Choosing crowdfunding: Why do entrepreneurs choose to engage in crowdfunding?

Article *in* Technovation · September 2021

DOI: 10.1016/j.technovation.2021.102385

3 authors, including:

Kristian Roed Nielsen
Copenhagen Business School

Title: Choosing Crowdfunding: Why do entrepreneurs choose to engage in crowdfunding?

Authors: Louise Bech Junge[a], Iben Cleveland Laursen[b], and Kristian Roed Nielsen[c] (Corresponding author)

[a] MSc in Management of Innovation and Business Development, Copenhagen Business School, Department of Management, Society and Communication, Dalgas Have 15, 2000 Frederiksberg, Denmark. E-mail: lbj@crowdnerds.dk

[b] MSc in Strategy, Organization, and Leadership, Copenhagen Business School, Department of Management, Society and Communication, Dalgas Have 15, 2000 Frederiksberg, Denmark. E-mail: Iben@nomas.dk

[c] Assistant professor, Copenhagen Business School, Department of Management, Society and Communication, Dalgas Have 15, 2000 Frederiksberg, Denmark. E-mail: krn.msc@cbs.dk, Tel: (+45) 3815 3428

Abstract: As crowdfunding becomes an increasingly common source of financing for a diverse range of entrepreneurs, this paper seeks to add to the literature by qualitatively exploring why entrepreneurs choose to engage in crowdfunding. We find that entrepreneurs often engage in crowdfunding as a first resort with three distinct motives; to raise capital, to validate a business idea, or to create brand awareness. Especially reward-based crowdfunding is often seen as a tool for validate a business idea or generating awareness not as a source of finance. Finally we observe that entrepreneurs' motives for engaging in crowdfunding often correlate with their maturity and thus motivations for engaging in crowdfunding shift as they mature.

Keywords: Crowdfunding; Entrepreneurship; Finance; Life cycle; Motivation

PLEASE CITE: JUNGE, L.B., LAURSEN, I.C. & NIELSEN, K.R., 2021. CHOOSING CROWDFUNDING: WHY DO ENTREPRENEURS CHOOSE TO ENGAGE IN CROWDFUNDING? TECHNOVATION, P.102385. AVAILABLE AT: HTTPS://DOI.ORG/10.1016/J.TECHNOVATION.2021.102385

1. Introduction

Increasing access to innovation finance has long been seen as crucial for promoting economic growth and innovation by overcoming the significant barriers faced by entrepreneurs in the form of financing constraints (Kerr & Nanda 2011). With the emergence of crowdfunding, a rapidly expanding new source of innovation finance has emerged that enables entrepreneurs to forego traditional financiers such as venture capitalists and instead target a geographically dispersed 'crowd' of consumers, lenders, and small investors (Mollick 2014; Zhang & Chen 2019b). With the growing popularity of crowdfunding, researchers have increasingly turned their attention to understanding this emerging phenomenon, including examining the antecedents of campaign success (Mollick 2014), the geographic distribution of resources (Gallemore et al. 2019), and the interactions between backers and campaign founders (Brem et al. 2019; Chaney 2019). Scholars have additionally sought to identify how crowdfunding might differ from other sources of innovation finance, both in terms of geographic distribution (Sorenson et al. 2016) and in the motives for supporting a given entrepreneur (Lehner 2013). As confirmed in a recent study by Pollack et al. (2021, p. 252), however, "we still know relatively little about entrepreneurs' motivations to engage in crowdfunding". Our paper thus responds to a growing call in the literature for further examination of the reasons why entrepreneurs choose crowdfunding (McKenny et al. 2017; Short et al. 2017). On the basis of 20 in-depth interviews with entrepreneurs, we set out to explore *why and when entrepreneurs choose to engage in crowdfunding*.

Ascertaining the motives for crowdfunding is of particular importance in view of a widespread tendency we observe in the literature to assume that crowdfunding constitutes a "last resort" means of financing for entrepreneurs (Pietro et al. 2021) who would otherwise not be eligible for funding because of their geographical remoteness or because their aims do not align with the interests of investors (Fleming & Sorenson 2016; Testa et al. 2019). Moreover, it is widely assumed that entrepreneurs who engage in crowdfunding do so with the primary aim of raising capital and that in doing so they follow a linear trajectory from rewards-based to loan-based and finally equity-based crowdfunding (World Bank 2013). By contrast, our study finds that there are actually three overall aims for using crowdfunding: 1) raising capital; 2) validating a business idea; and 3) creating brand awareness. In the case of validation and awareness-raising, we find that these aims constitute immediate motives for entrepreneurs to engage in crowdfunding, with raising capital seen as a positive but spin-off benefit. In contrast to the linear trajectory commonly proposed in the literature regarding the choice of crowdfunding model, we further find that the choice of crowdfunding model is determined to a greater extent by the challenges faced by start-ups at particular phases in their life cycle. In sum, the numerous counterexample cases we identify from our interview data challenge the assumption that a lack of resources and alternatives is what primarily leads entrepreneurs to undertake crowdfunding. We show that crowdfunding is in fact only rarely employed as a last resort, with entrepreneurs using it more often as a tool to develop, market and validate their ideas. This observation calls for a reassessment of the dependent variables we use for measuring the success of crowdfunding.

2. Crowdfunding and the motives of entrepreneurs

Crowdfunding is characterised by interactions between a facilitating platform, an entrepreneur or company seeking financial support, and a dispersed crowd of individuals supporting projects of their own choice with funds (Nielsen 2018). It is typically classified into four models of financing, i.e. donation-based, rewards-based, lending-based, and equity-based (Belleflamme et al. 2014). Spurred on by the rapid growth of crowdfunding in recent years, researchers have sought to better understand the phenomenon of crowdfunding as an emerging and attractive alternative source of finance. The findings of these scholars have shown that crowdfunded projects are better received and trusted by consumers (Wehnert et al. 2018), enjoy increased access to customers, employees and the media (Mollick & Kuppuswamy 2014; Mollick 2016), and have a higher likelihood of later attaining venture capital funding (Drover et al. 2016; Roma et al. 2017) or external equity (Colombo & Shafi 2019). Other studies have examined the (dis)similarities between crowdfunding and other forms of entrepreneurial finance by exploring campaign-specific details, including the geographic distribution of successfully financed projects (Sorenson et al. 2016; Gallemore et al. 2019), as well as the role played by gender and race in determining the success of attempts to raise funding (Greenberg & Mollick 2016; Younkin & Kuppuswamy 2017; Mohammadi & Shafi 2018). In line with these observations, a growing body of scholarship on crowdfunding and financial ecologies (see Langley & Leyshon 2017; Carolan 2019) proposes that the various models of crowdfunding are themselves significantly discrete from one another due to the distinct financial ecology ecologies within which they are embedded. This scholarship has so far mostly overlooked the initial motivations of entrepreneurs for engaging in crowdfunding, however, hence little is yet known about these motives (Pollack et al. 2021). This is because the focus of such research is typically on the motivations of those who back crowdfunding (see Zhang & Chen 2019a; Nielsen & Binder 2021), with the majority of studies assuming, often implicitly, that the primary motive of entrepreneurs for engaging in crowdfunding is that of raising financing. This is reflected in the way that funding is almost invariably treated as the primary dependent variable in assessing the success of crowdfunding campaigns. As a consequence of these assumptions, the criterion of 'funding success' is applied alike to a plethora of different aspects of crowdfunding, including the role of values in mobilizing support (Nielsen & Binder 2021), the importance of gaining early investor engagement (Vismara 2018; Fan et al. 2020), and not least the role of endorsement (Courtney et al. 2016) and rhetoric (Steigenberger & Wilhelm 2018) in signalling project quality.

Countering these widely held assumptions, a growing number of studies have called for closer examination of the reasons why entrepreneurs choose crowdfunding (McKenny et al. 2017; Short et al. 2017). Such examination is necessary to ascertain whether crowdfunding truly does serve as a last resort in the way currently assumed (Pietro et al. 2021). These motives are important to identify in order to check we are not measuring success according to parameters that align only poorly, if at all, with entrepreneurs' own stated motivations. If other motivations for crowdfunding exist apart from 'last resort' funding, then clearly we will need to reassess our reliance on 'funding success' as the sole dependent variable.

