LUCA SABIA

Deep Pockets

Exploring the investment decisional process of the crowdinvestor

University of Worcester
Worcester Business School
PhD in Entrepreneurship
Candidate: Luca Sabia

“Western society is trapped by three assumptions: 1) the point of life is to maximize your self-interest and wealth, 2) we're individuals trapped in an adversarial world, and 3) that this path is inevitable.”

(Yancey Strickler, Founder of Kickstarter)

“The point is that petty, frustrating crap like this is exactly where the work of choosing is gonna come in. Because the traffic jams and crowded aisles and long checkout lines give me time to think, and if I don’t make a conscious decision about how to think and what to pay attention to, I’m gonna be pissed and miserable every time I have to shop. Because my natural default setting is the certainty that situations like this are really all about me. About MY hungriness and MY fatigue and MY desire to just get home, and it’s going to seem for all the world like everybody else is just in my way. And who are all these people in my way?”

(David Foster Wallace, American Novelist)

“If we had a power base together, it would be a much different conversation than me having a conversation by myself and trying to change America by myself. If I come with 40 million people, there's a different conversation, right? It's just how it works.”

(Jay-Z)

Dedication

To my wife and lifetime partner, Marianna, and our daughter, Sofia: *great things are invisible, but we were lucky enough to see.*

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Upcoming publications and public speaking opportunities

The following is a list of the upcoming publications derived from the present study:

Journal Article: Sabia, L., Bell, R. and Bozward, D. (forthcoming) 'Big Fishes: Building Loyal Brand Communities in Equity Crowdfunding by Implementing the Positive Face of FOMO in the post-Covid Era'. *Business Horizons.* (Elsevier, Impact Factor: 3.4, ABS: 2*) [ACCEPTED].

Journal Article: Sabia, L., Bell, R. and Bozward, D. (forthcoming) 'Modelling the Decision Process of the Crowdinvestor to Provide New Investment Opportunities for Venture Teams'. *The Journal of Technology Transfer* (Elsevier, Impact Factor: 4.5, ABS: 2*) [SUBMITTED].

Book Chapter: Sabia, L., Bell, R. and Bozward, D. (forthcoming) 'Equity Crowdfunding as a Catalyst for Growth in the Post-Covid era in the Western Balkans'. In Nguyen, D.K., Ngo, V.D. and Nguyen, N.T. (Eds.), *Entrepreneurial Finance, Innovation and Development: A Research Companion*, London: Routledge [ACCEPTED].

Working Paper: Sabia, L., Bell, R. and Bozward, D. (2020) *Exploring Fomo in Equity Crowdfunding*, Conference Paper, 4th European Alternative Finance Research Conference 2020 Proceedings.

Moreover, the present research granted the following public speaking opportunities:

The Role of FOMO in Equity Crowdfunding, European Crowdfunding Festival Junior 2.0, University of Bari, Italy, June 2021.

The Role of Communities in Venture Funding, Webinar Series, Royal Agricultural University Enterprise Business School, June 2021.

Tribal Ventures, Seeds of Knowledge, Worcester's Postgraduate Research Conference, University of Worcester, July 2018.

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Abstract

The digitisation of the economy offered a new context for entrepreneurship to act as a catalyst of change. For example, platforms offered new opportunities for people to co-create value by means of online crowdsourcing. One form of such is equity crowdfunding, where, in pledging to entrepreneurial projects promoted via online marketplaces, people have had the opportunity to support entrepreneurs. However, the presence of massive information asymmetries in such a digital environment has exacerbated adverse selection issues; crowdinvestors find it difficult to evaluate the quality of the promoted projects. The risk they face is finding themselves trapped in failures that would prevent future investments. In turn, this would negatively affect the network effects needed for the industry to survive and thrive. Whilst the research community has fostered the need for increasing transparency in the industry, there is a paucity of research on the challenges the crowd must face when making an investing decision. This would help to develop a better comprehension of their behaviour and in turn a better understanding of to what extent platforms and entrepreneurs could contribute to creating a more transparent and safer investing environment. With this in mind, the present study aims to provide an understanding of how crowdinvestors make investment decisions and what needs they try to address when making an investment decision. By leveraging a framework analysis method, data from 15 crowdinvestors based in the EU and US were analysed. The findings indicate the presence of a bounded-rationality approach through which crowdinvestors combine rational and irrational elements to make investment decisions, thus opening a new perspective to explore the behaviour of crowdinvestors in the context of equity crowdfunding. Moreover, the findings also highlighted that, in making investing decisions, crowdinvestors try to address self-determination needs. In contributing to the investor perspective stream of research in equity crowdfunding research, the present study also offers practical insights for entrepreneurs, platforms, and the policy maker.

