to more customer-related options via messenger, chat and emails. Whichever way she uses, she makes it very personal and informal to develop a better relationship to the customer. This helps to create loyalty, and it is more authentic, transparent:

> "We are very personal, with our own faces. What you see is what you get. We also try in our communication not to be over-promising, trying to be realistic. […] also to be very honest, not trying to oversell. Otherwise you get a lot of disappointed customers. If you oversell too much, then you lose your credibility very fast. So, I

guess with our communication we try to be very open, informal and honest. Integrity is a quite important value for the company."

Impact of the community: During the Kickstarter, Labfresh was in its pre-production phase. So, the community has the possibility to influence what product they may get in the end. This is something Lotte utilized to define further stretch goals for the campaign, which resulted to introduce V-neck T-shirts in the second Kickstarter campaign. Lotte noticed that, as Labfresh developed, customers got also more demanding. There is a shift from *"these early-adopters that forgive you pretty much everything"* to more critical customers with higher expectations, which may lead to a bad review when for example a shipping goes wrong.

4.2.5   A holiday trip turns into an entrepreneurial journey

(1) Background and reasons for Kickstarter

Alberto Espinós is the founder and CEO of Tropic, introducing a versatile all-terrain shoe, which ran on Kickstarter as first campaign and developed into a huge success collecting about 2,5 million US$. The idea creating this shoe emerged from pains Alberto and three friends of him experienced while travelling. Alberto saw the inconvenience in his friends, carrying several pairs of sneakers for one trip and destroying their expensive Nikes at the same time. Alberto himself had a cheap sort of aqua shoe from Decathlon, which was durable but not so beautiful. So, they started to think about this new type of shoe, which eliminates the pains of carrying several pairs of sneakers but is versatile and urban style at the same time. The first idea was born, which turned into a product sold as *"The world's first 100% water-friendly sneaker"*. A small batch of 750 pairs was produced and sold out before running the Kickstarter. Learning from this first production run, Alberto and his team improved the concept of their product: *"With the time and with the community we understood, what people are looking for, is an all-terrain sneaker, not a sneaker only for water."*, which resulted in the Tropic shoe promoted on Kickstarter. The campaign has been launched for the following reasons.

Kickstarter as growing platform: Alberto sees crowdfunding in two ways:

"[1] 'I have an idea, I'm a creator, I need the money to start.', or as we see it [2] It's like a huge market place, where you can not just validate, you can use that platform to grow faster than any other can do."

The latter relies very much on preparedness and product testing before launching the campaign: *"This is why we decided to do a small batch before crowdfunding, you need as much information as you can before going for crowdfunding."*. The first small production run

was very important to Alberto prior the crowdfunding campaign as it delivered insightful customer feedback to create a better value proposition with Tropic, *"we had to learn and communicate it another way"*. It was also a way to reduce risk with production and get a better estimate of costs. According to Alberto, there are many crowdfunding projects which lose money afterwards simply because they misjudged costs and profit margins. So, the first small batch was a way to deal with uncertainty and lack of information about the future product and its manufacturing costs. Alberto emphasizes:

> "You have to take it seriously, and make sure what you are promising, you are able to produce it. […] If you fail to deliver to your backers, you lose the opportunity to build a brand."

Building a brand and a community: This connects of course to Kickstarter as growing platform, Alberto explains, *"I think crowdfunding helps companies more than just with the money. It gives you the opportunity to build a brand faster than in other cases."*. In the case of Tropic's current campaign, Alberto says: *"Our client-base, our database, our community grows like a rocket."*. Building a brand with crowdfunding is also part of Tropic's business model, as they plan to launch a campaign every year to introduce new products.

Staying in control: For Alberto it was clear from the start, that they do not want to work with private funds or business angels. They started with their own capital to finance the first small batch and then turned to crowdfunding for the bigger project with Tropic to grow and scale. Alberto states: *"We don't want to have the pressure of private investors, we want to control our own company, we want to grow as we want, we have great ideas, and great plans."*.

(2) Entrepreneurship

Alberto as entrepreneur describes himself as pro-active and a positive guy, believing everything is possible. He is new to the shoe industry, but still he and his business partner, *"we decided to start something because we believe in it"*. Alberto is more of a generalist, he is curious about many things and talks a lot to people, as well as interacting a lot with the team within the company. They work with a strong vision to become a travel brand that addresses the millennial generation. However, there is no long-term plan:

> "We have to go step-by-step, so let's focus on achieve this goal first, creating this versatile shoe, building a huge community around this shoe. Let's try to create a new category, so people talk about us, know us from that. And then start thinking about the next goal…"

Future developments are very much dependent on how things will turn out in 2018 with the Kickstarter campaign. Alberto compares to major companies in the shoe industry:

> "Nike and Adidas are now thinking what they are going to sell in 2021, they make meetings for that now etc. But we are not able to know what we are going to offer. This is like learning until we have a history, without history we can't do anything."