In examining motivations for crowdfunding, it is first necessary to conceptualise the typical stages in the life cycle of start-ups so as to relate these to the timing and motives of entrepreneurs in their decisions to opt for crowdfunding. In this conceptualisation we draw on pecking order theory, which proposes that the first preference of entrepreneurs is for self-financing, followed by taking on debt, while the least favoured option is the issuing of stock or equity (La Rocca et al. 2011). In accordance with these premises, it is further commonly proposed that start-ups follow a linear trajectory, with the availability of potential funding sources seen as determined by information asymmetry and the size and maturity of the company, with entrepreneurs typically relying on friends and family or bootstrap financing in the early stages of their careers (Berger & Udell 1998; Walthoff-Borm et al. 2018). Start-ups face especially limited funding options in the early stages of their life cycles. As Cumming and Hornuf (2018) have observed, moreover, a diminishing proportion of start-ups now receive funding from 'business angels'. This is due not only to the small number of business angels but also because start-ups at this stage typically lack valuable assets and proven track records, making them more informationally opaque than established firms (Cumming & Hornuf 2018). Given the importance of the maturity of a given start-up in terms of determining its access to finance, we draw on the 'five stages of small business growth' identified by Churchill and

Lewis (1983), further adapting this model in line with findings from more recent research by Paschen (2017) and Jirásek and Bílek (2018). This model serves as a means of contextualising the actions of entrepreneurs within the framework of a start-up life cycle (Table 1).

Table 1: Initial phases and stages of the start-up life cycle

Phase	Description
Stage One: Founding/Birth	Start-ups typically struggle to survive at this stage as they strive to develop products and acquire the necessary resources.
Proof-of-concept phase	In this phase the business idea is tested for viability. Although basic research has already been conducted by this point, commercial feasibility has not yet been proven. An actual business entity has typically not yet been formed due to uncertainty as to whether the business should go ahead or not.
Pre-launch phase	In this sub-phase, the foundation of the business is created. The entrepreneur typically searches for premises from which to operate the business. This phase generally requires substantially more financing than the proof-of-concept phase.
Start-up phase	Also known as the 'launch' phase, production is established and sales are made in this phase. The entrepreneur typically hires their first employees and focuses intensely on establishing the product in the market. Here it should be noted that funding for the pre-launch phase and the start-up phase is frequently raised at the same time.
Stage Two: Survival/Growth	In Stage 2, the start-up succeeds in creating a distinct competitive advantage, leading to growing sales and an increased market share.
Early-growth phase	In this phase the start-up focuses on increasing production and sales. Cash generation may still be negative or only reach break-even while the organisational processes become more formal. Venture capitalists may be interested in financing this phase.
Growth phase	With a focus on managing rapid growth, this phase requires a more formalised organisational structure. Due to increased demand, the company becomes more production-oriented and proactively approaches creditors, suppliers and employees.
Expansion phase	In this phase, expansion is the highest priority. At this point the company is most often already profitable and is beginning to look like a more established company, with more formalised processes, multiple employees, and possibly slower development due to increasing competitive pressure.

Source: Adapted from Churchill and Lewis (1983), Paschen (2017), and Jirásek and Bílek (2018)

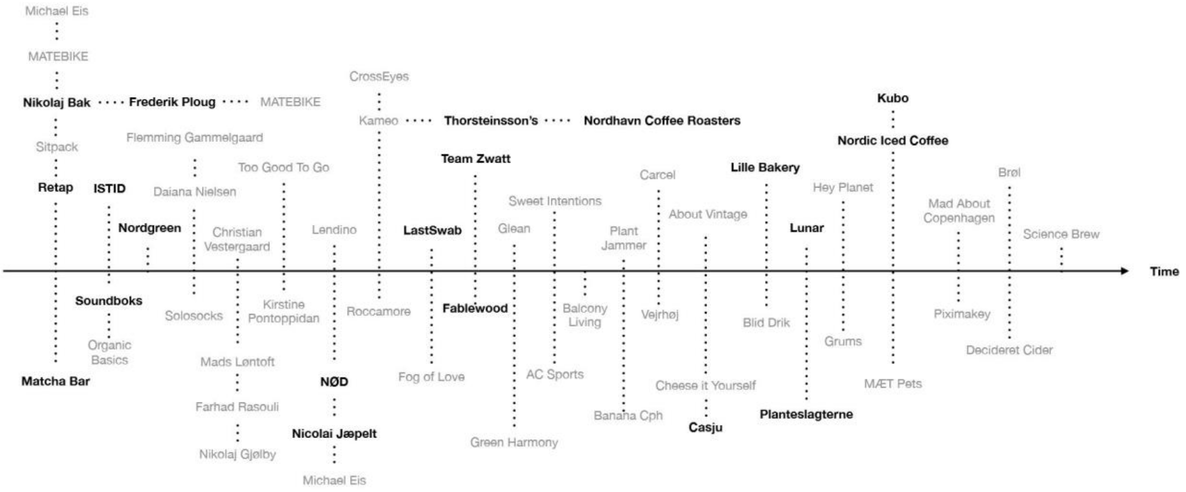
In view of the noted impacts of the different start-up phases on the ability of entrepreneurs to tap into various forms of financing, the emergence of crowdfunding has been interpreted by many scholars as primarily an opportunity for start-ups experiencing difficulties in accessing financing (Gerber & Hui 2013). For example, Paschen (2017) has claimed that donation-based crowdfunding is most suitable for the pre-launch phase, while lending is best suited when a start-up enters the late birth and early survival phase. Equity crowdfunding, meanwhile, is seen as better suited for more established start-ups in the growth phase. These findings also correspond to those of a World Bank (2013) report on crowdfunding and have been further supported by Testa et al. (2019), who suggest that crowdfunding is best suited for the early stages of a start-up's funding cycle.

3. Research design

In order to gain a better understanding of entrepreneurs' motivations for engaging in crowdfunding, we purposively sampled cases of start-ups according to the following four criteria: 1) that the start-up had previously performed either rewards-based crowdfunding and/or lending-based model[1]; 2) that they were based in Denmark; 3) that they had completed a *successful* crowdfunding campaign; and 4) that they focused on business-to-customer (B2C) products. The reason for our focus on cases from a single country, i.e. Denmark, is that different national business systems (see Whitley 2003) can also influence entrepreneurs' motivations for engaging in crowdfunding. To ascertain whether entrepreneurs' motives for engaging in crowdfunding stem from a lack of financial resources and alternatives, we apply a case-based qualitative research approach to verify this assumption or disprove it on the basis of counterexamples (Siggelkow 2007). We conducted 20 in-depth interviews to ensure we could credibly tackle the research question (Wright 2015), subsequently applying an inductive research strategy to construct a model of entrepreneurs' different motives for selecting crowdfunding (Siggelkow 2007). The interviews were held between March 2019 and January 2021 with start-up founders responsible for fundraising and for engaging with investor communities. Figure 1 provides an overview of the interview data collection process, which was initially built on contacting in-scope entrepreneurs and subsequently snowballed on the basis of the interviewees' referrals. Bold referring interviewees, greyed-out representing people contacted with a negative replies, and the dotted lines representing referrals.

[1] We focused only on rewards-based and lending-based models, since donation-based crowdfunding is primarily focused on social causes rather than business goals (Baeck, Collins & Zhang 2014), while equity-based crowdfunding remains a legal grey area and is thus typically avoided (Nielsen 2019).

Figure 1: Sampling process



The interviews were conducted in English or Danish according to our interviewees' preferences, with one interviewer acting as the main interlocutor and a second interviewer present to take notes. Of the 20 interviews, five were conducted in person and the remaining 15 were interviewed remotely, with the overall average duration of the interviews being 37 minutes. The interviews focused on the origins of the entrepreneurs' interest in crowdfunding and their rationales for engaging in crowdfunding, followed by questions regarding the life cycle contexts of their businesses and the reasoning behind their decisions to launch campaigns at specific times. The final sections of the interviews focused on the benefits and costs of completing a crowdfunding campaign and whether or not the companies would be willing to participate in crowdfunding again. Table 2 provides the relevant details about the interviewees and their companies.