Chapter 1

The context of the study

1.1 Introduction

In the following introductory chapter, the author provides the reader with the context of the present research. In particular, by adopting a holistic view, the chapter explores the characteristics of the historical, political, economic, and sociological context from where equity crowdfunding emerges. This helps to set the background for the study, whilst offering a wider breath to the analysis of equity crowdfunding as a platform-based form of entrepreneurial finance. In this regard, the crisis of what has been considered the international world in the aftermath of the financial crisis of 2008, which worsened during the Covid-19 pandemic, is first explored. These events have intensified demand for change from people as the availability of new technologies allowed them to take part in the collaborative creation of value by the means of supporting new entrepreneurial projects. However, with new opportunities that equity has brought to the entrepreneurial table, new issues risk interfering with the sustainability of the industry, thus frustrating the request for change by communities.

1.2 It's rough seas

The author first came to the UK in 2010, landing a place as an intern at a local daily newspaper. Under the guidance of the editor in chief, he soon would discover that drug abuse was the main cause of death in the area. The author also discovered that the drug crisis was the result of the combination of job losses caused by the 2008 global financial crisis and the lack of future perspectives for many inhabitants of the area.

A few years later, Brexit marked a seismic change in geopolitics. Examining the vote of the 2016 Referendum to leave the European Union (Goodwin and Heath, 2016) it emerged that the poorest households, those with incomes of less than £20,000 per year, including the unemployed, people in low-skilled and manual occupations, people who felt that their financial situation had worsened, and those with no qualifications, voted to leave the EU. This aspect has been linked to the educational inequality across the country as support for leaving the EU was 30 percentage points higher among those with GCSE qualifications or below[1]. This in turn has been linked to specific geographies, since low-skill areas were the most supportive of voting to leave the European Union. In other words, groups who felt they had been left behind by rapid economic change were the most eager to leave the European Union, giving a strong signal of a change required by further destabilising the political and business environment.

This socio-economic trend was not, however, limited to the UK. For example, a few years after the Referendum to leave the European Union, in the midst of the Covid-19 pandemic which had further worsened an already weak economic environment showing all the limits of capitalism (Mazzucato, 2021, pp. 11-25), the analysis of the US 2020 Presidential Election showed that the constituencies won by Donald Trump were mainly areas inhabited by people from less educated backgrounds and with less hope of getting a job (Zhang and Burn-Murdoch, 2020).

The above two circumstances seem to suggest a world emerging which is not "people-friendly". Therefore, people react. It is not a case, then, that the Brexit referendum and

[1] The General Certificate of Secondary Education (GCSE) is an academic qualification in a particular subject, taken after two years of study, by students aged 15–16 in England, Wales, and Northern Ireland to mark the Key Stage 4 phase of secondary education.

the US General Election shared a similar semantic ground, as emerging from the rhetoric upon which the Brexit campaign and the Trump campaign for the 2020 Presidential Election, share many similarities: “Take back control” with regard to the former, and “Make America great again”, with regard to the latter. So, why did these movements gain such support?

