Crowdfunding for Sustainable Entrepreneurship and Innovation

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A digital transformation is underway. One that is redefining the essence of human interaction and with ideas, share unused resources and create new on-demand services that are customisable and unique. These are only a few examples of real productivity that when layered on the Internet creates an abundance of resources and opportunity. This people-powered abundance is called the crowd economy. It is the way the society lives, works and plays. There is a new paradigm shift that challenges traditional notions of the “norm” while expanding possibilities. The hallmark of the digital age is social connections that are boosted by the web and mobile networks. These technological advances have taken collaboration and cooperation to a level never seen before. Social connections through the web have gone beyond social media likes and shares and has evolved into social productivity - a phenomenon that arises when networked crowds collaborate to solve problems, raise funds, and come up with innovative ideas and solutions.

This chapter focuses on the transition towards a new economy, where Europe can find untapped sources of growth and employment, renewing the legitimacy of public policy-making, especially through greater citizens’ involvement and by delivering better public services for all. The chapter analyses the perspectives of Europe in 2050 following three dimensions: Global and European demographic changes; Economics, energy, environment and technological prospects; Geopolitics and governance. The concepts of trust, co-creation, sharing and sustainable economy, innovation, and social innovation are presented as the key ingredients of the “new” economy.
Chapter 3
Crowdsourcing New Tools to Start Lean and Succeed in Entrepreneurship: Entrepreneurship in the Crowd Economy

Priti Ambani, The Next Billion, New Zealand

The very essence of the new entrepreneur is shattering tradition. On the heels of the new social internet, we are seeing the rise of the solo-entrepreneur or intrapreneur who embraces globalisation, failure and successes and collaboration. Powerful networks brought together by crowdsourcing are supplying the tools to start lean, innovate and solve complex problems. This chapter by Priti Ambani explores the changing ecosystem and the effect of networked crowds on starting lean and succeeding with entrepreneurship.

Chapter 4
Crowdsourcing Social Innovation: Towards a Collaborative Social Capitalism

Emanuele Musa, Babele, Romania

The growing awareness of humanity’s finite resources and recognition of the limitations of one-off projects are prompting step changes in development planning. Sustainable development addresses the limitations of current practices; its aim is to achieve the triple bottom line of economic prosperity, environmental quality and social equity, meeting the needs of present society without compromising resources for future generations. Collective intelligence is considered by both Charles Leadbeater (former advisor to Tony Blair) and MIT as one of the most powerful ways to tackle complex problems, like climate change. This chapter explores the principles of crowdsourcing, its applications and the main trends. It presents theories, practices and examples of the use of crowdsourcing to innovate in the area of sustainable development for the common good. It announces the rise of collective brain-power to the challenge of creating better and more effective forms of civic and social engagement to solve problems on a world scale.

Chapter 5
The World’s Oldest Profession - Now and Then: Disruption of the Commercial Banking Model

Steven A. Cinelli, REMARQ, USA

Modern banking found its roots during the Renaissance period casted by the European merchant banks. Their success was due in large part to their aggregation, absorption and deployment of information about borrowers, structures and markets. In the 21st century, banking again is being advanced due to insights developed by vast amounts of information and data, this time gathered and managed through new technologies and models, in quest of efficiency, improved risk management and improved portfolio performance. New entrants into the business of banking operate outside of existing regulatory structures, and may enjoy a level of competitive flexibility compared to existing commercial banks. Might this portend the end of the so-called modern commercial banking model, or might it serve as a strategic imperative for the banks to adapt to innovation?
Chapter 6
The Crowdfunding Market, Models, Platforms, and Projects

Melek Demiray, Istanbul Technical University, Turkey
Sebnem Burnaz, Istanbul Technical University, Turkey
Yonca Aslanbay, Istanbul Bilgi University, Turkey

The changing structure and intensity of competition on one hand, the ongoing pressure on creating differentiated offerings lead to seek out new ways to improve technology as well as new ways to perform business. Technological developments enable market participants or other interest parties to engage in the process of both innovation and production, resulting with an online social network market model of co-creation. This chapter focuses on describing different aspects of recently developing crowdfunding market models where new projects are offered and funded by large number of individuals from general public. The current extent and dynamics of the growing crowdfunding market, various models of crowdfunding, crowdfunding platforms and the projects that are crowdfunded are analyzed through the chapter by giving examples and comparative comments. The analysis of the market is concluded by the foreseen future trends.