Table 2. Overview of interviewees and cases

	Entrepreneurs					
	Interviewee	**Firm**	**Year**	**Type of crowdfunding**	**Platform**	**Funding**
1	Alpha	Retap	2014	Lending-based	Lendino	200,000 DKK
			2014	Lending-based	Lendino	200,000 DKK
			2017	Rewards-based	Kickstarter	102,308 DKK
2	Bravo	Matcha Bar	2017	Lending-based	Lendino	400,000 DKK
			2019	Lending-based	Lendino	500,000 DKK
3	Charlie	ISTID	2017	Rewards-based	Kickstarter	77,351 DKK
4	Delta	Soundboks	2017	Rewards-based	Kickstarter	5,160,000 DKK
5	Echo	Nordgreen	2019	Rewards-based	Kickstarter	2,820,000 DKK

6	Foxtrot	NØD	2019	Lending-based	Coop Crowdfunding	150,000 DKK
7	Golf	LastSwab	2020	Rewards-based	Kickstarter	4,800,000 DKK
8	Hotel	FableWood	2019 2020	Rewards-based Rewards-based	Kickstarter Kickstarter	389,801 DKK 1,034,251 DKK
9	India	Team Zwatt	2018	Rewards-based	Kickstarter	1,074,419 DKK
10	Juliet	Thorsteinsson's	2019	Rewards-based	Coop Crowdfunding	90,050 DKK
11	Kilo	Nordhavn Coffee Roasters	2019	Lending-based	Kameo	192,500 DKK
12	Lima	Casju	2020	Rewards-based	Coop Crowdfunding	129,630 DKK
13	Mike	Lille Bakery	2018	Rewards-based	Kickstarter	219,398 DKK
14	November	Planteslagterne	2019	Rewards-based	Kickstarter	105,377 DKK
15	Oscar	KUBO	2017	Rewards-based	Indiegogo	339,522 DKK
16	Papa	Nordic Iced Coffee	2019	Rewards-based	COOP	42,138 DKK
17	Quebec	Hugphones	2020	Rewards-based	Kickstarter	65,015 DKK

Experts

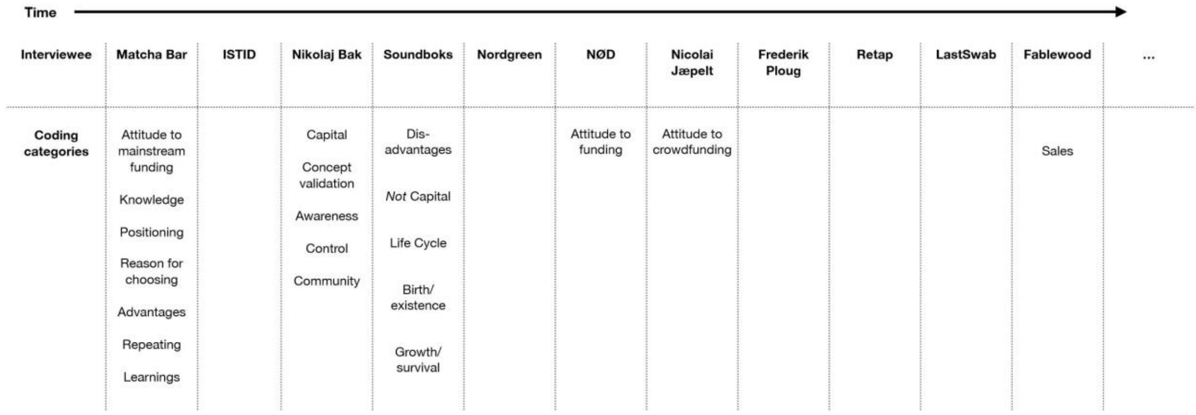
	Interviewee	Association/company
18	Romeo	Founder of Sitpack & Danish Crowdfunding Association
19	Sierra	Keystones & Danish Crowdfunding Association
20	Tango	CEO of Coop Crowdfunding Platform

3.1 Data analysis

In analysing our transcribed interviews we followed a three-step process of open coding, axial coding and selective coding (Corbin & Strauss 2015). In accordance with the qualitative nature of our study, it is important to note that our aim is not to make any direct inferences but rather to investigate why the entrepreneurs we interviewed chose crowdfunding. Nor do we claim that all companies choose crowdfunding for the reasons we have identified; rather our examples provide a means for testing current assumptions in the literature about the capital-focused nature of entrepreneurs' motives for engaging in crowdfunding.

We initially coded phrases into conceptually similar categories, separating our data into units related to the same topics (Saunders et al. 2012). This open coding categorization was an iterative process that was subject to change as more data was gathered. As illustrated in Figure 2, we found 19 categories related to our research question. Thematic saturation emerged after the 11th interview, beyond which point the interviewees' responses all fell within previously established thematic codes, with no new themes emerging. Nevertheless, in accordance with Guest et al. (2006)'s suggestion that 12 interviews are unlikely to be sufficient even in the case of homogenous samples like ours, we conducted the remaining nine additional interviews in order to be completely certain that thematic coding saturation had been reached.

Figure 2: Open coding process[2]



We then employed axial coding to cluster the empirically based codes into four second-order categories (Corbin & Strauss 2015). The first cluster, ‘*Choosing Crowdfunding*’, refers to data related to the reasoning and the decision-making processes that led the entrepreneurs to opt for crowdfunding. The second cluster, ‘*Motivational Factor*s’, relates to the key purposes crowdfunding served for the entrepreneur. The third cluster, ‘*Life Cycle*’, refers to the stage at which the start-up was at in its life cycle at the time of launching a crowdfunding campaign and how this related to their choice of a specific crowdfunding model. The final cluster, ‘*Positioning*’, relates to how crowdfunding positions entrepreneurs for later opportunities.

Selective coding was then applied to the four axial coding categories, resulting in the selection of two core clusters: ‘Motivational Factors’ with three sub-categories) and ‘Life Cycle’ (with two sub-categories). These core categories were chosen because they relate directly to our research question as to why and when start-ups choose to engage in crowdfunding.

[2] The initial interview with Retap was explorative and used as a source of inspiration for our research focus. Retap thus figures twice here, since the formal recorded interview was performed later in our data collection process. No new coding categories emerged after the interview with FableWood.

4. Analysis

Focusing on the entrepreneurs' motivations for engaging in crowdfunding, we first asked the interviewees about their initial reasoning for seeking finance from crowdfunding. Overall, we found that while a minority of entrepreneurs had indeed turned to crowdfunding in order to raise capital, the majority had done so for other primary aims. In presenting our analysis, we begin with the seven start-ups that engaged in crowdfunding with the main aim of raising capital.

The only start-up company in our study that was forced by circumstance to seek financing via crowdfunding was Matcha Bar, since traditional avenues "were just closed because the risk is very high in my business". Matcha Bar struggled especially with information asymmetry due both to being at an early stage in its life cycle as well as the high level of uncertainty that prevails in the restaurant business due to the particularly high default rate of this industry. These factors led a number of banks to reject the company's request for funding, giving rise to frustration and a negative stance towards banks in general:

> The bank, they don't understand shit now, especially not in my business, like the restaurant business […] So that's very, very hard. Even though I was able to show them good numbers. (Bravo – Matcha Bar)

Matcha Bar's decision to engage in crowdfunding thus arose directly from a lack of acceptable alternatives. While this case appears to support the notion that crowdfunding is a 'last resort', however, this conclusion must be qualified to take account of the fact that Matcha Bar untypically chose to use crowdfunding rather than engaging with friends or family. Adding further nuance to this case, it should be noted that Matcha Bar later chose to employ crowdlending again in spite of having the capacity by this stage to employ more traditional sources of finance.

The six remaining cases that participated in crowdfunding to raise capital all did so as a first choice of financing. ISTID and Lille Bakery employed crowdfunding to finance the opening of their first stores, while Nordic Ice Coffee used it to develop their product.

> We were only in our mid/late twenties and we didn't want to immerse ourselves in debt or anything like that. So it felt more non-committal… that was definitely a motivating factor for the path we took. It felt easy. (Charlie – ISTID)

These case-based observations align with what we would expect from pecking order theory, which holds that founders actively seek to avoid taking on debt, preferring to make non-monetary commitments to their customers. However, it should be noted that Lille Bakery "went to crowdfunding first" and not due to any aversion to giving away equity but rather because those investors who had offered to invest did not "feel like the right match" on account of not sharing "the same values that we did as a company".