(3) The community

The community is of course a big part of the brand with strong values. There is a lot of communication to connect with the community, which partially happens through story-telling.

Creating credibility: For Alberto it is important to be transparent with people and *"being ourselves and being honest"*. Obviously Tropic is a business, however it also stands for changing the way people travel and being part of the 'wanderlust' movement. This is something Alberto wants to communicate, to create credibility, he does so:

> "with a nice story-telling. Our story is real, we have that problem and we came back and try to solve it. […] we do meetings in our team to discuss what we want to communicate, who we are, what we like about our company, what we like about our shoe, what we want to become…"

It is also about understanding the community, *"if they like our product, is it because of our history, or are they like us, do they love to travel like us."*.

Impact of the community: When doing the first small batch, there was a smaller community, which helped developing the product further. They transformed the idea of the aqua sneaker into the all-terrain sneaker known as Tropic. What also happened, was to create an alternative for the classical shoebox. Alberto realized it is simply a waste of money and people just throw it away, so they created a travel bag for the Tropic shoe.

Due to the success of Tropic's current campaign, people got more demanding. They are asking for more stretch goals, more features, or a free travel bag included, etc. Alberto elaborates:

> "Now we have to start thinking about what we can offer to make the community happy, but without losing money. […] People also try to help, not just to get more things, I know other crowdfunding companies, that used the community a lot to improve the product. […] So, we started that survey, not for improving the shoe, just for the stretch goals."

4.3 Overview - Empirics in summary

In the following, the empirics are presented in summary to give an overview about the different topics that arose during the interviews. This goes along with the structure from the questionnaire, (1) reasons for Kickstarter, (2) entrepreneurship, and (3) the community.

Table 3 below summarizes the mentioned reasonings of each respondent to opt for reward-based crowdfunding with Kickstarter. For the interpretation of this table, it should be noted that the various reasons are not to be seen as strictly separated for each respondent. The marks ('X') are put where each respondent *emphasized* a certain topic. Certainly, building a brand plays a role as well for Derek and Lotte, similar as public attention for Alberto. However, due the nature of qualitative interviews, it was left to the respondents which reasons to emphasize.

Table 3 - Emphasized reasons for a Kickstarter campaign

Reasons	Chris M.	Maya S.	Derek M.	Lotte V.	Alberto E.
Building a brand	X	X			X
Building a community		X		X	X
Staying in control	X		X		X
Product & market validation		X	X	X	
Public attention			X	X	
Dealing with uncertainty		X		X	
Having right stakeholders	X				
Creating business units			X		
Bargaining power			X		
Personal development		X			
Platform for growth					X

Figure 5 below summarizes mentioned topics around entrepreneurship.

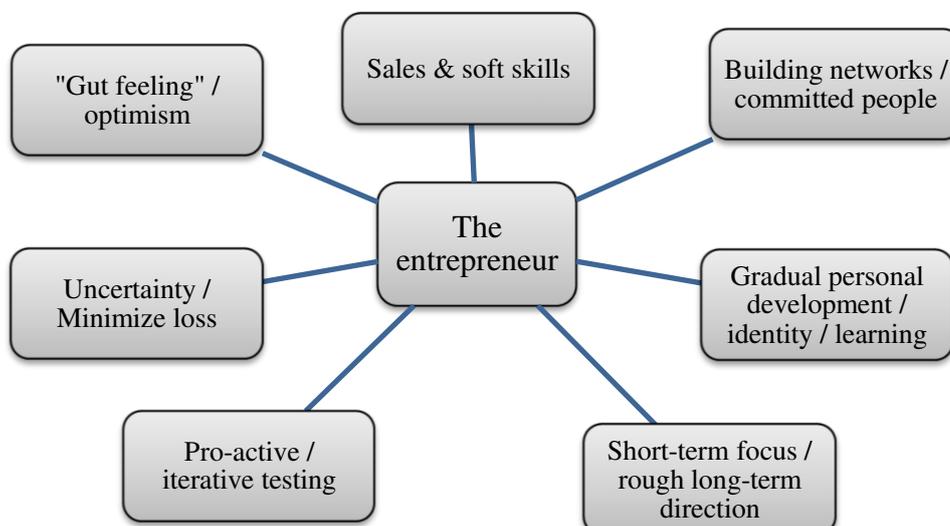**Figure 5 –** Mentioned topics around entrepreneurship

Table 4 below summarizes mentioned topics around the community. These fall into four categories: role, characteristics, interaction & engagement, and impact.

