Paper to be presented at

DRUID15, Rome, June 15-17, 2015

(Coorganized with LUISS)

A NEW FIRM?S HIDDEN VALUE: TAPPING INTO THE CROWD AND EXPLOITING COLLECTIVE INTELLIGENCE

Francesca Di Pietro
University G. dâ??Annunzio Pescara,
Department of Management and Business Administration
f.dipietro@unich.it

Andrea Prencipe
Luiss University
Department of Business and Management
aprencipe@luiss.it

Abstract
External knowledge acquisition represents a precondition for young firms? survival. The ability to leverage external networks for knowledge acquisition and exploitation ensures their survival and growth. Crowdfunding bears the potential for new ventures to overcome the problems of attracting external capital in their early stage, and it is also a possible avenue to overcome other internal and external liabilities that new ventures face. This research, through a qualitative study of companies that approached equity crowdfunding in Europe, aims at understanding whether the crowd and its collective intelligence could lower the external constraints of newness by providing not only access to new financial resources but also valuable knowledge and information through an active participation in the company development process. Results show that investors helped companies to reduce the liabilities of newness, including barriers of market acceptance and brand recognition, lack of external legitimacy and internal knowledge, and access to external debt and equity capital.

Jelcodes:M13,-

A NEW FIRM'S HIDDEN VALUE:
TAPPING INTO THE CROWD AND EXPLOITING COLLECTIVE INTELLIGENCE

Abstract

External knowledge acquisition represents a precondition for young firms' survival. The ability to leverage external networks for knowledge acquisition and exploitation ensures their survival and growth. Crowdfunding bears the potential for new ventures to overcome the problems of attracting external capital in their early stage, and it is also a possible avenue to overcome other internal and external liabilities that new ventures face. This research, through a qualitative study of companies that approached equity crowdfunding in Europe, aims at understanding whether the crowd and its collective intelligence could lower the external constraints of newness by providing not only access to new financial resources but also valuable knowledge and information through an active participation in the company development process. Results show that investors helped companies to reduce the liabilities of newness, including barriers of market acceptance and brand recognition, lack of external legitimacy and internal knowledge, and access to external debt and equity capital.

Keywords: Equity Crowdfunding, liability of newness, external knowledge sources

1. Introduction

Crowd-funded firms are startup with limited managerial and financial resources. Since resource limitations cause the traditional problem of liabilities of newness (Stinchcombe, 1965), the ability to leverage external network for knowledge acquisition and exploitation can ensure their survival and growth.

The entrepreneurial finance literature has highlighted the importance of investors as “specialists” in providing value-added services to new ventures (Colombo & Grilli, 2010). Research has recently started to study the phenomenon of crowdfunding by analysing the motivations of project’s initiators and investors to take part in crowdfunding projects (Gerber, Hui, & Kuo, 2012), and how the project quality (Mollick, 2014), spatial proximity (Agrawal, Catalini, & Goldfarb, 2011), and entrepreneur’s social capital (Colombo, Franzoni, & Rossi‐Lamastra, 2014) influence the success of crowdfunding campaigns. However, scholars have overlooked crowdfunders’ involvement in day-to-day company activities and its impact on firms’ performance. Focusing on startup companies that approached equity crowdfunding in Europe, the aim of this study is to understand whether young organizations can rely on their investors to obtain resources and capabilities to overcome liabilities of newness that may seriously compromise their survival.

Through a qualitative research design we identify the contribution of investors in four main areas. Specifically, investors have been involved in the development of the product and the business, in building connections with external stakeholders, and in promoting the business externally. In summary, investors helped companies to reduce internal and external liabilities of newness, including barriers of market acceptance and brand recognition, lack of external legitimacy and internal knowledge, and access to external debt and equity capital.

This study contributes to the entrepreneurship literature by focusing on very early-stage companies and by providing empirical evidence supporting the importance of non-professional investors as a source of knowledge. It also contributes to the crowdfunding literature by addressing for the first time the post-crowdfunding phase and the role of the crowd in reducing internal and external liabilities of newness.

The paper is organized as follows. Section 2 reviews previous findings and contributions on the liabilities on newness and crowdfunding literature. Section 3 describes the data and method of the analysis. Section 4 presents the context and results of the study, followed by a discussion of the implications and limitations.

2. Theoretical and empirical background

The concept of liability of newness was first introduced by Stinchcombe (1965) to describe the propensity of younger organizations to have higher failure rates than their older counterparts. Several authors pointed out that the liability of newness can be derived from both internal and external factors to the organization (Choi & Shepherd, 2005; Singh, Tucker, & House, 1986; Stinchcombe, 1965). The internal factors include the costs of learning new tasks, the absence of formal organizational routines, the lack of trust among the new members, and the inability to attract skilled labour (Singh et al., 1986; Stinchcombe, 1965). Meanwhile, the external factors refer to the various forms of barriers to entry, such as established organizations' brand recognition and market acceptance, lack of external legitimacy (Singh et al., 1986), and impediments in obtaining debt and equity capital from external market due to information asymmetries between potential borrowers and lenders (Coleman & Cohn, 2000).

For new ventures, the knowledge that guides further resource acquisition and the development of the venture shall reside largely in the mind of the founder. But human bounded-rationality and limited time and information hamper the ability of entrepreneurs to make optimal decisions (Barnard & Simon, 1947). Knowledge about industries, business, and the market may also be developed or acquired through other information sources, in order to gain insights and new information to supplement one's own personal experiences. Thus, the ability of new ventures to leverage external networks for resources acquisition and exploitation may ensure their survival and growth (Autio, Sapienza, & Almeida, 2000; West & Noel, 2009).

Furthermore, new ventures are often more proactive and prone to adapt to changing competitive conditions. Indeed, as some scholars pointed out, the absence of routines inside new organizations may become an internal asset by providing new organizations a superior ability to assimilate new knowledge (e.g. Autio et al., 2000; Sørensen & Stuart, 2000), which in turn provides strategic flexibility.

Crowdfunding, drawing inspiration from the concept of micro-finance and crowdsourcing, bears the potential for new ventures to overcome the problems of attracting external capital in their early stage and, at the same time, it is also a possible avenue to overcome the other aforementioned internal and external liabilities that new ventures face.

Recently, entrepreneurs and new ventures have started to adopt this form of financing to directly seek financial capital from the crowd instead of from other traditional financial investors (i.e. venture capitalists, business angels, etc.). Scholars define crowdfunding in different ways: Schwienbacher and Larralde (2010) define it 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”; Mollik (2014), narrowing the definition of the term in the entrepreneurial context, defines crowdfunding as “the efforts by entrepreneurial individuals and groups – cultural, social, and for-profit – to fund their ventures by drawing on relatively small contribution from a relatively large number of individuals using Internet, without standard financial intermediaries.”