NØD opted for crowdlending because they found the terms offered by banks were comparably unfavourable: "They wanted to loan us the money, but it was really, really expensive." However, the founders voiced some apprehension about engaging in crowdfunding, since one of the co-founders had previously had a negative experience with crowdfunding via Kickstarter and had found the overall process difficult;

> Mads [a co-founder] was actually very much against the whole process with Coop, but the big difference, however, is that we have taken a loan. We have not made what is called a reward. (Foxtrot – NØD)

The appeal of crowdlending for NØD lay both in the lower rates offered and the freedom it allowed them as compared to rewards-based crowdfunding. Specifically, the founders were averse to any loss of autonomy such as they had experienced in a prior Kickstarter project.

The final two companies that were motivated primarily by the need to raise capital both turned to crowdfunding after having previously relied on traditional funding. Nordhavn Coffee

Roasters said they used crowdfunding because it offered a faster processing time, while for Retap it offered both a faster processing time and better terms.

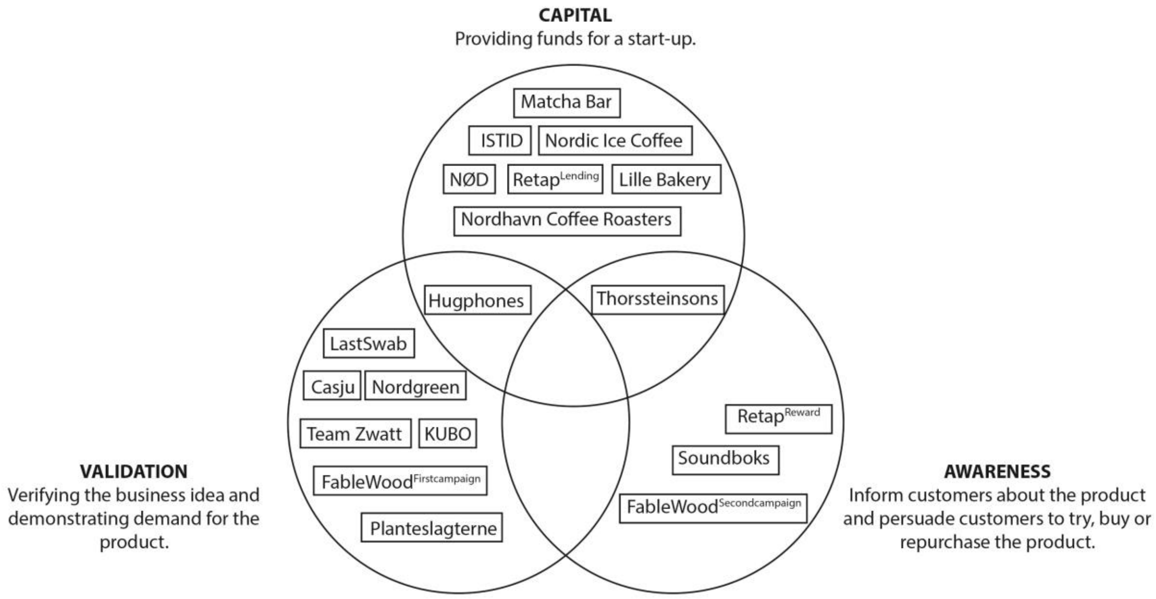
> The bank wanted to close their financial year before extending the loan... if we had had the time to wait we would have accepted the bank, but it was a matter of time and that's why we chose crowdfunding... It was the flexibility that made the difference for us. (Kilo – Nordhavn Coffee Roasters)

Of these seven case companies, then, only one had turned to crowdfunding as a last resort, whereas the remaining six opted for crowdfunding because of a range of perceived individual benefits, including lower rates, the ability to avoid taking on debt (for rewards-based crowdfunding), greater flexibility, and considerably less processing time.

4.1 The purposes of crowdfunding

The 13 remaining cases in our study had all engaged in crowdfunding with the primary aim of either validating their business idea or generating awareness of their brand or products by using crowdfunding as a marketing tool.

Figure 3: Purposes of engaging in crowdfunding



Adapted from: Kotler & Armstrong (2016)

In seven of these cases, rewards-based crowdfunding was used mainly to validate the companies' business ideas, i.e., as a means of testing market interest before committing to a production cycle. For example, Nordgreen, Casju, KUBO, and LastSwab all employed rewards-based crowdfunding as a means of verifying their business ideas while also generating sales.

> Crowdfunding is a smart tool in the way that you can test your concept before ordering 10,000 pieces, you know. You can test whether it is something others think is cool too, or whether or not you're the only one who finds it interesting. (Echo – Nordgreen)

> My goal was just to get as much market validation as possible. (Lima – Casju)

scrowdfunding as a means of validating either a business model or a product design also aligns with the insights we gained from our interviews with experts, who noted that crowdfunding is a quick and effective way to validate a concept or business idea, elicit feedback, and identify core customers:

> You buy the involvement of x amount of thousand ambassadors in thirty days. I do not know any other methods that can do that. I would even go so far as to say that one could launch a campaign with the purpose of 'failing' just in order to get input from 10,000 people that you cannot normally buy elsewhere. (Romeo – Danish Crowdfunding Association)

Finally, SoundBoks, Retap[Reward], and FableWood[Secondcampaign] all used rewards-based crowdfunding as a means of generating awareness. For example, SoundBoks launched their Kickstarter campaign "simply because we were able get a lot of awareness from it […] We already had the capital. So in fact it was clearly a question of brand awareness". Similarly, the main reason that FableWood used crowdfunding in their second campaign was as a means of creating awareness of the new line of products they had validated in their first campaign.

> You get the opportunity to showcase your products in an incredibly cool way and the whole set-up is just very appealing to us… It's an awesome way to market and sell your products. (Hotel – FableWood)

Retap declared that the rewards-based crowdfunding campaign they had launched was primarily aimed at marketing and promoting their new Infuse product after having already secured funding. Unlike SoundBoks and FableWood[Secondcampaign], however, Retap's campaign only barely managed to reach its funding goal. Although Retap's use of crowdfunding could be considered successful in terms of raising finance, it was assessed by the company as a failure insofar as it had not met the primary aim of expanding awareness in new consumer segments.

While the literature often frames crowdfunding as primarily a source of financing, our cases thus suggest a more diverse range of motivations behind entrepreneurs' engagement. The clarity with which our interviewees positioned themselves in terms of their main motives for crowdfunding was especially interesting, with Thorsteinsson's and Hugphones being the only two cases to declare a combination of more than one primary goal:

> So the main idea behind it was of course to raise some money, but just as much to use it as a marketing platform, so to speak. So I could reach people in a different way than I would have otherwise. (Juliet – Thorsteinsson's)

4.2 Choice of crowdfunding model

In this section we explore the factors that affected the entrepreneurs' choice of crowdfunding model and how the level of maturity of each start-up impacted this decision. The choice to engage in *crowdlending* by Matcha Bar, NØD, Nordhavn Coffee Roasters and Retap was based on their various views regarding rewards-based crowdfunding. Thus, Retap viewed platforms like Kickstarter as primarily a marketing tool, while Matcha Bar and NØD saw distinct challenges with the rewards-based model as compared to crowdlending. For Nordhavn Coffee

Roasters, meanwhile, rewards-based crowdfunding did not align with their need at that time to raise money to purchase a large consignment of coffee. Interestingly, crowdlending was also viewed by these start-ups as imposing fewer obligations than rewards-based crowdfunding.

> If you are seeking to do a reward-based [crowdfunding campaign], there is some kind of expectation that you post it in your network and say ‘Hey we need money, help us!’ and so forth. And I really didn’t want to do that. (Bravo – Matcha Bar)

Crowdlending afforded these entrepreneurs the flexibility they needed to focus on their respective challenges, which primarily required a cash injection, as in the case of NØD: “Then we got the loan, and that was it. That enabled us to move on. So the whole process was like ‘great, it was a success’ and then moving on.” (Foxtrot – NØD.) In the case of ISTID, and to a certain degree also with Thorsteinsson’s, it was the entrepreneurs’ strong preference to avoid debt that led them to opt for a rewards-based model. In the case of Lille Bakery, by contrast, important differences between the founders and investors over values drove these two companies to rewards-based crowdfunding.