Table 4 – Mentioned topics around the community

Role	Characteristics	Interaction, engagement	Impact
• "They are everything" • King / Boss • Early adopters • Investor / Customer • Representants of the brand and its values	• Supportive • Critical, demanding • "Joy of creation" • Digital presence • Identity / values	• Social media • Story-telling • Informal / personal • Creating credibility and loyalty • Stretch goals	• Growth of network, brand, customer base • Brand development • Feedback / Product development • Responsibility within the entrepreneur

5   Analysis of empirical findings

This chapter deals with the analysis of empirical findings and arisen topics. Derived from the structure of the research questions and the five entrepreneurial journeys, (1) background and reasons for Kickstarter, (2) entrepreneurship, and (3) the community, the analysis is structured in a similar manner to provide answers for the initially posed research questions.

5.1   Motivations to opt for reward-based crowdfunding

While each entrepreneur mentioned individual and some unique reasons to launch a Kickstarter campaign (Table 3), there are several topics in common amongst the five individuals. To take the coding process further (Bryman and Bell, 2011, p. 585 ff.; Seers, 2012), three common themes have been identified based on the reasonings of each entrepreneur, which are analysed in the following to address the first research question (RQ1):

What motivates entrepreneurs to opt for reward-based crowdfunding?

5.1.1   Building a brand and a community

Apart from raising money, crowdfunding is a useful method to build brand awareness during the product development process (Stanko and Henard, 2016). Public attention, building a brand and a community are certainly topics closely connected to each other, which arose across all interviews. Overall, reward-based crowdfunding respectively the Kickstarter platform is seen as a great way to launch a brand, as it is explicitly the case with Chris' Field Skillet, Maya's Yoga wear, Lotte's Labfresh shirt and Alberto's Tropic shoe. All of them introduced a product which represent a brand with a certain set of values, and they utilize

Kickstarter to build and distribute the brand together with the community. This exemplifies the crowd as active consumer which co-create a brand (Hanna et al., 2011).

Building a large community and brand, is also an act of expanding social networks, create awareness of work and connect with others (Gerber and Hui, 2013; Greve and Salaff, 2003). The entrepreneurs put much effort into creating public attention and reach out to as many potential customers as possible. Since crowdfunding utilizes the internet (Mollick, 2014), this happens in form of digital presence on Kickstarter, social media, online press etc. Lotte for example created a 'virtual flashmob' (see p. 31) for a strong start. The first day of the campaign is important as a strong launch day results in quicker reach of 100% funding. This excites the crowd to reach further stretch goals, or in Derek's special case of 'achievement' stretch goals (see p. 30), resulting in building a larger community and a stronger brand.

While the name 'Kickstarter' implies to support in *starting* a company and *launching* a brand, it is an exception to utilize it as a *continuous growing* platform. Alberto emphasized this a lot during the interview and sees crowdfunding as way to grow the brand faster than with any other method. Thus, it is part of their business model to launch a new campaign every year, which is also a strategy that Derek pursues with Cyanide & Happiness, just in a different time manner and with the target to create new business units. Running multiple campaigns is something Stanko and Henard (2016) refer to as 'serial Kickstarters' or 'serial crowdfunders' (Stanko and Henard, 2017). In this case, the entrepreneur may build on previously build social networks and boost community benefits (Belleflamme et al., 2013) to a larger extent.

5.1.2   The learning and development process in the face of uncertainty

Uncertainty is most certainly one of the main reasons why crowdfunding has emerged and became such an attractive option for inexperienced as well as experienced entrepreneurs. The problem of uncertainty goes back to Jensen and Meckling (1976) and their principal-agency theory. To put it in their terms, lack of information is uncertainty, which causes information asymmetries. In terms of Knight (1964), uncertainty can be simply expressed as *not knowing* about future developments. This is something especially Maya is experiencing being completely new on the path as an entrepreneur with her first business, but also the other more experienced respondents when launching their first campaign. They simply do not have the resources to predict the future or any potential demand for their product (Schwienbacher, 2015; Silver et al., 2016). The solution for uncertainty, for 'not knowing' is something embedded very deeply in human nature, it is called *learning*. The desire to learn is one motivation for entrepreneurs and creators to opt for crowdfunding (Gerber and Hui, 2013).

This motivation is very strong in the case of Maya, which does not only apply to launching a Kickstarter campaign, but to her whole entrepreneurial journey. It is a learning process on a personal level. For Derek, it is a learning process as well by creating new business units with new capabilities, but on an organizational level. This learning process happens with crowdfunding in a very safe way, since it is an *"extraordinary way for firms to try new ideas without committing financial resources"* (Silver et al., 2016). In that sense, crowdfunding also minimizes (financial) losses, which is why Maya was not interested in a bank loan for example. Furthermore, Maya, Derek and Lotte emphasized the advantage of reward-based crowdfunding regarding product and market validation. Crowdfunding provides product and market feedback in form of aggregate demand (Mollick, 2014; Schwienbacher, 2015), which is more valuable information than any prediction or forecast.