A plausible explanation was provided by Piketty (2019, p. 679), who states that when socio-economic inequalities widen, the political conflict tends to find its gravitational centres around the concepts of national identity and borders, with the final erosion of the political centre (Schwab, 2021, pp. 80-85). The rationale is that people need to feel safe and to be reassured about their future. The openness provided by the interconnectedness of globalisation seemed not to be working well for those people, in this regard. So, we could always return to the safer old times was the underlying message of the two political campaigns. Such a perspective became more than merely diffused opinion, so that closing the borders by the means of building a wall between the US and Mexico or through withdrawal of membership from the European Union, appeared to many to be the only possible exit strategy from a conundrum set by the challenges posed by the turbulent times we live in. In other words, building walls, after the collapse of the Berlin Wall which gave the start to the globalisation era, seems to be the only plausible answer to the many questions posed by our times. If going forward did not produce the expected result, let’s go back by political means, revamping nostalgia.

Unfortunately for all of us, such a view is oversimplistic. Indeed, the issue is more complex and nuanced than it may appear. Globalisation and its economic promise are not the problem *per se*. Instead, it is how the two were managed that left many people disillusioned and angry. One of the main problems was to set frame positive correlations between no barriers, free trade, new job creation, and more wealth for all. Stiglitz, in *Globalization and its great discontent* (2002, pp. 9-10), argues things are quite different, noting that whilst on the one hand the growth of a country is ensured by the combined action of monetary and fiscal policies, on the other the living standards depend on the levels of trade. In other words, it is not the trade which creates jobs and, almost counter intuitively, it could even destroy jobs. In a context where the supremacy of the shareholder (Friedman, 2007) and the related short-termism of the managerial decision making stretched by the quarterly pressures of investors (Henderson, 2021, pp. 121-122), many companies were forced to stop innovating and focus instead on cost cutting to maintain satisfactory levels of profit. This, in turn, created the conditions for many corporations to start looking for a cheaper cost of labour, especially for goods with low requirements of high-skilled labour, thus shifting their production to undeveloped countries where the cost of labour was much lower. In this way, while corporations were able to maintain their high profits, more and more skilled workers in developed countries found themselves unemployed. In this lies one of the biggest promises made in the years following the fall of the Berlin Wall, more freedom and richness; yet the jobs lost in one place were not replaced by the creation of new jobs (Stiglitz, 2002, p 10).

Meanwhile, while the productivity of corporations was growing, so did the divide between the salaries of top executives vis-à-vis the salaries of employees, thus further widening the social divide (Mazzucato, 2021): "The dynamics of inequality explain why the profit-to-wages ratio has reached record highs. Between 1995 and 2013, real median wages in Organization for Economic Co-operation and Development (OECD) countries grew at an annual average rate of 0.8 per cent versus 1.5 per cent growth in labour productivity. In the period 1978-2018, real wages for the 50th and the 10th percentiles of the wage distribution stagnated: there was 6.1 per cent cumulative real wage over the whole period for the 50th percentile, 1.6 per cent for the 10th percentile – versus 37.6 per cent for the 90th percentile. In rich countries, private wealth-to-income ratios increase from 200-300 percent in 1970 and to 400 – 600 per cent in 2010." (Mazzucato, 2021, pp. 11-12). In other words, despite over a billion people having been alleviated from poverty, the de-industrialisation process driven by this sort of "new prosperity paradox" (Tapscott and Tapscott, 2016, pp. 172 – 175), according to which the wealth has grown but people benefitting from it have diminished, led economies to grow and to get richer, but only for a few, thus destabilising the public sphere. The main result of this has been that people have started to feel as if they have been squeezed out of making a living (Inglehart and Norris, 2016).

As a consequence, the promises of prosperity made in the aftermath of the collapse of Communism crashed against the walls of the Global Recession in 2008 with the insurgence of nationalisms and populisms around the world, and not only within the Anglo-Saxon sphere (Schwab, 2021, pp. 75-90); populism reached an almost 30-year high globally (Kyle and Meyer, 2020). The broadening of the social divide fuelled social instability. The lack of trust eroded societal ties, (Collier, 2019, p. 45) with the consequence of an emerging "Rottweiler society" (Collier, 2019, p. 30). This has been defined as one weakened by failed promises of long-term prosperity; one characterised by anger due to increasing and diffused inequalities; one where uncertainties and environmental struggles fuel fear about the future; one where emotional resentment causes clashes in societies and between different generations.