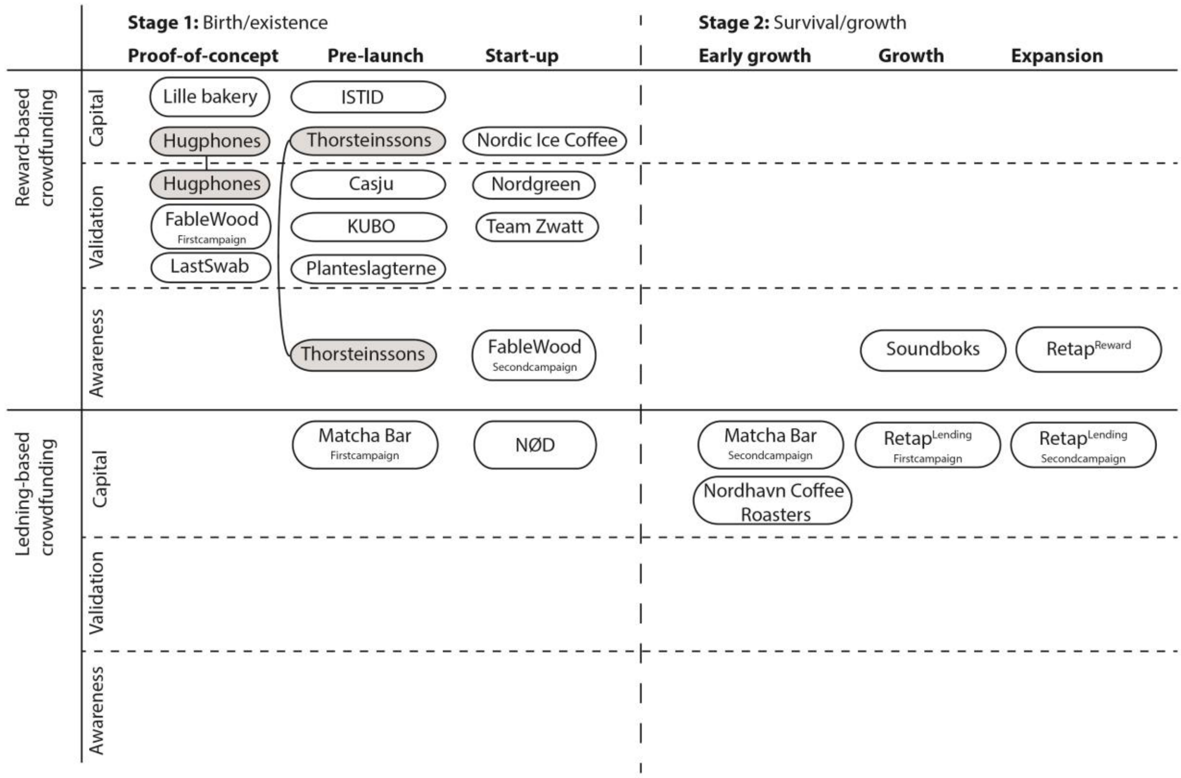
> It felt very non-committal. I know it’s a little harsh to say to those who’ve backed us. But compared to being personally liable for a loan in the bank without completely knowing what you’ve thrown yourself into… it felt easy. (Charlie – ISTID)

Unlike the start-ups that used crowdlending, ISTID, Lille Bakery and Thorsteinsson’s expressed enthusiasm about engaging with the crowd early on. From the point of view of these three start-ups, crowdlending allowed for only minimal social obligations and engagement with the crowd at the cost of going into debt, whereas rewards-based crowdfunding was seen as a way of creating strong social obligations and engagement with the crowd without incurring debt:

It created more excitement around it [our bakery] in the beginning, a nice and different story. But definitely community was the biggest part. (Mike – Lille Bakery)

Figure 4 provides an overview of the motivations for engaging in crowdfunding, further highlighting how motivations varied greatly depending on the stage at which the start-ups were in their life cycles.

Figure 4. Crowdfunding and the start-up life cycle[3]



Rewards-based platforms themselves often emphasize that their goal is to help projects come to life by providing creators with the resources necessary to make their ideas a reality (Kickstarter 2020; IndieGoGo 2020). However, only four of our 20 cases matched this ideal, i.e. Lille Bakery, Hugphones, LastSwab, and FableWood[Firstcampaign], namely by crowdfunding at the proof-of-concept stage in their life cycles before they had a readymade product. The

---

[3] Five of the case companies appear several times in the framework, either because they used crowdfunding to achieve multiple goals, as in the case of Thorsteinsson's and Hugphones, or because they used crowdfunding multiple times, as in the case of Matcha Bar, FableWood and Retap.

majority of cases that launched crowdfunding campaigns already had an established product/service and supply chain. This is reflected in the key motivations we identified for engaging in crowdfunding, since we found that many early-stage start-ups used crowdfunding as a means of validating or marketing an existing product or service rather than as a financing vehicle:

> We saw crowdfunding as a way to build an easy sales channel, an online webshop, more than a place where we could get some funding. (November – Planteslagterne)

The appeal of crowdfunding for early-stage start-ups thus appears to be that the sales-cycle is flipped, which can prove attractive for start-ups that have not built up a loyal consumer base or brand awareness. The two start-ups that opted for crowdlending early in their lifecycle did so either because consumers were not initially their primary target market or because they feared being unable to deliver the promised perks or 'rewards' for funders. The first of these two cases, Matcha Bar, did not employ rewards-based crowdfunding because they were unable to identify appropriate rewards, pointing to difficulties in using rewards-based crowdfunding platforms when a start-up has limited material to showcase to the crowd. The main difference between Matcha Bar and other similar start-ups (ISTID, Lille Bakery, and Thorsteinsson's) is that Matcha Bar was initially focused on business-to-business and thus did not develop B2C products. In the second case, NØD opted for crowdlending to finance the building of their production line since they feared that a rewards-based campaign might hurt their brand and cause anger among their backers if the company were not able to deliver on promised perks.

Only later, typically in Stage 2 of their life cycles, did most start-ups seem to shift their focus onto using crowdfunding as a means of raising capital to expand their business. This transition to crowdlending can be understood as the outcome of a change in the priorities of these start-ups from initially building a market to a focus on increasing their sales, market share and competitive advantage. This is illustrated in our study, for example, by the reasons given by Retap, Matcha Bar, and Nordhavn Coffee for engaging in crowdlending, namely their respective aims of developing a new product line, opening a new store, and purchasing a large consignment of goods. More specifically, Retap opted for crowdlending because they "could actually get better interest rates than we could at the bank", while Matcha Bar did so on the basis of their previous positive experiences with crowdlending as opposed to bank loans. Nordhavn Coffee Roasters particularly appreciated the flexibility and efficiency of crowdlending, including its short processing time as compared to traditional forms of funding: "Crowdfunding was a more readymade option… It was an easy process." Interestingly, we found that even mature start-ups continued to employ crowdfunding for raising capital, whether due to the lower interest rates offered by crowdfunding or because of the shorter processing time. In spite of the greater focus placed on capital in the later stages of a start-up's lifecycle, however, rewards-based crowdfunding remained prevalent, especially as a platform for generating awareness. SoundBoks, for example, used rewards-based crowdfunding as "an awareness platform to generate sales" after having already achieved a stable source of capital. Retap likewise used a Kickstarter campaign "as a marketing activity" after having run two crowdlending campaigns for the aim of securing funding. These findings indicate that motivations strongly influence the choice of crowdfunding model and, further, that these motivations in turn correlate to stages in the life cycle of start-ups.

5. Discussion

This paper has sought to examine why and when entrepreneurs choose to engage in crowdfunding, thereby addressing an important aspect of crowdfunding that has thus far been relatively neglected in the literature (Pollack et al. 2021). Our data provides some initial insights into entrepreneurs' motives that allow us to develop a number of propositions. The cases we studied provide a valuable starting point for tackling the research question, including the need to ascertain whether real-life start-up cases confirm the prevailing implicit assumption that entrepreneurs primarily engage in crowdfunding due to a lack of resources and alternative options (Pietro et al. 2021). Our data show that entrepreneurs' motives for engaging in crowdfunding vary considerably in practice, identifying three primary and often mutually exclusive motives: raising capital, gaining validation, and increasing awareness. Although the aim of raising capital does motivate some entrepreneurs to employ crowdfunding, we find that validation and awareness are equally common motives, hence the first of our four propositions:

Proposition 1: Entrepreneurs are motivated to employ crowdfunding by the need to raise capital, the aim of raising awareness, or as a means of gaining validation.