The problems above with uncertainty are described from the entrepreneur's perspective. However, there is also the case with the (traditional) investor's perspective being uncertain about the entrepreneur (Schwienbacher, 2015). Derek utilizes crowdfunding to reduce uncertainty amongst traditional investors by producing publicly verifiable data of a business concept. This proves Derek's capabilities to execute a project, which attracts professional investors (Roma et al., 2017), and results in, what Derek refers to, higher *bargaining power*.

5.1.3   Being independent - responsibilities and stakeholders

Silver et al. (2016) argue, entrepreneurs have a preference for funding options in which they retain control, which is certainly the case for reward-based crowdfunding. Independence, staying in control of the firm is a preference explicitly mentioned by Chris, Derek and Alberto, and perhaps an implicit motivation for Maya, as she first wants to develop personally with Puka Wear. This is in line with Gerber and Hui (2013), as they found that the desire to maintain control is another motivation for entrepreneurs to choose crowdfunding.

The problem of giving up control is another issue tracing back to the classical principal-agent problem (Jensen and Meckling, 1976) in terms of conflict of interests, which is related to stakeholder management (i.e. McElroy and Mills, 2008). Chris explains, the entrepreneur must understand the expectations of different stakeholders and based on this one can make the decision to give up control or not. In Chris' case, it was a deliberate choice with Field Company to run a Kickstarter campaign, although there was access to traditional investors due to earlier ventures Chris co-founded. Crowdfunding simplified the responsibilities Chris has to his stakeholders, namely delivering a product to its customers, which backers pre-purchased on Kickstarter. Traditional investors would put pressure on Chris expecting

financial returns, and most certainly sell their shares or the company at some point (as depicted in Figure 1). As Chris explained, *"certain sources of capital have their own expectations going along with them"*.

On the other hand, Lotte decided to use a mixed funding method with crowdfunding and traditional investors together. She utilizes reward-based crowdfunding, similar as Derek for bargaining power, to attract traditional investors (Roma et al., 2017). She welcomes 'smart money' (Schwienbacher and Larralde, 2010) and the advice from traditional investors in her business. It is also a confirmation for her, that professionals have trust in what she is doing.

5.2 Entrepreneurial activities in reward-based crowdfunding

In the following the second research question (RQ2) is addressed:

How can the entrepreneurial act be described within this context?

Figure 5 illustrates different topics the respondents described when describing themselves as entrepreneurs and how they make decisions. The decision-making process is of course embedded in each respondent *as an entrepreneur*, which is how they justified the reasons to opt for crowdfunding described just before. Certainly, chapter 5.1.2 "The learning and development process in the face of uncertainty", is not only a motivation for choosing crowdfunding, it is a general entrepreneurial activity, and there seems to be a close connection to how entrepreneurs execute these activities in the context of reward-based crowdfunding.

Uncertainty is a major characteristic the entrepreneur is described with since almost a century now (Kirzner, 1997; Knight, 1964; Schumpeter, 1934) and differentiates the entrepreneurial act from the rational economist (Shockley and Frank, 2011). The entrepreneurial act is a creative one (Kirzner, 1997; Schumpeter, 1934) and the respondents within this study showed this in different forms. Lotte referred to the 'gut feeling' when deciding on people to work with, which is also something Chris referred as getting 'a sense of is this the right talent'. Derek dears to charge ahead, be pro-active, test things out, learn and improve, whereas Alberto reveals to be positive and optimistic and simply believe things will work out. In that regards, Maya delivered the strongest impression making decisions based on feelings:

> "I believe in creating a company where I make decisions, where I feel really centered, and where I create with my heart, I take decisions based on what feels good. With that standpoint, I'm not feeling like I'm taking any risks. […] I know that the outcome will be good in the long run."

For Maya as the most inexperienced entrepreneur compared to the other respondents, it is certainly a necessity to rely on 'feeling what is right' on several fronts, but this is also what keeps her evolving and developing on both a personal and a business level. These examples show what may be generally perceived as irrational, however, these 'gut feelings' are something that Shockley and Frank (2011) found, drives the Schumpeterian entrepreneur.

The creative reasoning process is related to what Sarasvathy calls *effectual reasoning* (Sarasvathy, 2001; Sarasvathy et al., 2008), as illustrated in Figure 3. According to her, uncertainty is handled by entrepreneurs with the principle of *affordable loss* (Read et al., 2011, p. 96 ff.; Sarasvathy, 2001), and strategic alliances consisting of pre-committed stakeholders (Sarasvathy, 2001). Effectuation in action happens as an iterative process as depicted in Figure 4, which illustrates an expanding cycle of resources (Read et al., 2011, p. 116). In that regards, the entrepreneur goes through a learning and development process to acquire new skills, knowledge, funds and stakeholders for a social network. For example, Alberto described himself as a generalist, and his curiosity and co-working with others helps him to learn. Derek and Lotte addressed the sales and soft skills one develops, whereas Chris emphasized the entrepreneur's ability to handle stakeholders. Entrepreneurs have a broad resource and skill set and the way they acquire them is through effectuation. This happens considering the affordable loss while doing these steps. It is obvious, that crowdfunding is a safe way to obtain funding, minimising financial losses, and is much less risky than borrowing money from other entities. Moreover, entrepreneurship is collaborative work (Hui et al., 2014), creating social networks (Greve and Salaff, 2003), whereas crowdfunding allows entrepreneurs to extend into global online social networks (Song, 2015).