Empirical studies have started mapping the phenomenon of crowdfunding in order to understand its main characteristics. Giudici, Nava, Rossi-Lamastra and Verecondo (2012) argue that crowdfunding platforms share the characteristics of multi-sided markets such as organizations that create value by enabling direct interactions between two (or more) distinct types of affiliated customers (as defined by Hagiu & Wright, 2011). Relatedly, Giudici, Guerini and Rossi-Lamastra (2013) proposed four different typologies of projects − business, cooperation, mecenatism, and donation − according to initiators objectives (i.e. personal or social) and the contribution offered to investors (i.e. monetary or non-monetary). Other empirical studies have analysed funders' and initiators' motivations for starting and taking part in a crowdfunding project. On one hand, results show that raising funds is not the only reason for approaching crowdfunding. In fact, entrepreneurs consider crowdfunding as an opportunity to get public attention and to obtain feedback on the product/service offered in order to fine-tune their initial project (Gerber et al., 2012). On the other hand, research shows that the crowd is willing to finance crowdfunding projects mainly to support an attractive idea, help others to realize their dreams, obtain rewards, and get credits for their own future project (Zhang, 2012).

Based on a dataset of over 48,500 projects on Kickstarter from 2009 to 2012, Mollik (2014) analysed the dynamics of crowdfunding success and failure. He suggests that personal network and project quality are important determinants of crowdfunding success. Geography also appears to be linked to the success rate of crowdfunding campaigns. Accordingly, Agrawal et al. (2011), by studying the impact of spatial proximity on the success of crowdfunding campaigns, suggest that although the role of geography appears to be greatly diminished, distance does still play a role; local investors invest relatively early and they appear less responsive to other investors' decision.

Ahlers et al. (2012), analysing Australian equity crowdfunding projects, highlight the importance of financial roadmaps, risk factors, as well as internal governance, for successful equity crowdfunding campaigns. Also entrepreneurs' internal social capital, defined as "the social capital that a proponent has developed inside the crowdfunding platform", appears to be crucial in attracting both early capital and early backers (Colombo et al., 2014).

Like other new ventures, companies approaching crowdfunding to obtain seed capital have limited managerial, human, and financial resources. To overcome these constraints, entrepreneurs who resort to crowdfunding may rely on their investors to obtain additional resources and capabilities that go beyond the provision of financing.

Some entrepreneurs have already stressed the importance of the crowd, considering it as an important source of knowledge. For instance, some companies that sought financial capital through the US equity crowdfunding platform *CircleUp* have been able to draw benefits from their funders. In particular, the startup *18Rabbits* received important feedback about the packaging and site design from experienced investors helping the company to enhance product sales; *Willa Sinkcare* received help from investors to hire an external qualified CFO; *NativeFlow*, through its investor community, was introduced to a potential strategic partner in Japan (Forbes, 2014). These examples suggest that investors can provide valuable insights to early-stage businesses.

This paper aims at understanding whether the crowd and its collective intelligence could help young organizations providing not only financial resources but also valuable knowledge and information by actively taking part in the development process of the company.

3. Research Methods

In this study our interest is in how entrepreneurs may rely on their crowdfunding investors to obtain additional knowledge and information. We used a qualitative methodology to develop theory inductively (Strauss & Corbin, 1998), because this is thought to be appropriate to explore areas about which little is known (Stern, 1980) and crowdfunding is indeed a new-born phenomenon.

As common in such research, a primary source of data was interviews. We chose to collect data through interviews in order to understand how the involvement of crowdfunding investors occurs. Specifically, we conducted depth-interviews in which respondents were encouraged to give detailed answers and provide examples to questions organized in a semi-structured interview protocol (see Appendix A). The interviews ranged from 20 to 80 minutes, with an average length of 30 minutes. All the interviews were audio-recorded and transcribed within 24 hours. For each interviewee we also collected archival data, in which informants illustrate and explain their crowdfunding experience -i.e. newspaper articles, press interviews, and crowdfunding platforms data.

3.1 Selection of the interviewees

We focused our attention on equity-based European crowdfunding platforms. The choice stems from the fact that through equity investments, investors became fully-fledged company's shareholders. The majority of star-up businesses fail or do not scale as planned and therefore investing in these businesses involves significant risk. As such, crowdfunding investors run the risk to lose all the money they invest, therefore they shall be more interested in being involved in the development of the company, by providing help, advice, and support to entrepreneurs. We focus on European equity crowdfunding platforms since in Europe equity crowdfunding has been well regulated for a number of years, allowing us to have more data available.

We collected the data in two steps. We sent out an email invitation to participate to our research project to entrepreneurs who engaged in equity crowdfunding in Europe. We find the projects successfully financed by looking through the main equity crowdfunding platforms of each European country where equity crowdfunding is regulated. We selected successful projects terminated at least six months before the beginning of our data collection process. This because, on average, entrepreneurs receive the funds raised during the campaign after one month or two. For this reason we thought that allowing at least six months after the end of the campaign would be enough for entrepreneurs to familiarize with their investors and understand how the latter may be involved in company's activities. We conducted 22 semi-structured interviews, 7 in-person and 15 by telephone (via Skype), with entrepreneurs based in The UK, The Netherlands, and Sweden.

Table 1 summarizes the information regarding online equity crowdfunding platforms and the business of each informant. Table 2 provides information about founder's human capital, proxied by startup experience, managerial experience, and industry experience (see Colombo & Grilli, 2005).

Table 1: Summary of Interview Data Collection

Platform	Company	Industry	Amount Raised (£)	Respondent
Crowdcube-UK	Pizza Rossa	Food	440,000	Founder
	Hab Housing	Housing Development	1,972,560	Managing Director
	Compare&Share	Software	151,570	Founder
	Wild Trail	Food	168,170	Founder
	Escape The City	Internet	600,000	Founder
	Blanco Nino	Food	121,550	Founder
	Zero Carbon Food	Food	580,810	Founder
	One City	Internet Service	118,760	Founder
Seedrs-UK	Microcosm	Software	150,000	Founder
	Satago	Software	30,000	Founder
	PlayEnable	Sport Fitness	145,000	Founder
	Dinnr	Food	60,000	Founder
	Fuzmo	Social Media	55,450	Founder
	Near Desk	Internet service	1,184,512	Founder
	Rendeevoo	Social Media	33,830	Founder
	Viva La Vita	Sport Fitness	34,510	Founder
	Humble Grape	Wine	356,670	Founder
	TriggerTrap	Tech	100,000	Founder
	MyCarGossip	Internet service	30,830	Founder
Symbid-NE	Equidam	Financial Services	50,000	Founder
	Anonymous	High-tech	<50,000	Founder
Funded By Me-SW	Goodio Cools	Food	42,000	Founder

Table 2: Characteristics of the interviewees

Company	Startup experience	Industry tenure (years)	Managerial experience (years)
Pizza Rossa	1	2	8
Hab Housing	1	30	20
Compare&Share	2	3	20
Wild Trail	1	8	4
Escape The City	0	4	4
Blanco Nino	1	6	2
Zero Carbon Food	0	0	10
One City	1	3	15
Microcosm	3	19	8
Satago	0	3	5
PlayEnable	1	2	8
Dinnr	0	2	3
Fuzmo	2	1	1
Near Desk	3	1.5	15
Rendeevoo	1	5	5
Viva La Vita	0	1	0
Humble Grape	1	4	10
Trigger Trap	0	10	2
MyCarGossip	0	0	0
Equidam	0	0	0
Anonymous	0	3	1
Goodio Cools	1	3	7

3.2 Data analysis

We conducted our data analysis by using a content analysis technique. Following Gioia, Corley, & Hamilton (2012), we performed both "first-order analysis" to capture informants' understanding in the term in which they thought about the research problem at hand and "second-order analysis" to move the findings to a theoretical level. The first-order analysis enabled us to understand investors' involvement in the terms meaningful for the respondents; through the second order analysis we developed a theoretical concepts and relationships that underlie the first order findings (Gioia & Chittipeddi, 1991). For clarity, we describe the major steps of our data analysis process.