By identifying the importance of gaining validation and raising awareness as motives for crowdfunding, our findings further call into question the validity of the current focus in the scholarship on "funding success" as an effective criterion for empirically measuring the success of crowdfunding campaigns. In only seven of our cases did we find that this criterion could serve as a way of accurately capturing whether or not the entrepreneurs' motives and aims were fulfilled. In the remaining 13 cases, "funding success" alone would be an inadequate metric by which to gauge whether these entrepreneurs' engagements in crowdfunding had achieved their aim of gaining validation or awareness. Retap, for example, considered their rewards-based crowdfunding campaign to have been a failure in terms of its main aim of generating new awareness, despite having achieved funding slightly above its funding goal. These cases show that treating funding success as the primary metric for measuring success might not align well with the actual motives and aims of entrepreneurs.

While previous studies have noted that crowdfunding offers advantages that extend beyond financing (Mollick 2014), including gaining public attention, validating a business idea in the eyes of potential investors, and obtaining feedback from the crowd (Kaminski et al. 2019), these advantages are often treated in the literature as merely post-funding and secondary benefits (Belleflamme et al. 2014). Our data provides a significant number of counterexamples (see Siggelkow 2007) to this prevailing capital-centric view of entrepreneurs' motives for engaging in crowdfunding. This limited understanding of entrepreneurs' motives is also evident in studies that claim crowdfunding serves to fill a 'funding gap' left by more traditional sources of finance (Bruton et al. 2015; Ahlers et al. 2015; Nielsen 2017). This narrow view is based on the premise that crowdfunding is a source of finance only in situations where entrepreneurs have found traditional sources of finance closed off to them, hence turning to crowdfunding as a last resort. Our counterexamples contradict this explanation, however, not only because we find that crowdfunding is typically a first choice rather than a last resort but also because entrepreneurs are motivated by other aims and priorities as well as the goal of raising funds. This leads to our second proposition:

Proposition 2: Crowdfunding is rarely a last resort but rather an additional tool that entrepreneurs employ to develop, market, and validate their ideas.

Having thus identified the key reasons why entrepreneurs engage in crowdfunding, our study additionally sought to gain a better understanding of how these motives influenced the particular choice of crowdfunding models in each case. In exploring this influence, we not only compared different start-ups but also different campaigns launched by the same start-ups at different stages in their life cycles. Firstly, we found that start-ups primarily seeking capital typically opted for crowdlending, whereas rewards-based crowdfunding campaigns were most often employed as a means of validating a product or gaining brand awareness.

Proposition 3: Entrepreneurs motivated primarily by the need to raise capital tend to employ crowdlending, whereas entrepreneurs motived by building awareness or seeking validation tend to employ rewards-based crowdfunding.

These different primary motivations appear to correlate with the different stages of a given start-up's life cycle. Contrary to our initial expectations, we found that the majority of early-stage start-ups employed crowdfunding as means of generating awareness and validating their business ideas rather than as a way to finance their companies' development. Only later in their life cycles did start-ups start to employ crowdlending as a means of financing, corresponding with a shift in their priorities away from building a market through awareness-raising and validation towards a focus on increasing their sales, market share and competitive advantage.

Proposition 4: The use of crowdfunding by earl-stage start-ups is usually motivated by a desire to generate awareness or validate a business idea, while more mature start-ups employ crowdfunding as a means to raise capital.

These four propositions do not exclude the possibility of exceptions and significant variations in entrepreneurs' motivations for crowdfunding and their choices of models at different stages in the life cycle of start-ups. For example, many later stage start-ups in our study had continued to use rewards-based crowdfunding as a marketing platform after having already validated their business idea, while some early start-ups employed crowdlending with the express aim of avoiding any commitment to the crowd, fearing such commitment might limit their autonomy and risk their future business. Notwithstanding these variations, our findings suggest that crowdlending is most attractive to entrepreneurs with a strongly capital-oriented motivation at the given stage in the life cycle of their start-ups; and while rewards-based crowdfunding also attracts a small minority of capital-motivated entrepreneurs, we find this model is predominantly chosen by entrepreneurs focused on increasing awareness and/or gaining validation. Here it is important to note that our observation runs contrary to the aims stated by rewards-based crowdfunding platforms themselves, which typically emphasise their goal as being to help projects 'come to life' (Kickstarter 2020; IndieGoGo 2020). As we have shown, the majority of our cases rather use these platforms as marketing and validation tools for already existing products than as a means of raising capital. Drawing on the financial ecologies' literature, moreover, it appears that the model of crowdfunding chosen not only affects the backers' motivations for supporting a given campaign but also that the different models attract entrepreneurs motivated by significantly different aims. Our findings thus confirm observations in the financial ecologies literature (see Langley & Leyshon 2017; Carolan 2019) that crowdlending appears to be embedded within a financial ecology focused on instrumental aims of raising capital. It is less clear, however, whether rewards-based crowdfunding is truly an alternative market as the financial ecologies' literature proposes, especially as most of the entrepreneurs in our study seemed to view this model of crowdfunding as an alternative online store rather than a market for bringing projects to life.

5.1 Implications for practice

Although our methodological choices preclude us from generalisation, our findings are nonetheless relevant for entrepreneurs and companies with an interest in using crowdfunding, especially start-ups with characteristics similar to those of the companies investigated in this study.

The inadequacy of currently prevailing perceptions of crowdfunding is clear from our counterexamples that show crowdfunding is about much more than raising capital and thus should not be seen by current practitioners and potential users of crowdfunding as just an alternative to traditional financing when all other options are closed. Rather it can also be used as a tool for validation and creating awareness that can be employed with positive effects even at stages in a start-up's life cycle when capital is not the primary aim or even a requirement.

On the basis of our findings, therefore, we recommend that entrepreneurs with a need for funding carefully weigh up the respective pros and cons of using rewards-based crowdfunding or crowdlending, especially in terms of the different commitments and obligations these models entail for companies to the crowd. For example, although entrepreneurs using crowdlending are often offered better terms than traditional bank loans, including lower interest rates and faster processing, crowdlending is less effective that rewards-based crowdfunding as a means of creating a sense of community with backers. Compared to the rewards-based model, crowdlending is beneficial in that it does not require the company to produce immediate rewards and thus allows entrepreneurs to focus on developing their business instead of delivering rewards and dealing with potential complaints from delays in reward delivery. Conversely, the rewards-based crowdfunding model promises to deliver rewards to the crowd but entails no further long-term monetary commitment. As such, the rewards-based crowdfunding model is more attractive for entrepreneurs seeking to avoid incurring debt. Our study further finds that the rewards-based model was considered by the case entrepreneurs as the best-fit model for gaining validation and raising awareness. As an important caveat to this finding, however, we also advise that starts-ups pursuing validation and awareness through crowdfunding should consider waiting until a later stage in their life cycle when they have established a stable supply chain and production process.

Our observations should also serve as a practical caution to rewards-based crowdfunding platforms, moreover, since this crowdfunding model could risk losing its original *raison d'être* and attraction for backers as an engine for driving ideas if it becomes primarily a means of validating and increasing awareness of already-existing products. A fundamental and positive attribute of rewards-based crowdfunding, and one that is highlighted by Kickstarter and Indiegogo, for example, is that backers serve as enablers of novel ideas and projects rather than simply as consumers. If rewards-based platforms were eventually to become indistinguishable from other online shopping platforms such as Amazon, however, this could significantly impact the willingness of backers to engage in crowdfunding.