In these slow, complex but steady movements, younger generations' dissatisfaction for democracy and economic exclusion served to increase an acceleration in the polarisation of politics in developed countries (Foa et al., 2020). This is why, for example, Millennials, that is, people born between 1981 and 1996 (Dimock, 2019), have begun bringing their stance for a sustainable change and a more inclusive form of society to the table. For them, in fact, “wide-ranging social change is a material question,” (Harris, 2018, p. 211). Thus, feeling as though they have been left behind (Harris, 2018, pp. 114 – 119), they have begun to make their voices heard, pressing for change from the ground up (Redlich et al., 2019, p.1). For instance, whilst many of them supported populist forces, they also made the decision not to support the cycle of production that enriches the richest segment of the population in the world, preferring instead to opt for smaller, independent, and ethical brands in their buying process. In this regard, the Boston Consulting Group (Bokkerink et al., 2017) certified that between 2011 and 2016, large US consumer groups reported revenue losses of $22 billion to smaller brands, which in terms of loss of market share equates to circa 3%. This trend has also been confirmed by Morgan Stanley (Choi, 2018); Millennials are more than twice as likely as any other generation to purchase products from companies they see as sustainable. For them, this is one of the ways to bring change to society, that is, by making the most of the available external resources. The rationale behind this was for them having businesses capable of prioritising “social innovation and concern for people over profit” (Schatz, 2015, p. 2) within a social process which has been defined as a clear call for sustainability (Nielsen, 2015). The impact that these protests have had on big businesses has been huge.

The key to understanding two apparently opposing forces is provided by the fact that if on the one hand a certain degree of inequality could be part of a free market economy, and in a way indicates how strong a system is, on the other too much disparity is not good for healthy democracies because it creates exclusion (Bartlett, 2018, p. 121). As a consequence, people, in one way or another, ask for more inclusion. They are not the very few who were the winners in the market-based competition. They are part of the biggest section of society and demand that the social narrative be reversed in a more inclusive way.

As pointed out by Bower, Leonard, and Paine (2011, pp 56-62), the interplay between inequality and populism is one of the key factors which poses a risk to the future of market capitalism. This is why, in August 2019, the Business Roundtable, an association of 181 CEOs from America's biggest corporations, made a statement to commit their companies to the benefit of all stakeholders, including customers, employees, suppliers, communities, and shareholders.

They stated: "Businesses play a vital role in the economy by creating jobs, fostering innovation and providing essential goods and services. Businesses make and sell consumer products; manufacture equipment and vehicles; support the national defence; grow and produce food; provide health care; generate and deliver energy; and offer financial, communications and other services that underpin economic growth. While each of our individual companies serves its own corporate purpose, they share a fundamental commitment to all of our stakeholders. We commit to: Delivering value to our customers. We will further the tradition of American companies leading the way in meeting or exceeding customer expectations. Investing in our employees. This starts with compensating them fairly and providing important benefits. It also includes supporting them through training and education that help develop new skills for a rapidly changing world. We foster diversity and inclusion, dignity and respect. Dealing fairly and ethically with our suppliers. We are dedicated to serving as good partners to the other companies, large and small, that help us meet our missions. Supporting the communities in which we work. We respect the people in our communities and protect the environment by embracing sustainable practices across our businesses. Generating long-term value for shareholders, who provide the capital that allows companies to invest, grow and innovate. We are committed to transparency and effective engagement with shareholders. Each of our stakeholders is essential. We commit to deliver value to all of them, for the future success of our companies, our communities and our country." (Business Roundtable, 2019).