Step 1: We began the analysis of the interviews collected by breaking up the data into relevant text segments that were the specific description of the activities in which investors have been involved. To do so, we reviewed all transcripts and used the process of open coding (Strauss & Corbin, 1998) in which we coded all instances where informants communicated motivations first and investors' involvement second. We coded these descriptions by using terms used by informants (Gioia et al., 2012). To better analyse the data we coded the interview transcriptions using Nvivo, a qualitative data analysis software. The archival sources were used to support informants' statements and to provide additional details where relevant.

Step 2: We conducted a cross-case analysis by comparing and contrasting observations about investors' involvement across the twentytwo organizations. We looked for differences in patterns considering organizations' characteristics, crowdfunding campaigns' characteristics, and entrepreneurs' personal experience.

Step 3: From the data and the first-order findings, travelling back and forth between our data, emerging insights, and existing theory, we extracted the theoretically explanatory dimensions (Gioia & Chittipeddi, 1991). As the constructs and the relationship that emerged from the data were observed across heterogeneous organizations in size, industry, country, etc., our theoretical framework is robust to organizational variation along these dimensions.

4. Findings

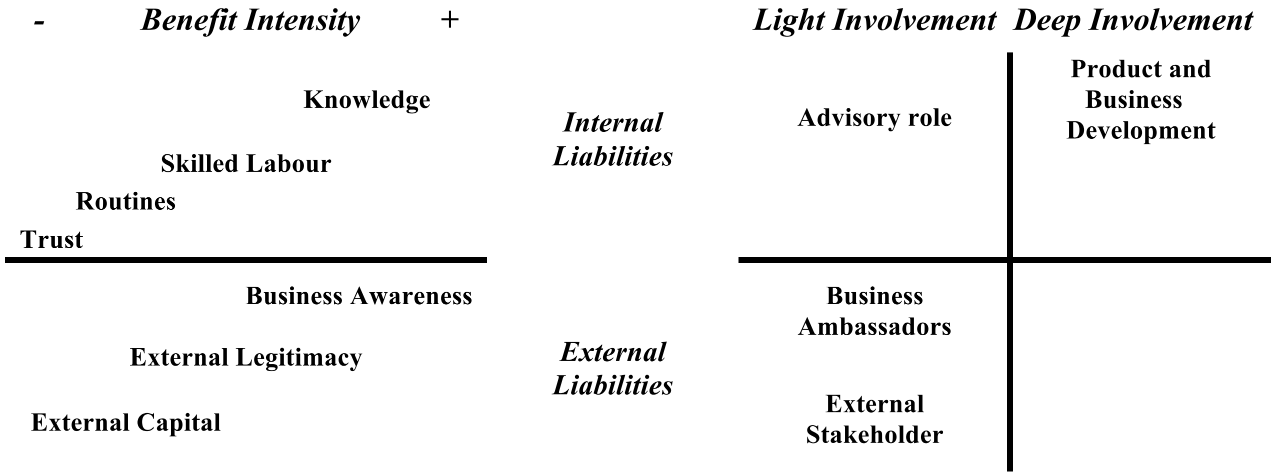
Table 3 presents the data structure from the first-order categories used by our informants to the second-order theoretical constructs that we extracted from them, providing an overall representation of the data analysis process.

Table 3: Data Structure: Investors' involvement

Empirical Observations	Theoretical Observations	Theoretical Constructs
• Product Feedback	Product Development	Knowledge Acquisition
• Company's growth strategy • Board Members • Partnerships • Obtaining additional financing	Business Development	
• General Advice • Helping with recruiting	Advisory Role	
• Connections with potential clients/investors	External Stakeholders	External legitimacy
• Promotion of the product	Business Ambassadors	Business Awareness

Crowdfunding, as our analysis demonstrates, bears the potential to provide entrepreneurs with complementary knowledge and information. New ventures can take advantage of the wisdom of the crowd by involving it in the development of the company from an early stage. In the following sections, we report our empirical findings based on the contribution of the crowd in different areas in which they have been involved. Considering the outcome of the contribution, we further categorised the involvement in "light" and "deep". The "light involvement" category includes the above-coded advisory, external stakeholders, and business ambassador activities. On the other hand, the category "deep involvement" includes product and business development activities. We linked our empirical observations with theoretical constructs considering how investors provide support to entrepreneurs by reducing the initial liabilities of newness they face. Figure 1 represents a conceptual model developed from the analysis of our empirical observations. On the right-side it shows the type of engagement investors have in company's activities; on the left-side it shows the impact of the involvement on new ventures' external and internal liabilities of newness.

Figure 1: Crowdfunders' involvement and its effect on internal and external liabilities of newness



4.1 Deep Involvement: Product and Business Development

The majority of our respondents involve their investors in the "deep-involvement" activities. These are, as shown in the right-upper quadrant in Figure 1, product development and business development activities. For product development we mean any kind of activity related to the improvement and finalization of the product, before its commercialization. On the other hand, for business development we refer to any kind of activity related to the strategic development of the business.

Descriptive statistics show that 70% of the entrepreneurs interviewed involve their investors in activities related to either the development of the product or the development of the business, or both. These companies belong to different industries: five companies belong to the food industry, three to the Internet business, three to the social-media industry, and one to the housing-development industry. On average they raised £290,000 from 177 investors. All of them approached crowdfunding to raise enough financial resources to build a minimum viable product. Indeed, investors contributed to new ventures development mainly by providing feedback and suggestions on the beta-version of the product.