5.2 Future research and limitations

We propose five possible directions for future research that could usefully build on our initial findings, including recommendations that address the limitations of the current study that have emerged from our reflections on our research. Firstly, while our initial findings suggest that the different models of crowdfunding appear to match different entrepreneurial motives, these findings are not generalizable and our propositions are open to significant variation. Future research could therefore usefully investigate the causes of any variations in motives across funding platforms, including by building on the emerging literature on financial ecologies and crowdfunding (Langley & Leyshon 2017). As a second recommendation, more research would be welcome on the role of differing levels of start-up maturity in determining entrepreneurs' choice of crowdfunding, especially research with an additional focus on equity-based crowdfunding. Thirdly, future research could address the lack of counterfactual insights we have been able to provide in this paper as to why some start-ups choose not to use crowdfunding when they have the possibility of doing so. Such insights could offer welcome and meaningful nuances to our findings. Fourthly, we encourage future studies to investigate cases of unsuccessful crowdfunding campaigns in order to address and critically review the selection bias we acknowledge in the findings of our study. For while our findings provide us with valuable insights into entrepreneurs' reasons for engaging in crowdfunding, they are based exclusively on successful cases of start-ups achieving their crowdfunding goals. Finally, future studies that explore other contexts than Denmark would further help to nuance our findings and control for the institutional conditions that probably affect entrepreneurs' choice of financing models. As Zhao and Lounsbury (2016) have shown, microfinancing strategies can be influenced by institutional logics related to contextual factors such as market and religion, while an earlier study by Estrin et al. (2013) has shown how state-level factors such as property rights and levels of corruption can significantly affect entrepreneurs' growth aspirations.

6. Conclusion

Our interviewees' motivations for using crowdfunding challenge the widespread assumption that a lack of resources or other alternatives is the primary motive for choosing crowdfunding, indicating instead that there are three distinct drivers for entrepreneurs to engage in crowdfunding: raising capital, increasing awareness, and gaining validation. Each of these motives influences which model of crowdfunding best serves the needs of entrepreneurs and the life-cycle stage of their start-ups. Whereas entrepreneurs motivated by capital tend to employ crowdlending, for example, entrepreneurs motivated by the aim of building awareness or seeking validation tend to employ rewards-based crowdfunding. From our in-depth interviews with entrepreneurs who had used crowdfunding, we found that only a few had employed crowdfunding as a 'last resort' while most employed it as a tool to develop, validate and market their ideas. A further significant finding from our analysis is that start-ups at an early stage in their life cycle were mostly motivated to use crowdfunding as a means of generating awareness or validating a business idea, while crowdfunding was used a means of raising capital only by more mature start-ups that could otherwise have accessed traditional sources of capital.

In view of the many counterexamples in our sample of entrepreneurs motived by goals other than raising capital, there is a need to reassess the dependent variables widely used to measure the success of crowdfunding campaigns. While funding success is obviously an important criterion, the cases in our study show that this metric alone is unable to capture the range of motives that drive entrepreneurs to engage with crowdfunding in the first place and is thus inadequate for assessing the success of their crowdfunding campaigns. Addressing this inadequacy is essential if we are to avoid the risk of measuring success according to parameters that are not considered of primary importance by the majority of actors who actually employ crowdfunding.

7. References

Ahlers, G.K.C., Cumming, D., Günther, C. & Schweizer, D., 2015. Signaling in equity crowdfunding. *Entrepreneurship Theory and Practice*, 39(4), 955–980. https://dx.doi.org/10.1111/etap.12157

Baeck, P. Collins, L. & Zhang, B., 2014. *Understanding Alternative Finance: The UK Alternative Finance Industry Report 2014*, London: Nesta.

Belleflamme, P., Lambert, T. & Schwienbacher, A., 2014. Crowdfunding: Tapping the right crowd. *Journal of Business Venturing*, 29(5), 585–609. https://doi.org/10.1016/j.jbusvent.2013.07.003

Berger, A.N. & Udell, G.F., 1998. The economics of small business finance: The roles of private equity and debt markets in the financial growth cycle. *Journal of Banking & Finance*, 22(6), 613–673. https://doi.org/10.1016/S0378-4266(98)00038-7

Brem, A., Bilgram, V. & Marchuk, A., 2019. How crowdfunding platforms change the nature of user innovation – from problem solving to entrepreneurship. *Technological Forecasting and Social Change*, 144, 348–360. https://doi.org/10.1016/j.techfore.2017.11.020

Bruton, G., Khaval, S., Siegel, D. & Wright, M., 2015. New financial alternatives in seeding entrepreneurship: Microfinance, crowdfunding, and peer-to-peer innovations. *Entrepreneurship Theory and Practice*, 39(1), 9–26. https://doi.org/10.1111/etap.12143

Carolan, M., 2019. Capitalizing on financing ecologies: The world making properties of peer-to-peer lending through everyday entrepreneurship. *Geoforum*, 102, 17–26. https://doi.org/10.1016/j.geoforum.2019.03.014

Chaney, D., 2019. A principal–agent perspective on consumer co-production: Crowdfunding and the redefinition of consumer power. *Technological Forecasting and Social Change*, 141, 74–84. https://doi.org/10.1016/j.techfore.2018.06.013

Churchill, N.C. & Lewis, V.L., 1983. The five stages of small business growth. *Harvard Business Review*, 61(3), 30–50. Available at: https://hbr.org/1983/05/the-five-stages-of-small-business-growth [Accessed January 22, 2020].

Colombo, M.G. & Shafi, K., 2019. Receiving external equity following successfully crowdfunded technological projects: an informational mechanism. *Small Business Economics*. https://doi.org/10.1007/s11187-019-00259-1

Corbin, J. & Strauss, A., 2015. *Basics of qualitative research: Techniques and Procedures for Developing Grounded Theory*, Thousand Oaks: SAGE Publications.

Courtney, C., Dutta, S. & Li, Y., 2016. Resolving information asymmetry: Signaling, endorsement, and crowdfunding success. *Entrepreneurship Theory and Practice*, 41(2), 265–290. https://doi.org/10.1111/etap.12267

Cumming, D. & Hornuf, L., 2018. *The Economics of Crowdfunding: Startups, Portals and Investor Behavior*, Basingstoke: Palgrave Macmillan.

Drover, W., Wood, M.S. & Zacharakis, A., 2016. Attributes of angel and crowdfunded investments as determinants of VC screening decisions. *Entrepreneurship Theory and Practice*, 41(3), 323–347. https://doi.org/10.1111/etap.12207

Estrin, S., Korosteleva, J. & Mickiewicz, T., 2013. Which institutions encourage entrepreneurial growth aspirations? *Journal of Business Venturing*, 28(4), 564–580. https://doi.org/10.1016/j.jbusvent.2012.05.001

Fan, T., Gao, L. & Steinhart, Y., 2020. The Small Predicts Large Effect in Crowdfunding. *Journal of Consumer Research*, 47(4), 544–565. https://doi.org/10.1093/jcr/ucaa013

Fleming, L. & Sorenson, O., 2016. Financing by and for the masses. *California Management Review*, 58(2), 5–19. https://doi.org/10.1525/cmr.2016.58.2.5

Gallemore, C., Nielsen, K.R. & Jespersen, K., 2019. The uneven geography of crowdfunding success: Spatial capital on Indiegogo. *Environment and Planning A: Economy and*

Space, 51(6), 1389–1406. https://doi.org/10.1177/0308518X19843925

Gerber, E.M. & Hui, J., 2013. Crowdfunding : Motivations and deterrents for participation. *ACM Transactions on Computer-Human Interaction*, 20(6), 1–32. https://doi.org/10.1145/2530540

Greenberg, J. & Mollick, E., 2016. Activist choice homophily and the crowdfunding of female founders. *Administrative Science Quarterly*, 62(2), 341–374. https://doi.org/10.1177/0001839216678847

Guest, G., Bunce, A. & Johnson, L., 2006. How many interviews are enough? An experiment with data saturation and variability. *Field Methods*, 18(1), 59–82. https://doi.org/10.1177/1525822X05279903

IndieGoGo, 2020. Indiegogo - Our story. *Indiegogo*. Available at: https://www.indiegogo.com/about/our-story [Accessed June 5, 2021].