Such an approach to business has been defined as Stakeholder Capitalism (Schwab, 2021, pp. 171-198), that is, a form of capitalism which requires companies to "pay their fair share of taxes, show zero tolerance for corruption, uphold human rights throughout their global supply chains, and advocate for a competitive level playing field." (Schwab, 2021, p. 192).

If on the one hand business leaders try to batten down the hatches, thus admitting their misconduct, on the other policy makers and thought leaders debate how to break such a vicious circle, with the focus being on how to create a more inclusive and sustainable form of capitalism. For example, such a call for an ethical approach has been contrasted by those that posit scarcity as the fundamental problem for this happening (e.g., Rajan, 2019, pp. 388 – 390). For them, it is necessary to create a mechanism to let people in, which would ultimately depend on the conditions of a specific society in a specific moment in time so that leveraging non-market strategies (e.g., charities, church, and so on) should be considered as a solution. In other words, according to this view, limiting the power of markets would make people satisfied as it is not solely about money.

From a different perspective, but still with a redistributive approach in mind, Mazzucato (2019, pp. 1-20) recalls that in 2011, politicians around the globe called for more productive and less predatory forms of capitalism. Furthermore, Christine Lagarde, the current[2] President of the European Central Bank, made the case for the need of wealth redistribution during her speech at the World Economic Annual Forum in Davos in 2017 saying: “When you have a real crisis, what kind of measures do we take to reduce inequality? It probably means more redistribution.” (WEF, 2017). A similar conclusion was reach by Picketty who found that the rate on return on capital exceeded the rate of economic growth; in other words, the inherited wealth overcame the produced wealth (2014, pp. 353-358). Thus, it would be key in this regard to have in place a fiscal regime useful to mitigating inequality (i.e. progressive taxation).

Others focus on pre-distribution strategies. For example, a recent study (Bozio et al., 2020) urges more focus on pre-distribution policies than on redistribution policies, that is, pre-tax income inequality because “pre-tax income inequality appears to be the main factor accounting for the differential levels and trends in inequality” (Bozio et al., 2020, p. 33). For this reason, the authors urge policy-makers to work on a large set of policies which can address pre-tax inequality, a thing which “would not be captured by the usual concept of redistribution” as “it misses ‘pre-distribution’.” (Bozio et al., 2020, p. 33).

According to the above view, pre-distribution strategies could help contrast inequality and favour inclusion. In this regard, for example, the role played by universities in fostering education within younger generations would be pivotal. Indeed, they constitute a section of society which can lead the change by pivoting opportunities arising from crises. This could take place for at least four reasons: the first one is related to the possibility to take their lives in their hands, as per their disillusionment regarding the current state of things; second, for their orientation to inclusivity and sustainability, as

[2] 2021

above mentioned; third, this in turn, would position them as natural business partners for big corporations to collaborate with so as to foster social innovation at scale; fourth, they are highly socialised with the digital environment. All these characteristics could provide them with the leverage to make the quantum leap to involve society at large in the value creation process. Indeed, digital technologies have encouraged the emergence of new entrepreneurs and have been a major contributor to greater inclusion (UNCTAD, 2019). In practical terms, new technologies have been useful tools to create communities of interest around projects to foster collaborative forms of change.

In the debate, other experts spot a winning solution in the combination of redistribution and pre-distribution policies. For example, analysts like Yueh (London Business School, 2017) argue that a combination of the redistribution policies (to alleviate those left behind) has to be paired with pre-distribution strategies in order to create more options for workers for them to cope with long-term shocks. In other words, while fiscal policies are pivotal in terms of redistribution, education would also help people to embrace the challenges ahead.

The Covid-19 pandemic has worsened such disequilibrium as an even greater section of society has been affected by job losses. Indeed, the impact the pandemic has had on the economy has been unprecedented; the global economy has faced the most severe contraction in modern history. This represents a radical and unprecedented challenge on a global scale for both the business world and societies, with the current crisis being likely to further widen financial inequalities on a global scale (IMF, 2020). For example, companies have experienced a reduction to their headcounts due to an increase in redundancies (OECD, 2020) resulting from the sudden lack of liquidity entrepreneurs have had to cope with. This has in turn caused a dry-up of sources of finance. In this regard, unemployment in the UK is expected to reach a peak in 2022 and not return to current levels until at least 2026, according to the Office for Budget Responsibility (2021).