Crowdfunders, by providing feedback and by sharing their experience as users, are able to increase new venture's knowledge about customers' needs. Some examples come from entrepreneurs who reached out to their investors for technology-related aspects and built their product around users' experience. The founder of Compare and Share, the world's one-stop comparison marketplace for the Sharing Economy, explained how the crowd supported the product development stage. She reported, *"You get this community of investors and you are able to exploit this collective intelligence, you can put questions and say: what do you think about this? And just get some feedback. I think this is really important. We were able to put things out to the crowd and get some general feedback, we have expertise but they want you to constantly develop the product. We got some investors who had some really useful inputs in terms of things to consider and some useful feedback on the product itself, such as how we deal with the product, how we develop the product, how we build it around user's experience. This has been really useful."* Compare & Share

Viva la Vita, a company that offers a list of fitness classes and activities available at short notice in London, involved investors in testing the functionality of the business model before making it available online to London customers. The founder reported, "*We will launch the product in a couple of weeks; some of our investors are involved as testers. So we have been live by testing the app and people who invested are booking and attending classes."* Viva La Vita

Some of our focal organizations reached out to the crowd also for advice and suggestions regarding marketing and website aspects. To provide some examples, the managing director of HAB Housing, —Happiness Architecture Beauty— who believes in the exploitation of the collective intelligence and considers the crowd a valuable resource for the growth and the success of the company said, *"We are using investors to early test our approaches to marketing and websites. We also were looking for ideas to identify a model maker and we had couple of responses from crowd funders. It is an on-going process; we do use them as a resource."* More empirical evidence is reported in the Table 5.

In addition to the above-mentioned activities in which crowdfunding investors have been involved, our analysis suggests a strategic-level involvement of the crowd. By coding interviewees' descriptions using expressions used by our respondents, we found that the crowd is also involved in activities related to the strategic growth of the business. More specifically, some investors have been involved in the business development of the company, others became member of the executive board of the company, few were interested in creating strategic-partnerships with the company, and several provided support in raising additional financing to further develop the business. They make available their heterogeneous expertise to new ventures, influencing the growth strategy of the company. Specifically, our respondents reported:

"Some investors are involved in our growth strategy, they would make suggestions about how the company can grow, scale, and develop. Their knowledge is much more around business development; we had some thoughts in terms of business strategy and our growth strategy. I wouldn't say that these are competences we don't have; these are competences that we do have, however we got some really useful perspective and they have very interesting level of experience. There are others who are interested in creating partnerships with us. Mike for example provides complementary services, they are interested to partner in that way." Compare & Share

The founder of Pizza Rossa, a company specialised in gourmet-quality pizza al taglio, benefited from the crowd both in terms of business development advice and in terms of strategic partnerships. He explained, *"The bigger investor, who is in the board, has twenty restaurants in South America and he is interested in franchising shops to Brasil. He pushes to go in that direction for the future. Another investor, who is an entrepreneur and founded her consultant company ten years ago, offered me help for business development and in the future she is interested in franchising shops outside London."* Pizza Rossa

The founder of Blanco Nino, a tortilla factory in Dublin, Ireland, producing high quality corn tortillas for the European market, explained us the benefits of having passionate people as investors who see things from a different perspective helping the business to grow faster than expected. He reported, "*When you do crowdfunding you attract people who believe in what you are doing. They are not investing just for returns, they believe in the business and they are passionate. VCs are good but they wouldn't have the enthusiasm for the business to allow growing and learning. People* *who are enthusiastic tend to see things differently, they tend to spot opportunities, and to see problems that you wouldn't notice. For example, one of the investors actually became the Operations Director of the company. He is really an accomplished individual and recently retired. He is very enthusiastic, he has a lot of knowledge, and he is eager to work. It is great to have him involved. Another investor would be assisting with the expansion into the European market. Our initial plan was to cover the UK and Irish market; we would look at the European market maybe in year two or three. This investor is allowing for the expansion into the European market nearly instantly, and he has a good contact-base for the distributors and supply chain, so he will speed up the all process. Thanks to this particular individual we can really leverage the growth rate a lot.*"

Blanco Nino

Crowdfunding investors, in some cases, have provided support to new ventures in finding additional financing after the crowdfunding campaign and have been interested in establishing partnerships and providing complementary services. For instance, the founder of Play Enable, a Top Table for sports and fitness classes in London, explained: "*One of them invested again, he put a little more money and a couple of them helped me to obtain additional financing. One investor is in the medical space Johnson & Johnson so I reach out to him to fit into his program.*" Play Enable (See additional evidence in Table 5)

Empirical evidence demonstrates how young organizations and inexperienced entrepreneurs can take advantage of investors' expertise. By influencing the development of the product and the strategic choices of the business, investors deliver intangible value to the new venture. At the outset, this intangible value is critical since early-stage companies rely on the knowledge brought to the table mainly by the founders (Brush, Greene, & Hart, 2001). Knowledge resources include the understanding of how to startup new organizations, how to manage people and processes, how to attain growth and competitive position, and how to stage technology and new product development (Brush et al., 2001; Wiklund & Shepherd, 2005). Moreover, entrepreneur's idiosyncratic experiences may led to a unique view of opportunities available that may not be optimal for the company growth. In order to reduce uncertainty, entrepreneurs are encouraged to supplement any industry, business, or previous startup knowledge with additional knowledge from external sources (West & Noel, 2009). In this sense, crowdfunding investors are a rich source of knowledge from which young organizations may tap into. Connecting with people who have different perspectives and understandings can yield important knowledge unaccounted for by past industry, business, or managerial experiences that entrepreneurs bring with them. Hence, as shown in Figure 1, our study implies that equity crowdfunding does bear the potential to facilitate the accumulation of internal knowledge that entrepreneurs may lack and to supplement entrepreneur's existing knowledge to create a sustainable competitive advantage. Lack of internal knowledge is one of the liabilities that new ventures face at the outset (Stinchcombe, 1965). Knowledge accumulation process requires time and investments, and in order to keep pace with the environmental changes entrepreneurs need to move fast and to compensate through external sources missing skills that may compromise their capacity to cope with difficulties and spot new opportunities. Non-professional investors, in this sense, represent a valuable external source of market and business-related knowledge and information that entrepreneurs may tap into.

4.4.2 Light involvement: External Stakeholders, Business Ambassadors, and Advisory Role

Some of our respondents reported that they engage investors only in the "light involvement" activities. Specifically 30% of our respondents explained that investors have been helpful for increasing business awareness and establishing relationships with external stakeholders. Those companies belong to different industries: three of them belong to the Internet service industry, one to the food industry, and the other two belong respectively to the financial services and high-tech industry. The average amount raised was £328,000 from 207 investors.