Chapter 7
Horizontal Crowdfunding Platforms: Socio-Economic Impact and Exogenous/Endogenous System of Rules

Tomaso Greco, Università degli Studi dell’Insubria, Italy

In recent years arose a multitude of crowdfunding platforms of different nature and with different goals. In this chapter some peculiar aspects of crowdfunding platforms will be examined, both in terms of their socio-economic impact and in terms of the exogenous and endogenous system of rules with which they interact. Crowdfunding is not governed exclusively by the rules of law and the regulations of the platforms that host it. Every campaign involves the construction of a community, with its specific rules, that are in part pre-established by the campaign creator and in part the result of the interaction of the community. However, these rules do not live in a closed set, building a case history to which the future campaigns will not necessarily have to conform, but with high probability they will use as a parameter. Although it is not possible to identify the rules that are common to all the crowdfunding campaigns, could be observed an evolution mostly harmonic between different campaigns with respect to the methods, the mechanisms of involvement and, of course, the rules.

Chapter 8
Vertical and Community-Based Crowdfunding Platforms

Tomaso Greco, Università degli Studi dell’Insubria, Italy

If the inherent nature of the horizontal crowdfunding platforms makes the relationship between campaign creator and backers basically without intermediation of the platform, in the case of vertical platforms there are different and sometimes complex levels of intermediation. The vertical crowdfunding platforms can be considered more than a subset of the horizontal crowdfunding, as an independent system of relationships and rules which has in common with the horizontal crowdfunding a large part of the fundraising methods, but that is also profoundly different with respect to the aggregative procedures and the system of rules.
Chapter 9
The Crowdfunding Communities and the Value of Identification for Sustainability of Co-Creation

Melek Demiray, Istanbul Technical University, Turkey
Yonca Aslanbay, Istanbul Bilgi University, Turkey

For a sustainable future, the actors of the market need a change in spirit that will elevate the life-chances of people by being an “empowered part” of the economic system. A participative, open knowledge economic and market system that will ensure the material well-being, the social visibility, the happiness and the consciousness of the individual is essential. Crowdfunding, as a recent online social community network market model is to be a new socio-technical system of co-creation through self “making and funding”. The aim of this study is to discuss the role of identification in co-creation for sustainability of newly rising crowdfunding communities. In line with this objective, the following two aspects are clarified: the key characteristics of crowdfunding platforms as online communities and the role of identification for co-creation in online crowdfunding communities.

Chapter 10
Principles in Crowdfunding Benefits and Validation Tools: How to Ensure Campaign Success

Paul Morrell Niederer, Crowdsourcing Week, Australia

This chapter provides the key benefits of a crowdfunding campaign together with a rich variety of validation tools provided to enhance the chance of a crowdfunding campaigns success. Benefits cannot be achieved in a crowdfunding campaign if it is not successful. Thorough validation of the campaign upfront can heighten success. The author in an internationally respected crowdfunding authority who has managed over 300 crowdfunding campaigns through the platforms he has been involved with. The author lists 11 benefits and 11 validation tools together with his own road tested processes plus a plethora of links to tools to assist both the novice and experienced crowdfunder.

Chapter 11
Crowdfunding as a Marketing Tool

Fabio Allegreni, Crowd Advisors, Italy

Most people, at a first sight, perceive Crowdfunding as a specific and exciting process to raise money. Of course, this is correct, but it is not the whole truth. A successful crowdfunding campaign must be addressed to a community of people, rather than to an indiscriminate crowd, which is also typical for any marketing strategy. Leveraging on this key element, crowdfunding can amplify almost any kind of communication activity, provided it is able to meet the needs of a community and to provide the benefits that the community expects. Therefore, if well exploited, crowdfunding is a powerful tool in the hands of marketers, whose potential goes far beyond the evidence of pre-selling a new product, to reach new marketing horizons such as branding, business development, CRM, credit scoring and even HR management.
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Legal Aspects and Regulation in Crowdfunding: Comparisons across Countries ..................................... 204
Alessandro Maria Lerro, Associazione Italiana Equity Crowdfunding, Italy