In conclusion, reward-based crowdfunding essentially offers some mechanisms, which attract the effectual entrepreneur. It is a way to build social networks, to acquire knowledge and resources through a learning process, while executing these entrepreneurial activities in a safer way (compared to traditional funding methods) by minimizing (financial) losses.

5.3 The relationship between the entrepreneur and the crowd

In the following the third research question (RQ3) is addressed:

What role plays the relationship between the entrepreneur and the crowd?

Crowdfunding allows the entrepreneur to enter a *"broad conversation with a large number of potential backers"* (Stanko and Henard, 2016). Building the community as depicted in chapter 5.1.1, requires the entrepreneur to establish and develop a relationship with the crowd. The community in crowdfunding is certainly a major feature, as it delivers *"the prospective*

benefits of long-term interaction with supporters and the informational and financial feedback they need to build confidence in the uncertain environment of creative work" (Gerber and Hui, 2013). Since crowdfunding happens online via the internet (Mollick, 2014), entrepreneurs interact with them using various web-based technologies, ranging from video, social media, email, blogs, etc. *"to achieve common ground with their supporters when explaining their project idea and value."* (Hui et al., 2014). The challenge with this is of course, to create a personal connection. Face-to-face interactions reduce information asymmetries (Giudici et al., 2018), but due to geographical distance, with crowdfunding the entrepreneur needs to find other ways to engage the crowd. For example, Derek, Chris and Alberto use story-telling to appeal to the crowd, whereas Derek uses achievement stretch goals (see p. 30) in addition to engage the community. Lotte pursues in general a very open, honest, informal and transparent way to communicate with the crowd, to create credibility and loyalty. Furthermore, Lotte found the majority of people are early adopters, who are incredibly supportive towards start-ups. This feedback the crowd provides, are also strong signals for the entrepreneur to go further. As Chris emphasized, the sudden success of the Field Skillet on Kickstarter (see p. 23) created for him and his brother a sense of responsibility, an obligation to the community *"making sure it stays in good hands"*.

Hanna et al. (2011) argue for the pro-active role from consumers as co-creators, which is a special culture in reward-based crowdfunding. The documentary 'Capital C' (Birkhofer and Kundinger, 2014) uses this notion as introduction:

> "In crowdfunding, money isn't just money. […] It is a way in which somebody, an individual, gets to participate in and to feel part of something that matters to her or to him very deeply." – David Weinberger from Harvard University

This shared feeling of the joy of creation, being part of a special community is something that *"satisfies deep human needs for belonging"* (Gerber and Hui, 2013), which is absolutely essential in crowdfunding, as consumers are not simply buying a product. They support a project out of altruism (Giudici et al., 2018), which is something all interviewees experienced.

6 Discussion

When the entrepreneur launches a new start-up or project, s/he can choose from a variety of financial funding methods, which is further a strategic issue the entrepreneur needs to address (Vinturella and Erickson, 2013), depending on the goals the entrepreneur wishes to achieve using a specific funding method in his/her portfolio. Each funding method builds a specific business environment, a context (Valanciene and Jegeleviciute, 2014), and so does reward-based crowdfunding, which brings this study back to its overarching research question:

What characterizes the context of reward-based crowdfunding and how does it impact entrepreneurial processes?

Uncertainty plays a major role for entrepreneurs with early-stage businesses and reward-based crowdfunding offers a safer, less risky way for entrepreneurs to deal with uncertain future developments, which is essential for the entrepreneur's learning process at both, a personal and organizational level. The notion of uncertainty has been applied to entrepreneurs in classical theories (Kirzner, 1997; Knight, 1964; Schumpeter, 1934), and it has been carried on to modern theories about entrepreneurship (Read et al., 2011; Sarasvathy, 2008). This notion distinguishes the entrepreneur from the rational economist (Shockley and Frank, 2011) and explains how entrepreneurs act and reason differently, in an 'irrational' way. The context of reward-based crowdfunding allows the entrepreneur for effectual reasoning without the necessity to predict the future (Sarasvathy, 2001), while staying independent from traditional investors, which is certainly a less constraining environment for *creative* entrepreneurs.