Entrepreneurs through crowdfunding have been able to exploit the network of the crowd. Many of them highlighted the fact that the crowd has been important in creating connections with potential partners and future investors. Some entrepreneurs explained:

"I keep reaching out to them to help me to connect. What we are trying to do right now is to launch a corporate wellness function that means health & benefits to corporates. The other guy is in the medical space Johnson & Johnson so I reach out to him to fit into his program. A couple of them helped me to obtain additional financing." PlayEnable

Moreover, the founder of Blanco Nino explained the importance of having a customer-base ready to purchase the product and to promote it externally even before its commercialization. He reported: *"We essentially have three times a breakeven number of clients ready to purchase the product before its production. The people who are investing are not just normal customers, they are community members and they are very enthusiastic and passionate about what we do. They don't just buy the product, they go through extraordinary lenses to get you in the stores in their local neighbours, to give you introductions to people that might help you to export or distribute the product."* Blanco Nino

The crowd has also been useful in providing contacts with suppliers of materials and with potential retailers, as the founder of Goodio Cools explained: "*One of the investors sent us information about a more affordable packaging material, he is from Estonia and it seems that he could make a really good price for us. After, this investor helped us to get more retailers."*

Additionally, the crowd has been considered by our respondents as a marketing channel to promote the business and the product externally. Organizations that have overtaken the product development phase would exploit the potential of the crowd mainly to spread the word and to increase company's visibility. Many of our respondents reported that investors act as ambassadors of the business, by spreading information through social media, friends, family, friends of friends, etc. *"The best thing is that they are evangelist of the product, once the startup is running there is nothing better that word of mouth that multiply by 20 the potential customers."* as the founder of One City reported during the interview.

Additionally, the founder of Escape The City, a service that helps people to find exciting new career opportunities around the world, explained that they have not had the opportunity to engage the crowd in company's activities yet but that they definitely recognize its potential and would make the most of it as soon as they launch a new service. He reported: "*I think it is definitely useful to have them, we haven't used them yet, but I think this is because we haven't had the right opportunity. I think when we launch the campaign around the school we will definitely use them to help promoting and launch new things."* Escape the City

The founder of Rendeevoo, a real-life dating app, explains the importance of the crowd in promoting the company brand and also the importance of the emotional attachment that investors have with the company itself. He reported:

"We love having close relations and frequent communications with our investors especially now that we have a brand and it is a consumer service. This is the best way to promote your name. These people are very influential, they have a thousand people next to them, in their circles, and so without them I think the risk is 10 times larger to fail. Angel investors do not have any emotional attachment whatsoever. They just see the financial value and they want their money back in five years. But the crowd behaves completely different, they are getting hooked not because of the opportunity but because of the attractiveness that this concept has." (Additional evidence is reported in Table 5).

According to our analysis, crowdfunding investors play a crucial role in testing the marketability of the product and raising business awareness. Firstly, the crowd possesses the ability to give indications and reduce the uncertainty for new ventures regarding the market acceptance of a specific product. Through feedback, suggestions, and users experience, entrepreneurs are able to test their product early and to adapt it based on market preferences. Moreover, investors serve as accelerators for the popularity and brand recognition of the new venture, which goes along with the notion of Lambert and Schwienbacher (2010), who argue that crowdfunding acts as an inexpensive form to raise awareness. Investors, as our respondents reported, act as ambassadors for the business: they spread the word, they promote the product and the business externally through social media, friends, family, friends of friends, and increase the company's visibility.

Another important aspect to take into account is related to the achievement of new venture's external legitimacy. Legitimacy is defined by Suchman (1995, p. 574) as "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate with some socially constructed system of norms, beliefs and definitions." Therefore, one of the tasks of any nascent venture is to begin establishing legitimacy in its organizational field and to obtain acceptance and validation by external stakeholders. Our empirical observations indicate that crowdfunding investors play a significant role in enhancing new venture legitimacy. More specifically, investors are interested in creating partnerships, using their network to connect the entrepreneur with people relevant for the business, providing help to find suppliers of materials and product retailers, and helping entrepreneurs to obtain additional financing. In this sense, building relations with external stakeholders enhance new ventures' external legitimacy.

It is also worth noting that the crowd has been involved in raising further funds, either by investing further resources or by providing contacts with potential investors. Liquidity can also serve as a buffer to the liabilities of newness. It provides "comfort" to potential external stakeholders encouraging their investments.

4.4.3 Crowdfunding investors' involvement: Cross-organizations analysis

Our analysis suggests a different level of involvement across organizations and different opinions about the potential value the crowd can bring to entrepreneurs. In order to understand which factors may lead to differences in the involvement of the crowd, we asked our respondents to provide us with some information about themselves —i.e. previous entrepreneurial experience, previous startup founded— and some information about the company —i.e. company's development phase, the presence of professional investors as shareholders etc.

Specifically, it emerged that differences in companies' development phases led to a different level of investors' involvement. For instance, companies at very early stage involve the crowd in the development of the product, by early-testing it and by asking for feedback and technology-related suggestions. Meanwhile, companies that overtook the product development phase and use the proceeds to upgrade the product, mainly involve the crowd as business ambassadors to promote the business externally, and as business development consultant.

Another interesting aspect we wanted to take into account is how the presence of professional investors as company's shareholders and entrepreneurs' personal experience may exert influence on the involvement of the crowd. Table 4 shows additional information about our respondents.

Table 4: Cross-organizations analysis

	Deep Involvement	***Light Involvement***
Number of companies	70%	30%
Average Entrepreneurial Experience	1,15	0,5
Average Industry Tenure (years)	6,5	2,5
Venture-backed companies	21%	83%

We thought that the investors' involvement might be influenced by founders' entrepreneurial and business expertise. We also thought that investors' business related expertise might be a relevant factor that entrepreneurs would consider before involving their crowd. Unfortunately we have not been able to assess the business expertise of the investors, therefore we decided to focus our attention on entrepreneur-specific human capital of the founder that, as empirical research demonstrated, exerts a key influence on company's growth (Colombo & Grilli, 2005; Stuart & Abetti, 1990). We considered founder's entrepreneurial experience –number of startup founded prior founding the current company- and industry experience (see Table 2 for details). Surprisingly, we observe that companies engaging the crowd in "light involvement" activities do not have any previous entrepreneurial experience, except for one of them –i.e. they have not found any startup before founding the current company. Moreover, their average industry experience is about two and half years, which is relatively low compared to six years average industry experience of entrepreneurs who engage the crowd in activities that require a deeper involvement i.e. product development and business development. This trend may be explained by the presence of professional investors who, as many studies in the entrepreneurial finance literature demonstrated (Bertoni, Colombo, & Grilli, 2011; see Colombo & Grilli, 2010), provide entrepreneurs with value-added services crucial for the development of the company.

Looking at the "deep-involvement", it turns out that all entrepreneurs belonging to this category have relevant industry experience –i.e. 6.5 years on average- and entrepreneurial experience –i.e. they have founded at least one company before founding the current one. This peculiar trend may result from the fact that entrepreneurs learned from their previous failures and, by being able to recognize the hidden-value of the crowd and aware of the benefits they can gain from it, were willing to spend time and resources on its collective intelligence exploitation.

It is worth noting that our analysis does not underline any industry effect trend. In this sense, companies that involve their investors in the "deep involvement" -i.e. product development and business development- are from different industries. Moreover, initially we thought that a large pool of investors could somehow jeopardize the possibility for entrepreneurs to actively involve them because, as the attention-based theory suggests (Ocasio, 1997), too many communication channels and, thus, a large amount of information to process, can be detrimental for company's performance. Entrepreneurs may face difficulties to manage relationships with a large number of investors, and this would require time and valuable resources that they do not possess.