Crowdfunding started with the donation-based and reward-based models, but soon its disruptive capacity to innovate the traditional approach to finance made it evolve into an alternative finance instrument, suitable to fund new business. Peer to peer lending and equity crowdfunding are investment instrument that can truly sustain the growth of businesses and generate profits. As any investment instrument, lending and equity crowdfunding are heavy regulated in order to protect investors and maintain a proper trust in the system. This chapter will go through the American and European main regulatory principles, offering a picture of the overall approach to this innovative and disruptive financing tool.

Chapter 13
How to Launch a Successful Crowdfunding Campaign ........................................................................... 224
Ronald Kleverlaan, CrowdfundingHub, The Netherlands

This chapter provides insights into the important characteristics of a successful crowdfunding campaign. It starts with providing the fundamentals of crowdfunding and shows the reasons why it is important to find the right target groups and communities for a campaign. It describes in details the Return on Involvement model, what the funders want in return for their support. In the second part the additional results of crowdfunding are discussed, such as market research, marketing, brand loyalty and the possibility to use crowdfunding to raise additional funding. The last part of this chapter will focus on the background of setting up and running a successful campaign.

Chapter 14
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Steven A. Cinelli, REMARQ, USA

Like a juggernaut, “crowdfunding” has hit the media, the financial markets and the common narrative by storm. Incipient in many ways, the intermediation of financing transactions online has become a billion-dollar industry. As technology has advanced, even recreated, industries, there seems none more primed than “finance”, an inherently information business. By creating improved efficiency, both art and science of finance are enriched. A 21st century vestige of the 1980’s syndication business, real estate seems to be enjoying the fruits of the crowd, with $1 billion of property financings conducted online in 2014, with an expected $2.5 billion this year. For sponsors and investors, there appears legitimacy to the online approach, underscored by the level of venture capital now finding home in this burgeoning sector. Yet, like its progenitor, might real estate crowdfinance find legislative, regulatory, and practical headwinds, stunting its progress? Still early, with business models, scalability and sustainability still suspect, the current momentum seems promising.
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The Application of Crowdfunding to the Energy Sector .............................................................. 266
Chiara Candelise, Bocconi University, Italy

Crowdfunding in energy begins as a response to reduced investments (both governmental and private) into the transition to decarbonized energy systems and to the spread of innovative business models and approaches conductive of greater participation of citizens and communities in distributed renewable energy projects. This chapter presents results of a worldwide overview of the use of crowdfunding in the energy industry. Evidence gathered from available energy crowdfunding platforms highlight a very new, but quite dynamic sector. The crowdfunding tool has been applied in most of its forms, ranging from peer-to-business lending to pure donation, with strong environmental and social mission and the explicit aim of increasing participation of citizens in sustainable energy investment. Evidence also shows that, despite maintaining their environmental and clean energy focus, some energy platforms have begun to move from niche, grass root initiatives into larger projects and collaboration with energy private sector and institutional finance.

Chapter 16
A Crowd-Funder Value (CFV) Framework for Crowd-Investment: A Roadmap for Entrepreneurial Success in the Contemporary Society .......................................................... 288
Payal Jain, University of Northampton, UK

Crowd-funding is used by business and social entrepreneurs to fund projects that impact society in many ways. Although crowd-funders fund and support entrepreneurial projects, stakeholders are less aware of crowd-funder motivations and behaviours towards products/services, which impact on the success of these projects. The purpose of this research, therefore, is two-fold: a) development of crowd-funder value framework for understanding crowd-funder motivations; and b) provision of robust theoretical basis to the construct of ‘crowd-funding’. Different social constructs, such as social identity, and symbolic, crowd and relational social capital related to crowd-funding are discussed based on symbolic convergence theory of communication and social identity theory. This framework will act as a roadmap to understand how crowd-funder motivations impact and create value for individuals, organisations and society, and inform how social, environmental and economic value and impact can be maximised through crowdfunding initiatives.

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