Widening in scope, many economies have been going through a harsh depression (IMF, 2020). New lockdowns aimed at containing the virus will continue to affect the economy in the years to come. Despite the fast-moving scenario through which we are living preventing us from predicting the future with much accuracy, it has started to become clear that there will be a world prior to Covid and a world after Covid, a pre- and a post-pandemic. There are definite signs that some previous patterns have become obsolete. This is where the entrepreneurial discourse could help make a difference. Indeed, the more the societal patterns become obsolete, the more the need for entrepreneurship (Etzioni, 1987).

As the lifeblood of capitalism, business creation represents the way forward for societies to adapt to change and foster economic recovery (Szabo and Herman, 2012). Indeed, gaps in economic development can be explained by disparities in entrepreneurship. Yet, whilst in countries where entrepreneurship is embedded in the culture, such as the US, a new wave of business creation is likely to sustain the economic recovery (IMF, 2020), in many others, entrepreneurial projects have been aborted due to the steep decline of equity investments, thus confirming a contraction in the generation of new business (Beauhurst, 2020). This would add to the toll already paid by weaker economies, with the likely consequence being a disengaged entrepreneurial community (Davidsson and Gordon, 2016) and the risk, faced by many communities, of going through an entrepreneurial challenge, which would foster economic decline.

A great opportunity to prevent this happening comes from the digitisation of the economy, with the Internet having created an abundance of powered-people (Nekaj, 2017) eager to contribute. In practical terms, new technologies have been useful tools to create communities of interest around projects to foster collaborative forms of change. Consider the forms of collaborative consumption commonly known as the sharing economy, as well as other forms of collaboration, including collaborative production, collaborative education, and collaborative finance, such as equity crowdfunding (Sundararajan, 2016). The idea is to benefit from the openness provided by the Internet and of lower entry barriers, which allowed people greater access to take part in the economic process. This has been of great value for entrepreneurs struggling in overcoming a chronic lack of resources to help their businesses to take off. In particular, equity crowdfunding, as a form of Internet-based collaborative finance, promises to mitigate such burdens.

1.3 Equity crowdfunding: An introduction

Rising from the ashes of the 2008 financial crisis, equity crowdfunding has emerged as a viable alternative entrepreneurial finance strategy for entrepreneurs unable to access the traditional funding channels (e.g., Harrison, 2013; Huynh, 2015; Estrin and Khavul, 2016; Moritz and Block, 2016). It represents a way to address a quest for a more inclusive form of society, one in which customers are considered as partners, that is, a central part in the value creation process (Ordanini et al., 2011; Mollick, 2014; Candelise, 2016). Over the past decade, equity crowdfunding has therefore attracted the interest of a growing number of researchers around the world and from many disciplines: finance, entrepreneurship, marketing, strategy, and psychology to name but a few. Thanks to this attention, regulators have been able to make the most of scientific data to inform regulatory designs. At the same time, platforms have begun to enhance their R&D activities to improve their business model and make the industry more sustainable. For project initiators, that is, entrepreneurs, equity crowdfunding has also been a way of promoting a product or an idea at a lower cost when compared to traditional marketing and communication practices (Lehner, 2013). The rationale behind this is the possibility of having a pre-market window during which entrepreneurs can gain public attention and promote their projects (Belleflamme et al., 2013). Bruton et al. (2014) see low servicing costs as a competitive advantage of equity crowdfunding over traditional methods of financing projects, while Ordanini and colleagues (2011) believe equity crowdfunding brings lower risks to capital providers. Estrin and Khavul (2016) also see (in equity crowdfunding) the opportunity of reducing biases associated with traditional forms of the early stages of entrepreneurial finance, including gender and location of the business. From the capital providers' perspective, Grossman (2016) argues that digital innovation has made it easier for crowdinvestors to invest their money, resulting in remodelling the whole sector by lowering entry barriers for capital providers. In tapping into the wealth of the crowd (Burtch et al., 2013), entrepreneurs have thus created grassroots movements through which to gain resources, be they financial or other, more community-based spanning from feedback to concrete involvement in the projects to foster a loyal customer base. Mollick and Rubb (2016), in analysing the role of equity crowdfunding as a driver to democratise innovation, point to grassroots innovation. Indeed, in working together towards a horizon of shared values, project owners and backers get beyond the market value in itself (Schaltegger and Wagner, 2011). This helps to explain why literature such as Drover et al. (2017) has shown that investors are attracted to entrepreneurs who are similar to them in many ways. This also explains why equity crowdfunding has been found to facilitate the evolution of entrepreneurial ecosystems, creating engagement within brand communities by stimulating fan base interactions and, in turn, fuelling emotional engagement with positive effects on purchase intentions and the sustainability of brand communities (Menon et al., 2018).