But contrary to our expectations, all our informants reported that the number of investors has not had any influence on the involvement, claiming that online crowdfunding platforms have a really simple mechanism that allows easy management of all investors, to communicate with them quickly, and to post questions and answers regarding the business. Some of them also highlighted the benefits of having a high number of investors: when they act as market mavens, as advocates for the business, and when they give feedback as customers. The managing director of HAB Housing reported, "*I think we see generally having a high number of investors as a positive thing. With the email list it is easy to communicate with people, we don't see that as a problem. We have advocates for the business and we hope we go to different areas to carry out development and hopefully we will have support from people with knowledge on the ground in the local area, so we are quite happy.*"

Overall, our empirical observations provide really interesting insights about equity crowdfunding in general and about the role of the crowd on the post-funding phase. Our results show that also non-professional investors can provide benefits to early-stage businesses.

Table 5: Crowdfunding investors' involvement

First order code and illustrative evidence	***Theoretical observations***	***Theoretical constructs***
Product feedback	***Product Development***	***Knowledge Acquisition***
In terms of software development we had information also from crowd funders, what I have mentioned early about technology input. And equally about web design. Compare and Share		
They are our customers so they have influenced the product, they are users, they use the products and they have an opinion, they give us feedback. Microcosm		
They give feedback and they are all useful. Some of them work for a software company so I reached out to them. PlayEnable		
Our investors are our customers; they gave us feedback on the alpha-version of the product. Rendeevoo		
We haven't had much of shareholders' engagement. But in the future we may use the skills of our shareholders to provide us services and advice in the areas of their expertise. Some of them work in areas that could provide us with support. Zero Carbon Food		
Some of the largest investors would test the product. One City		
The one thing you can trust crowdfunding people to do is to give a lot of feedback. So people will definitely pipe-up, they will send you messages and give feedback. And that is really useful, we are developing a product that in some circumstances we really understand, but on the other side we are specialists, so our target audience may use our product not in the way we would. For examples, one of the products we have been working on, we ended up developing it in partnership with the BBC and it was really helpful to talk to them and find out what their perspective was. With crowdfunding it is possible to have a lot quantitative and qualitative feedback from your potential customers, which is amazing, because they pledge their money and they are happy to give you information about how they use your product, and this influences the way you develop the product and which part of your prototype you bring to the market. We also have reached out to people to ask for help to develop part of the product that was very specialist, and it has been very helpful to talk to them, to get some information and to find out how they are able to help. People are willing to help, people are willing to give very helpful advice. They would be very good at giving feedback or helping with the strategy of the product. Trigger Trap		
General advice		
The only thing that my crowdfunding investors have really been involved in is		

Public Relations. So one of the crowdfunding guys is a PR consultant and he helped us with that. Satago		
The investors I am referring to are the ones who are in the room with myself now and they are about 15 of my 176 people. They are around me in a day-to-day basis, people I ask for advice, I ask for help, they show me new pieces of software. It is a friendships advisory role but at the same time they are Seedrs investors. Fuzmo	***Advisory role***	
For example, one of the funders sent us information about a more affordable packaging material, he is from Estonia and it seems that he could make a really good price for us. Goodio Cools		
We were looking for ideas for identify a model maker and we had couple of responses from crowd funders. It is an on-going process; we do use them as a resource. HAB Housing		
So we had donation of equipment, advice and support, and people are helping as with aspects of marketing. But this is not involvement in the company, this is more offering us support when we needed and when we asked. Microcosm		
10% or less respond if we pose questions on the crowdfunding platform. There were others from our personal network that we are much in close contact with, but I think there is nothing to do with being crowd investors. It is just because we know them personally and we have good friendship with them. Those I wouldn't count in there, even without the crowd investment they would have helped us. Anonymous		
I receive many emails: one guy who built a production centre for a big company advised me a company that sell good materials we needed. Another guy is an accountant and he is willing to help with payroll. One investor, who owns a consultant company, offered me help with business development. The third bigger investor is an ex-colleague from LBS. He is a business development manager in a big Italian company with international experience. He is very active, for instance he is looking for a van refrigerator right now through his contacts. Pizza Rossa		
Some of them yes, some of them no. The top investors yes. They all started with an advisory role. For example one of them is an accountant and he is helping us with our books, another one is a logistic manager so he is helping us with the logistic of the back-end of the application. We communicated with them on a weekly basis, we send an email digest with all the news of the last week and with some of them we follow up with the same email, asking them opinions, recommendations, or advice. Rendeevoo	***Advisory Role***	
We are going to post an update soon to the investors about the payment we are using. We are going to ask if anyone had any experience because some people I think may have experience so we may ask them. Viva la vita		
So at one level we go out and we say: we are building an e-commerce platform and we are coming up with a new name for it. We ask them: "What would you consider a good name?" And some came back with some names very fast; pretty much 50% of them came back and are fully engaged. Sometimes we ask if they know people, since we are looking for a board member or director. One City		***Knowledge Acquisition***
I meet with some of the investors to inform them on progressions and to ask for advice. MyCarGossip		
Helping with recruiting		
We are recruiting at the moment, so we communicate them what we are recruiting for, to see whether they are interested themselves or whether they know anybody who is interested. I know that for one of the job we have two applications from investors. HAB Housing		
We hired a member staff through introductions. Near Desk		
Company's Growth strategy		
We have conversation about our strategy with bigger investors. Equidam		
Some of the startup founders are actually some of our Seedrs investors so they are going to advising us and helping us to move forward. Fuzmo		
Board Member		

We are negotiating with one of our investors. She may become part of our management team. She is a lawyer, so she can assist us with many things. Goodio Cools *Only one investor is involved. Mainly he helps me for strategy and business management. He became chairman. Wild Trail* ***Partnerships*** *Another investors, who is an entrepreneur and founded her consultant company ten years ago, offered me help for business development and in the future she is interested in franchising shops outside London. Pizza Rossa* *Yes, one thing that I haven't mention is that, as business property development, we had some of the investors coming with the development site they owned that we are now processing. And I think there are potentially other investors who may want to offer a site and want us to build on. HAB Housing* *There are investors who are interested in partnership with us. Mike, for example, provides complementary services; he is interested in partner in that way. Compare and Share* *We got an email the other day from somebody who is a renewable energy expert who came through offering services. HAB Housing* ***Obtaining additional financing*** *The main activity that we have some involved in is raising finance for property development scheme. We are working actively with two of our investors who now are kind of helping us on treading future investments. HAB Housing* *One of them invested again. A couple of them helped me to obtain additional financing. PlayEnable*	***Business Development***	
Connections with potential clients/investors *What they occasionally help us with is introductions. They introduce us to people and companies that then may became our clients. Escape the City* *The bigger investor was an introduction from an earlier round, and we had quite a few introductions form people giving us marketing intelligence. Near Desk* *We are receiving email from them. For example some have small shops and restaurants and they want to buy wine. Someone wants to do events and all this kind of things. We ask them to refer any friends who has corporate event services, who has wine club, etc. So they help to connect to events managers, they email their buddies who have wine club, and they have all been useful. Hamble Grape* *There is an investor who wrote me some days ago. He is English based in Dubai. He said: "If you are interested in franchising in Dubai let me know because I have many contacts here and I can help you in that." Pizza Rossa*	***External Stakeholders***	***External Legitimacy***
Promotion of the product *They work well as business ambassador through social media. Equidam* *During the campaign crowd funders spread the information, people loved the idea and they wanted to make it happen. Goodio Cools* *We think that they are very useful as a marketing channel. Near Desk* *We try to keep them informed and they are just happy helping us to share and hoping the company success. Anonymous* *They act as market mavens, which means that they promote the product externally, which is the plus side. Play Enable* *It is also in their interest to spread the word, so when we launch obviously all these people will tell everyone they know to download the app. Viva la vita* *Our normal investors own restaurants, they buy the product. Blanco Nino* *Even if there is not a direct help from them, apart from some general advice, there is the fact that the majority of them work in the City, which is our market. They all will become our first clients. Pizza Rossa*	***Business Ambassadors***	***Business Awareness***