The other major part of the context of reward-based crowdfunding is how it is embedded in the internet, fostering social media and social networks, building a prominent digital presence. Crowdfunding is a web-based service innovation, which combines resources such as information, skills and knowledge and proposes a new way how actors exchange these resources (Barrett et al., 2015). In that regards, reward-based crowdfunding is an example of an interactive social-media driven business model, which encourages customers to co-create in marketing communication, building brands and product design (Hanna et al., 2011). This creates synergies for the entrepreneur extending his/her social network. Entrepreneurship is collaborative work and *"the relationship that crowdfunders maintain with their community of creators and supporters sets it apart from typical entrepreneurial work"* (Hui et al., 2014). So in that sense, the phenomenon of reward-based crowdfunding reveals new opportunities for the entrepreneur, which allows him/her to pursue new ideas, new strategies and realize creative solutions. It seems, that crowdfunding may reveal new adapted forms of entrepreneurship in the future.

Concluding, reward-based crowdfunding platforms such as Kickstarter offer mechanisms, a context and business environment, in which entrepreneurs are encouraged to execute their entrepreneurial activities: their creative acts (Kirzner, 1997; Schumpeter, 1934), effectuation at affordable loss (Read et al., 2011, p. 96 ff.; Sarasvathy, 2001), while exploiting the benefits of extending into large social networks to co-create (Hanna et al., 2011) a product, a brand and a community together with a large base of potential customers.

6.1   Crowdfunding – complement or competition to traditional funding?

Chapter 2.2.2 (p. 7) described crowdfunding as a complement to traditional funding methods. Existing literature argued, crowdfunding fills a gap of financing options (Valanciene and Jegeleviciute, 2014). It can be utilized to demonstrate demand (Mollick, 2014) and consequently attract traditional investors (Roma et al., 2017). So, from a life-cycle perspective crowdfunding is seen as one step for start-ups to get funding, and then turn to traditional investors to grow. This also relates to the fact, that crowdfunding attracts much smaller amounts of funding compared to traditional methods (Belleflamme et al., 2013), at least at the moment. In that sense it is seen as a complement. However, the respondents within this study showed incentives, which entirely rely on the advantages and mechanisms of crowdfunding. Alberto for example emphasized the huge advantage of crowdfunding to build a brand and a community, while staying in full control of the firm. So for him and Tropic, there is only little advantage, if at all, to collaborate with traditional investors, to have additional stakeholders, and promise financial returns in some form. For Chris, it was a deliberate choice to crowdfund, although there was access to traditional forms of funding. His interests are to stay in control as well and grow Field company more organically. Derek with Cyanide & Happiness also emphasizes to stay in full control. They are interested in attracting external capital via other ways than crowdfunding, but this is then in the sense of contracting for selling a number of seasons of their show to a broadcast channel, thus, simply selling the product they create, not equity.

If crowdfunding is a complement or competition to traditional funding methods is perhaps dependent on what kind of business one pursues, and what interests one has in growing, equity, etc. However, the growing popularity, number of crowdfunding platforms and people attracted to them (Belleflamme et al., 2015; Silver et al., 2016) certainly leads to larger amounts raised via crowdfunding. So at a point, where an entrepreneur does not see any incentives anymore to collaborate with traditional investors, crowdfunding becomes a substitute to traditional methods, and starts competing with them.

6.2   The connection between crowdfunding and entrepreneurship

Existing literature around crowdfunding as well as this study applying entrepreneurial perspectives, possibly generate an impression to relate crowdfunding strictly to entrepreneurship. However, this also raises the question, if (reward-based) crowdfunding really is limited to the actions of entrepreneurial individuals or groups. There are two common definitions used in crowdfunding literature, one provided by Mollick (2014), which has been introduced for theory and used as a basis for this study:

> "Crowdfunding refers to the efforts by entrepreneurial individuals and groups – cultural, social, and for-profit – to fund their ventures by drawing on relatively small contributions from a relatively large number of individuals using the internet, without standard financial intermediaries."

The other definition is from Schwienbacher and Larralde (2010), describing crowdfunding as:

> "…an open call, essentially through the 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."

Comparing these two definitions, the latter allows for a broader application, as Schwienbacher and Larralde (2010) basically emphasize a resource exchange between undefined actors, with the goal to acquire financial resources via the internet for any kind of purpose. In contrast there is Mollick's (2014) definition, who relates crowdfunding to entrepreneurial actors, specifically addressing the funding of ventures and implying that crowdfunding is rather something exceptional since it happens "without standard financial intermediaries". Mollick's definition is certainly useful in the context within this study, however, there are signals which may point to a broader use of crowdfunding, in which Schwienbacher's and Larralde's definition may be more appropriate. It seems that larger and well-established corporations make use of crowdfunding as well. For instance, Alpina [19], a Swiss watch manufacturer dating back to the 19th century, attempts to exploit the mechanisms of crowdfunding introducing a new product, which is possibly an example for corporate or enterprise crowdfunding (i.e. Muller et al., 2014). The question remains how 'entrepreneurial' are these corporate undertakings. Perhaps this points to a new dimension within the theoretical fields around *corporate entrepreneurship*. Treating crowdfunding platforms such as Kickstarter as social networking platforms (Agrawal et al., 2015) and to gain financial resources, certainly attracts entrepreneurs, but does not limit crowdfunding to this type of actors.