The World Bank has claimed that crowdfunding, as an innovative form of entrepreneurial finance, "can fuel 'the Rise of the Rest' globally" (2013, pg. 3). It offers, first and foremost, ownership of a shared vision, as opposed to simply offering equity stakes to crowdinvestors. As such, crowdfunding poses itself as a catalyst of the dispersed efforts of creating entrepreneurial cultures and ecosystems in developing nations. This is of particular relevance considering entrepreneurship represents the backbone of economic growth (Robu, 2013) and because one of the biggest risks associated with the Covid-19 pandemic is the potential for disengaged entrepreneurial communities. If that were to happen, the capacity the entrepreneurial ecosystem has to rejuvenate the business environment at large would be jeopardised, eventually affecting both the innovation rate and the generation of new jobs. Indeed, the Covid-19 pandemic has threatened the life of many small and medium enterprises (SMEs) around the world. The OECD (2020) published analysis which shows almost two-thirds of businesses have reported a steep decrease in sales compared to 2019. This has had an impact on headcount reduction due to increased redundancies. The rationale behind such redundancies has been the sudden lack of liquidity entrepreneurs have had to cope with, causing a dry-up in finance sources. Moreover, looking at new-born ventures, many new projects have been aborted due to the steep decline of equity investments in H1 2020 compared to the same period of 2019, confirming a contraction in the generation of new business (Beauhurst, 2020). However, even in times such as the Covid-19 pandemic, entrepreneurship offers a way forward for societies to adapt to change, no matter how unexpected it could be, meaning entrepreneurship should be less affected by the pandemic.

One of the most promising opportunities for start-ups and SMEs to stay afloat which stands out under such conditions is equity crowdfunding. Indeed, equity crowdfunding can provide existing companies with immediate liquidity to face the current challenges, and is confirmed as a viable alternative in the equity investment market, offering potential to nascent entrepreneurial projects to take off. One of the reasons for this success relies on its highly relational nature (Ross et al., 2019); entrepreneurs can make the most of their social capital. In other words, equity crowdfunding offers much more than just money due to the consumer/investor pledge to a company whilst becoming a partner of the entrepreneur. Put simply, the community of investors represents the added value of equity crowdfunding (Mollick, 2016).

In essence, equity crowdfunding represents a strategy to supply the request for change from society by enabling bottom-up, decentralised processes, and through the participation of different actors with different capabilities and interests (Lettice and Parekh, 2010), to finally create new dynamic ecosystems in which people can contribute to creating value from the ground up. Indeed, in tapping into the wealth of the crowd, entrepreneurs originate grassroots movements by providing the crowd with the possibility to pledge to projects they believe in (Burtch et al., 2013). As such, equity crowdfunding has become a driver of democratising innovation (Mollick and Rubb, 2016), a form of inclusive renaissance which places the community at the centre of the stage, thus allowing sustainable growth to take place from the ground up. However, as a new plethora of financial actors have joined the playing field, new issues have started to emerge.