5. Discussion

Our findings reveal some interesting insights that both confirm and extend current understanding in crowdfunding research. As Table 3 illustrates, the utility of crowdfunding is not limited to the provision of financial capital. Crowdfunding and its underlying concept, Web 2.0, allow participation, collaboration, and communication between investors and new ventures and, therefore, the exchange of knowledge. Crowd participation, as our analysis demonstrated, can unfold and impact new ventures development and growth by providing additional knowledge and acting in the interest of the company.

The results of this study provide insights about how new ventures benefit from external knowledge sources, their investors in particular. Crowdfunding investors are actively involved in providing knowledge and feedback about the development of the product and the company's growth strategy. More in details, our data shows that the crowd is likely to actively give feedback during the product development phase, make suggestions about potential technological improvements, and give marketing-related and general advice. This deep level of involvement makes investors co-creator of the product. Entrepreneurs fine-tune the development of the product taking into account feedback, suggestions, and experiences of the crowd. They build the product around crowd's knowledge and expertise. Additionally, our data suggests that the crowd has been involved also in some company's recruitment activities. Entrepreneurs looking for employees with specific profile turned to the crowd to see whether they knew anyone who was interested or to see whether they were interested themselves. In this sense, entrepreneurs can benefit from the crowd's network to attract skilled labour, a challenge that many new ventures face.

Here, it is apparent that crowdfunding investors can generate knowledge resources that can be used productively for the benefit of the firm. New ventures can take advantage of the crowd's collective intelligence to reduce uncertainty and to supplement any industry, business, or previous startup knowledge they have gained through experience with additional knowledge from external sources (West & Noel, 2009). Indeed, connecting with people who have different perspectives and understandings can yield important knowledge unaccounted for by past industry, business, or managerial experiences that entrepreneurs bring with them. Hence, our study implies that equity crowdfunding does bear the potential to facilitate the accumulation of internal knowledge that entrepreneurs may lack and to supplement entrepreneur's existing knowledge to create a sustainable competitive advantage.

Moreover, our study highlights the importance of crowdfunding investors in raising business awareness and in creating connections with potential customers, clients, and investors. In this sense, the crowd help new organizations to obtain acceptance and validation by external stakeholders. Specifically, investors have been interested in creating strategic partnerships with the company, helping entrepreneurs to connect with people relevant for the business, and providing support to obtain additional financing. Building relations with external stakeholders enhances new ventures' external legitimacy.

It is worth noting that some of our respondents argue that it was relatively early for them to make the most from their investors because they were still in the first phase of spending money, which means investing in the product development. Some clearly expressed the willingness to further exploit the crowd, declaring that there is a potential of much more active involvement as soon as the development phase ends and the product will be ready for the commercialization.

In summary, our study suggests that crowdfunding is much more than a tool for raising funds; it is also an external source of knowledge both for experienced and inexperienced entrepreneurs.

6. Conclusion and Implications

Understanding how new ventures exploit external knowledge to moderate the liability of newness is an important focus in the study of entrepreneurship. Our study contributes to entrepreneurship literature by focusing on very early-stage companies and by providing empirical evidence supporting also the importance of non-professional investors as a source of knowledge and information that affects young firms' survival. It also contributes to the crowdfunding literature by addressing for the first time the post-crowdfunding phase and the role of the crowd in reducing internal and external liabilities of newness.

To investigate this topic, we conducted twenty-two semi-structured interviews with entrepreneurs who approached equity crowdfunding in Europe. Our study demonstrated that crowdfunding investors are able to alleviate part of the liabilities of newness that new ventures face.

It turns out that the involvement of the crowd had a positive impact on the external liabilities, including barriers of market acceptance and brand recognition, lack of external legitimacy, and access to external debt and equity capital. Furthermore, the internal liability in terms of lack of knowledge is also reduced.

We demonstrated that crowdfunding is more than “an interrelated branch of bootstrapping and new source of seed finance that entrepreneurs or new business owners can make use of in order to overcome their problem of attracting capital from traditional investors” (Lambert & Schwienbacher, 2010): new ventures can make use of the crowd and can benefit from its collective intelligence.

This research has some practical implications for entrepreneurs. A number of important aspects about how crowdfunding can facilitate the liabilities of new ventures in their early stage emerged. Given the importance of knowledge for young firms survival, and provided that the crowd facilitates the access to external knowledge, entrepreneurs shall take those aspects into consideration when thinking about approaching crowdfunding. Another important aspect that emerged from our analysis is the need to facilitate the match between the competences possessed by the crowd and needed by the entrepreneur. In some cases our respondents highlighted that if they knew more about investors’ capabilities, they would have involved and benefited from them much more than they actually did.

This study has some limitations. We have only considered entrepreneur’s human capital as a factor that may influence and explain the differences in the level of involvement. It is important to consider that investors’ business-related expertise may also impact the level of involvement. As Grant and Baden-Fuller (2004) pointed out, entrepreneurs will consider the possibility to involve their funders only if they possess missing skills and knowledge relevant for the business. Considering also the investors’ perspective would be a fruitful area for future research.

Moreover, the majority of the companies interviewed are located in The UK. Collecting additional data from other European countries would increase the generalizability of our findings and allow to identify cross-country differences. One promising avenue for future research would be to identify how the transition from crowdfunding to traditional seed-financing investors takes place based on the challenges that entrepreneurs have to face. Furthermore, it would be also interesting to understand which factors investors consider before investing in new ventures, since transactions take place online and the only information available to them is the one provided by the entrepreneurs themselves in the online platform. It would be also interesting to analyze the role of institutions in shaping the development of this phenomenon.

In summary, equity crowdfunding has enlarged the sources of financing available for entrepreneurs. It is the first step for entrepreneurs seeking money, as an alternative to friends and family funds. Crowdfunding supports entrepreneurs in gaining legitimacy and popularity. It does not substitute other traditional seed-financing investors, but it plays a different role through the growth path of the company: it became the first rung of the ladder, followed by other seed investors.