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[19] https://www.kickstarter.com/projects/536565656/alpinerx-the-most-beautiful-outdoors-smartwatch

6.3   How safe is crowdfunding when dealing with the masses of the crowd?

The conclusions drawn from the empirical analysis illustrate reward-based crowdfunding as a *safe* environment for entrepreneurs to test and develop ideas and projects. This invokes questions such as: Under what circumstances is it safe? How far does this safety reach? What risks does crowdfunding bear in comparison with traditional methods? How far does the impact of the crowd reach? Do *they* build the brand? How to control the masses?

At the moment, Kickstarter does not constrain campaigns in regard to how many backers or how much funding a project may receive. Although, when defining various rewards, the entrepreneur may define a limited available amount of each reward. Regarding the production risk in crowdfunding (Schwienbacher, 2015), it seems that many entrepreneurs face difficulties estimating them and handle them accordingly. As Mollick (2014) found, about 75% reward-based crowdfunding projects are delayed in delivery. In extreme cases, entrepreneurs may underestimate production costs which could result in quite damaging consequences for the entrepreneur, his/her venture and the brand. The second most funded Kickstarter campaign to date (14th June 2016), the Coolest Cooler [20], raised over 13 million US\$. However, despite the huge success on crowdfunding, the team behind that project underestimated further product development and costs, which left 36.000 customers still waiting for their reward two years after the campaign finished (Beck, 2016). Most certainly, the project creators were simply overwhelmed and not prepared for the impact by the masses of the crowd and the attention and capital they received. At this point it becomes questionable, what resources the entrepreneur possesses, to control and handle such situations. When a crowdfunding project fails as in this case, it causes damage not only to the entrepreneur's project and brand, but also to the crowd and the image of crowdfunding, as the crowd sacrifices a certain amount of trust when supporting crowdfunding projects.

To put this issue in contrast with traditional methods (as in Table 1), in crowdfunding the entrepreneur may stay in full control of the firm, but this also goes along with carrying the risks and responsibilities. When collaborating with traditional investors such as business angels and venture capitalists, the entrepreneur has the option to distribute control and risks amongst various actors, relying on more professional expertise for business governance and strategies (Vinturella and Erickson, 2013). This also motivates collaborators to find solutions together in the face of unexpected developments, which is more difficult in crowdfunding as the crowd does not 'give second chances' (Schwienbacher, 2015).

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[20] https://www.kickstarter.com/projects/ryangrepper/coolest-cooler-21st-century-cooler-thats-actually

6.4 Crowdfunding as project stakeholder management

Entrepreneurs have a broad skill set, and part of it goes into project and stakeholder management, as Derek and Chris revealed more explicitly while addressing crowdfunding projects with budget and time frames, or stakeholders and their interests. Obviously crowdfunding projects call for temporary organizations (Cova and Salle, 2005). On crowdfunding platforms such as Kickstarter, the entrepreneur defines a required budget within a pre-defined time frame. However, this is also a challenge. Usually, entrepreneurs may alter their plans acquiring new knowledge. This flexibility is restricted in crowdfunding campaigns as the entrepreneur may acquire new knowledge based on the community's feedback, but still has to work with the time restriction at least. 'Too' successful campaigns exceeding the required budget by a multiple, may overwhelm the entrepreneur, which bears risks for delays or even failure (Mollick, 2014). Regarding the success of projects, the old-fashioned way is to measure it against the outcome of a project's core constraints: time, cost and quality (Atkinson, 1999; Westerveld, 2003). In crowdfunding campaigns there is a similar approach by measuring the received funding of the crowd against the entrepreneur's required budget, and base the evaluation of success on this (Belleflamme et al., 2013). However, there have been critics if this old-fashioned way of measuring success still stands valid in today's age (Atkinson, 1999; Westerveld, 2003). Atkinson (1999) described a certain reluctance in project management to include other success criteria beside the core constraints, but overall, the validation of a project as successful depends on personal beliefs. Therefore, Atkinson (1999) proposed additional success evaluation criteria, amongst other *"the benefits of the stakeholder community"*. Westerveld (2003) highlighted, that success criteria also depend on project context, as the setup of the project and its stakeholders may vary. In the end, the judgement of project success is made by its stakeholders. Mollick (2014) found in his study, that the entrepreneur's social capital (e.g. social networks) and his/her preparedness regarding a crowdfunding campaign are related to quality signals and have an impact on project outcome.