Jirásek, M. & Bílek, J., 2018. The Organizational life cycle: Review and future agenda. *Quality Innovation Prosperity*, 22(3), 1–18. https://doi.org/10.12776/qip.v22i3.1177

Kaminski, J., Hopp, C. & Tykvová, T., 2019. New technology assessment in entrepreneurial financing – Does crowdfunding predict venture capital investments? *Technological Forecasting and Social Change*, 139, 287–302. https://doi.org/10.1016/j.techfore.2018.11.015

Kerr, W.R. & Nanda, R., 2011. Financing constraints and entrepreneurship. In D. Audretsch, O. Falck, & S. Heblich (eds.) *Handbook of Research on Innovation and Entrepreneurship* (pp. 88–103), Cheltenham, UK: Edward Elgar Publishing, .

Kickstarter, 2020. Kickstarter - About Us. Available at: https://www.kickstarter.com/about?ref=nav [Accessed June 6, 2021].

Kotler, P. & Armstrong, G., 2016. *Principles of Marketing* (16th ed.), London: Pearson Education.

Langley, P. & Leyshon, A., 2017. Capitalizing on the crowd: The monetary and financial ecologies of crowdfunding. *Environment and Planning A: Economy and Space,* 49(5), 1019–1039. https://doi.org/10.1177/0308518X16687556

La Rocca, M., La Rocca, T. & Cariola, A., 2011. Capital structure decisions during a firm's life cycle. *Small Business Economics*, 37(1), 107–130. https://doi.org/10.1007/s11187-009-9229-z

Lehner, O.M., 2013. Crowdfunding social ventures: A model and research agenda. *Venture Capital*, 15(4), 289–311. https://dx.doi.org/10.1080/13691066.2013.782624

McKenny, A.F. Allison, T.H., Ketchen, D.J. (Jr), McKenny, A.F., Short, J.C. & Ireland, R.D. 2017. How Should crowdfunding research evolve? A survey of the *Entrepreneurship Theory and Practice* editorial board. *Entrepreneurship Theory and Practice*, 41(2), 291–304. https://doi.org/10.1111/etap.12269

Mohammadi, A. & Shafi, K., 2018. Gender differences in the contribution patterns of equity-crowdfunding investors. *Small Business Economics*, 50(2), 275–287. https://doi.org/10.1007/s11187-016-9825-7

Mollick, E., 2014. The dynamics of crowdfunding: An exploratory study. *Journal of Business Venturing*, 29(1), 1–16. https://doi.org/10.1016/j.jbusvent.2013.06.005

Mollick, E., 2016. The unique value of crowdfunding is not money – it's community. *Harvard Business Review*. Available at: https://hbr.org/2016/04/the-unique-value-of-crowdfunding-is-not-money-its-community# [Accessed January 22, 2020].

Mollick, E.R. & Kuppuswamy, V., 2014. After the campaign: Outcomes of crowdfunding, UNC Kenan-Flagler Research Paper 2376997. https://dx.doi.org/10.2139/ssrn.2376997

Nielsen, K.R., 2017. *Crowdfunding for Sustainability: A Study on the Potential of Reward-based Crowdfunding in Supporting Sustainable Entrepreneurship*. Copenhagen Business School [Phd] - PhD Series, No. 35.2017.

Nielsen, K.R., 2018. Crowdfunding through a partial organization lens: The co-dependent organization. *European Management Journal*, 36(6), 695–707. https://doi.org/10.1016/j.emj.2018.01.006

Nielsen, K.R., 2019. Crowdfunding i Danmark: Fra niche til mainstream finansiering [Crowdfunding in Denmark: From Niche to Mainstream Financing]. *Økonomi & Politik*, 92(4), 80–99. Available at: https://www.djoef-forlag.dk/openaccess/oep/files/2019/4_2019/4_2019_7.pdf. [Accessed January 22, 2020].

Nielsen, K.R. & Binder, J.K., 2021. I am what I pledge: The importance of value alignment for mobilizing backers in reward-based crowdfunding. *Entrepreneurship Theory and Practice*, 45(3), 531–561. https://doi.org/10.1177/1042258720929888

Paschen, J., 2017. Choose wisely: Crowdfunding through the stages of the startup life cycle. *Business Horizons*, 60(2), 179–188. https://doi.org/10.1016/j.bushor.2016.11.003

Pietro, F. Di, Bogers, M. & Prencipe, A., 2021. Organisational barriers and bridges to crowd openness in equity crowdfunding. *Technological Forecasting and Social Change*, 162. https://doi.org/10.1016/j.techfore.2020.120388

Pollack, J.M., Maula, M., Allison, T.H., Renko, M. & Gunther, C.C., 2021. Making a contribution to entrepreneurship research by studying crowd-funded entrepreneurial opportunities. *Entrepreneurship Theory and Practice*, 45(2), 247–262. https://doi.org/10.1177/1042258719888640

Roma, P., Messeni Petruzzelli, A. & Perrone, G., 2017. From the crowd to the market: The role of reward-based crowdfunding performance in attracting professional investors. *Research Policy*, 46(9), 1606–1628. https://doi.org/10.1016/j.respol.2017.07.012

Saunders, M., Lewis, P. & Thornhill, A., 2012. *Research Methods for Business Students*, London: Pearson.

Short, J.C., Ketchen, D.J. (Jr), McKenny, A.F., Allison, T.H. & Ireland, R.D., 2017. Research on crowdfunding: Reviewing the (very recent) past and celebrating the present. *Entrepreneurship Theory and Practice*, 41(2), 149–160. https://doi.org/10.1111/etap.12270

Siggelkow, N., 2007. Persuasion with case studies. *Academy of Management Journal*, 50(1), 20–24. https://doi.org/10.5465/amj.2007.24160882.

Sorenson, O., Assenova, V., Li, G-C., Boada, J. & Fleming, L., 2016. Expand innovation finance via crowdfunding. *Science*, 354(6319), 1526–1528. https://doi.org/10.1126/science.aaf6989

Steigenberger, N. & Wilhelm, H., 2018. Extending signaling theory to rhetorical signals: evidence from crowdfunding. *Organization Science*, 29(3), 529–546. https://doi.org/10.1287/orsc.2017.1195

Testa, S., Nielsen, K.R., Bogers, M. & Cincotti, S., 2019. The role of crowdfunding in moving towards a sustainable society. *Technological Forecasting and Social Change*, 141, 66–73. https://doi.org/10.1016/j.techfore.2018.12.011

Vismara, S., 2018. Information cascades among investors in equity crowdfunding. *Entrepreneurship Theory and Practice*, 42(3), 467–497. https://doi.org/10.1111/etap.12261

Walthoff-Borm, X., Schwienbacher, A. & Vanacker, T., 2018. Equity crowdfunding: First resort or last resort? *Journal of Business Venturing*, 33(4), 513–533. https://doi.org/10.1016/j.jbusvent.2018.04.001

Wehnert, P., Baccarella, C. V & Beckmann, M., 2018. In crowdfunding we trust? Investigating crowdfunding success as a signal for enhancing trust in sustainable product features. *Technological Forecasting and Social Change*. https://doi.org/10.1016/j.techfore.2018.06.036

Whitley, R., 2003. From the search for universal correlations to the institutional structuring of economic organization and change: The development and future of organization studies. *Organization*, 10(3), 481–501. https://doi.org/10.1177/13505084030103008

World Bank, 2013. *Crowdfunding's Potential for the Developing World,* Finance and Private Sector Development Department. Washington, DC.

Wright, P.M., 2015. Rethinking "Contribution". *Journal of Management*, 41(3), 765–768. https://doi.org/10.1177/0149206315569497

Younkin, P. & Kuppuswamy, V., 2017. The colorblind crowd? Founder race and performance in crowdfunding. *Management Science*, 64(7), 3269–3287. https://doi.org/10.1287/mnsc.2017.2774

Zhang, H. & Chen, W., 2019a. Backer motivation in crowdfunding new product ideas: Is it about you or is it about me? *Journal of Product Innovation Management*, 36(2), 241–262. https://doi.org/10.1111/jpim.12477

Zhang, H. & Chen, W., 2019b. Crowdfunding technological innovations: Interaction between consumer benefits and rewards. *Technovation*, 84, 11–20. https://doi.org/10.1016/j.technovation.2018.05.001

Zhao, E.Y. & Lounsbury, M., 2016. An institutional logics approach to social entrepreneurship: Market logic, religious diversity, and resource acquisition by microfinance organizations. *Journal of Business Venturing*, 31(6), 643–662. https://doi.org/10.1016/j.jbusvent.2016.09.001