Appendix A

- Why did you decide to use equity crowdfunding to finance your company?
- Who are your crowdfunding investors?
- In which companies' activities are your crowdfunding investors involved?
    - Could you please provide some examples?
- How many crowdfunding investors have been involved in your company's activities?
- Which competences/information did you acquire from your crowdfunding investors?
- How did investors' involvement influence your company's development?
- How often do you communicate with your investors?
- Which (if any) negative aspects did you notice about crowdfunding?
- Please indicate to what extent the following categories represent the composition of your company shareholders structure:

Shareholders	**Total shares**
Entrepreneur and Co-founders	
Friends & Family	
Crowd-funders	
Venture Capitalists	
Others	
	100 %

Founders' Personal information:

- Industry tenure (years)
- Number of previous startup founded
- Years of experience in managerial functions prior founding the current company

References

Agrawal, A., Catalini, C., & Goldfarb, A. (2011). Friends , Family , and the Flat World : The Geography of Crowdfunding ∗.

Ahlers, G., & Cumming, D. (2012). Signaling in equity crowdfunding. *Available at SSRN*. Retrieved from http://www.efmaefm.org/0EFMAMEETINGS/EFMA ANNUAL MEETINGS/2013-Reading/papers/EFMA2013_0077_fullpaper.pdf

Autio, E., Sapienza, H. J., & Almeida, J. G. (2000). Effects of Age At Entry , Knowledge Intensity, and Imitability on International Growth. *Academy of Management Journal*, *43*(5), 909–924. doi:10.2307/1556419

Barnard, C., & Simon, H. A. (1947). *Administrative behavior. A study of decision-making processes in administrative organization*. Macmillan, New York.

Bertoni, F., Colombo, M. G., & Grilli, L. (2011). Venture capital financing and the growth of high-tech start-ups: Disentangling treatment from selection effects. *Research Policy*, *40*(7), 1028–1043. doi:10.1016/j.respol.2011.03.008

Brush, C. G., Greene, P. G., & Hart, M. M. (2001). From initial idea to unique advantage: The entrepreneurial challenge of constructing a resource base. *The Academy of Management Executive*, *15*(1), 64–78.

Choi, Y. R., & Shepherd, D. A. (2005). Stakeholder perceptions of age and other dimensions of newness. *Journal of Management*, *31*(4), 573–596.

Coleman, S., & Cohn, R. (2000). Small firms' use of financial leverage: evidence from the 1993 national survey of small business finances. *Journal of Business and Entrepreneurship*, *12*(3), 81.

Colombo, M. G., Franzoni, C., & Rossi-Lamastra, C. (2014). Internal social capital and the attraction of early contributions in crowdfunding. *Entrepreneurship Theory and Practice*.

Colombo, M. G., & Grilli, L. (2005). Founders' human capital and the growth of new technology-based firms: A competence-based view. *Research Policy*, *34*(6), 795–816. doi:10.1016/j.respol.2005.03.010

Colombo, M. G., & Grilli, L. (2010). On growth drivers of high-tech start-ups: Exploring the role of founders' human capital and venture capital. *Journal of Business Venturing*, *25*(6), 610–626. doi:10.1016/j.jbusvent.2009.01.005

Forbes, (2014). Crowdbuilding: The Real Story Behind Crowdfunding That No One's Telling. January 2014.

Gerber, E., Hui, J., & Kuo, P. (2012). Crowdfunding: Why people are motivated to post and fund projects on crowdfunding platforms. *CSCW Workshop*. Retrieved from http://www.juliehui.org/wp-content/uploads/2013/04/CSCW_Crowdfunding_Final.pdf

Gioia, D. a., & Chittipeddi, K. (1991). Sensemaking and sensegiving in strategic change initiation. *Strategic Management Journal*, *12*(6), 433–448. doi:10.1002/smj.4250120604

Gioia, D. a., Corley, K. G., & Hamilton, a. L. (2012). Seeking Qualitative Rigor in Inductive Research: Notes on the Gioia Methodology. *Organizational Research Methods*, *16*(1), 15–31. doi:10.1177/1094428112452151

Giudici, G., Guerini, M., & Rossi Lamastra, C. (2013). Crowdfunding in Italy: state of the art and future prospects. *Economia E Politica Industriale-Journal of Industrial and Business Economics*, *40*(4), 173–188.

Giudici, G., Nava, R., Rossi Lamastra, C., & Verecondo, C. (2012). Crowdfunding: The new frontier for financing entrepreneurship? *Available at SSRN 2157429*.

Grant, R. M., & Baden-Fuller, C. (2004). A knowledge accessing theory of strategic alliances. *Journal of Management Studies*, *41*(1), 61–84.

Hagiu, A., & Wright, J. (2011). *Multi-sided platforms*. Harvard Business School.

Lambert, T., & Schwienbacher, A. (2010). An empirical analysis of crowdfunding. *Social Science Research Network*, *1578175*.

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

Ocasio, W. (1997). Towards an attention-based view of the firm. *Strategic Management Journal*, *18*(S1), 187–206.

Schwienbacher, A., & Larralde, B. (2010). Crowdfunding of small entrepreneurial ventures. *SSRN Electronic Journal*, *2010*. Retrieved from http://lillebørs.dk/wp-content/uploads/edd/2013/06/Schweinbacher-Larralde-2010.pdf

Singh, J. V, Tucker, D. J., & House, R. J. (1986). Organizational legitimacy and the liability of newness. *Administrative Science Quarterly*, 171–193.

Sørensen, J. B., & Stuart, T. E. (2000). Aging, obsolescence, and organizational innovation. *Administrative Science Quarterly*, *45*(1), 81–112.

Stern, P. N. (1980). Grounded theory methodology: Its uses and processes. *Image*, *12*(1), 20–23.

Stinchcombe, A. L. (1965). Organizations and social structure. *Handbook of Organizations*, *44*(2), 142–193.

Strauss, A., & Corbin, J. (1998). Basics of qualitative research: Techniques and procedures for developing grounded theory. *SAGE Publications, Thousand Oaks, USA*.

Stuart, R. W., & Abetti, P. A. (1990). Impact of entrepreneurial and management experience on early performance. *Journal of Business Venturing*, *5*(3), 151–162.

Suchman, M. C. (1995). Managing legitimacy: Strategic and institutional approaches. *Academy of Management Review*, *20*(3), 571–610.

West, G. P., & Noel, T. W. (2009). The impact of knowledge resources on new venture performance. *Journal of Small Business Management*, *47*(1), 1–22.

Wiklund, J., & Shepherd, D. (2005). Entrepreneurial orientation and small business performance: a configurational approach. *Journal of Business Venturing*, *20*(1), 71–91.

Zhang, Y. (2012). An Empirical Study into the Field of Crowdfunding. *Economic Policy*, *34*, 231–269.