Certainly, the crowd is the largest stakeholder for the entrepreneur in crowdfunding campaigns, and the ways they interact and co-create illustrates a certain relationship, which may be assessed through the lens of project marketing (Cova and Salle, 2005). According to McElroy and Mills (2008, p. 760), stakeholder management in projects is *"the continuing development of relationships with stakeholders for the purpose of achieving a successful project outcome"*. The development of relationships also relates to trust, as trust between stakeholders enhances cooperation and in turn positively influences project performance (Pinto et al., 2009). Managing the relationships well, will improve trust among stakeholders.

This is what several entrepreneurs within this study utilized by creating credibility to boost the success of their crowdfunding project. McElroy's and Mills' (2008) definition emphasizes the dynamics of stakeholder management, characterized by a two-way negotiation process and developing relationships. The social network approach emphasizes the relationships built between the entrepreneur and the community, whereas the planning phase (setting up the firm) requires the largest network and most time to develop relationships (Greve and Salaff, 2003). In order to achieve a successful crowdfunding project, the entrepreneur has to communicate regularly with the crowd to maintain the relationship, which is further related to the quality of a crowdfunding campaign (Mollick, 2014). Concluding, the entrepreneur's effort in how often and in which way s/he communicates with the crowd, has an impact on how trust is built, and relationships are developed. This is important in reward-based crowdfunding projects to enhance cooperation between stakeholders and consequently promote project performance and success (Pinto et al., 2009). To ensure success of crowdfunding campaigns, the entrepreneur should consider the different interests of various stakeholders (Valanciene and Jegeleviciute, 2014), as well as the relationships between them (Cova and Salle, 2005; McElroy and Mills, 2008), and the communication between entrepreneur and community (Mollick, 2014) in order to extract value from community benefits (Belleflamme et al., 2013). Such a stakeholder approach, considering specific business environment or contexts, may prove as a useful method to evaluate the entrepreneur's business idea, as it allows the entrepreneur to consider the interests of various stakeholders and therefore recognize the 'big picture'.

7 Conclusion

This explorative study delivered valuable insights based on practical expertise about the phenomenon of reward-based crowdfunding and what its peculiarities are in contrast to traditional financing options. Crowdfunding and the mechanisms it offers point to adapted or perhaps unrevealed forms of entrepreneurship and new types of utilizing social networks. In that regards, we are to wait and observe what paradigm shifts the fields around crowdfunding and entrepreneurship may experience in the future.

7.1 Future research

Previous chapters are implications for future research. In regard to crowdfunding as competition to traditional methods (ch. 6.1), further empirical evidence is required, how it competes in terms of raised funding, what advantages and disadvantages it bears compared to

traditional methods and so forth. It is certainly of interest, what shift crowdfunding causes within the entrepreneur's portfolio of possible financing options. Further research may also point towards companies exploiting the mechanisms of crowdfunding, as addressed in chapter 6.2. Moreover, this study identified 'the role of the crowd' as one of two research gaps but provided only limited answers also in regard to RQ3. The 'dangers of the masses' (as addressed in ch. 6.3) possibly opens up for a new dimension within the theories around crowd management related to crowdfunding. Finally, crowdfunding as project stakeholder management (ch. 6.4) may reveal insights, how entrepreneurs manage stakeholders, their interests and develop relationships, to boost the success of campaigns.

Entrepreneurial activities are closely related to innovation (Schumpeter, 1934), and there is a parallel from how effectual entrepreneurs transform possibilities into opportunities (Read et al., 2011, p. 4 ff.; Sarasvathy, 2001) to how inventions turn into innovations. An innovation perspective may reveal further insights related to the mechanisms of crowdfunding.

Lastly, existing literature around crowdfunding addresses the crowd and community, however the notion of the brand and its values is addressed to a rather small extent. The study of Belleflamme et al. (2015) is a rare example, which provides implications for brand development in early-stage businesses with crowdfunding. This research delivered insights that the community is closely related to brand development. In that regards, further research is required how brand communication, co-creation (Hanna et al., 2011), consumer identification, etc. is utilized in the case of crowdfunding.

7.2   Critical review of this study

This study as an exploration came with a broad entry into the field of crowdfunding and entrepreneurship. Due to scope limitations the focus has been put on reward-based crowdfunding, and only entrepreneurial perspectives have been considered. In that sense, it can be seen as a 'one-sided' study. The accumulation of traditional methods is somewhat unprecise, and does not allow for detailed comparisons (for an overview of traditional methods see i.e. Clercq et al., 2006; Vinturella and Erickson, 2013). For a bigger picture and further research, it is certainly of interest to respect the view of backers in crowdfunding, as well as considering traditional methods more specifically for more detailed comparisons.

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