1.4 Emerging issues in equity crowdfunding and the call for research

According to existing research, crowdinvestors invest in either an irrational way or a rational way. On the one hand, some maintain that people approach crowdinvesting in an unstructured, amateur way when compared with institutional investors such as venture capitalists, funds, or banks (Hoegen et al., 2018). The alternative view argues that crowdinvestors are rational (Nitani et al., 2019).

Those who argue crowdinvesting is irrational claim that, compared with investing in traditional finance, crowdinvestors approach crowdinvesting in an unstructured way. For example, due to the lack of physical access to founders, something which requires the use of substitutes to mitigate asymmetries (Ley and Weaven, 2011), they seem to rely on measures like the behaviour of other investors (Mochkabadi and Volkmann, 2018) as well as on the context of the decision (Choy and Schlagwein, 2016; Astebro et al., 2018). This differs to what regularly happens in venture capital and angel investing, whereby professional investors do have physical access to the entrepreneur (Ahlers et al., 2015). Differently, in the context of equity crowdfunding, investors interact by sharing their views, which confirms signalling remains a pivotal tactic for crowd investors to lower information asymmetries (Ahler et al., 2015; Hornuf and Schwienbacher, 2015; Vismara, 2018). In particular, Vismara (2018) discovered that early investors start cascading, so creating a herding momentum, a process also evident in the work of Åstebro and colleagues (2017). In other words, information plays the role of a quality pivot, which indicates the extent of the role played by the whole community. This is particularly evident with investors who have a public profile as they have a pivotal role in triggering an information cascade (Vismara, 2016). However, this depends on the types of investor that platforms attract on their marketplaces.

According to the latter, crowdinvestors are able to interpret data from the firm and read the financial statements so that they are able to make an informed and rational decision. In this context, the social media networks of the entrepreneur and the firm would provide validation to the otherwise less credible information (Nitani et al., 2019).

However, much remains to be done to develop this segment of the research, that is, the investor perspective in the context of equity crowdfunding (Mochkabadi and Volkmann, 2018). In particular, what is missing is an end-to-end exploration of the investing decision-making process of the crowdinvestor in the context of equity crowdfunding, which would add to existing findings and advance the research field (Hoegen et al., 2018).

Indeed, the research community know what the motivations, strategies, tactics and role played by the context are, yet it still misses an exploration of the investment decision process that constitutes a key aspect of the collective value co-creation. Such an exploration would provide entrepreneurs with a map to orient their future action, increasing transparency and creating loyal communities to foster the required change. At the same time, it would provide useful insights for platforms to better their support and for policy makers to improve their policies to protect crowdinvestors.

Therefore, the present study aims to provide an understanding of how crowdinvestors make investment decisions and establish the factors which influence the investment decision. As such, it addresses the following research questions:

1. *How do crowdinvestors make an investment decision?*
2. *What are the needs that drive the investment decisional process?*

A qualitative approach was adopted to address the above-mentioned research questions, including interaction between the author and a numerous crowdinvestors across different platforms and countries.

1.5 Research design

In view of the aim of the research, an inductive approach was adopted. In particular, by exploring the intersection of the ontological, epistemological, and axiological positions, the author preferred a constructivist paradigm as that favours a deep dive into the participant's views in the studied phenomenon, allowing the building of models.

Consequently, the author opted for a qualitative methodology for multiple reasons. First, it has allowed the researcher to make the most of the diversity of the participants' experiences. Second, such an approach has helped the author to be aware of his own biases. Third, it has helped identify common ground in the specific setting of the research as a reflection of a precise ontological position rooted in critical realism, according to which reality emerges between the lines of the stories and propagates from the multiple facets of a prism, as per the voices of the participants within the research cluster.

To make this happen, though, the author had to find a common ground by selecting a specific method. In particular, the author combined the use of semi-structured interviews built upon the framework provided by the Prospect Theory (Kahnemann and Tversky, 1979). Semi-structured interviews built according to the investing decisional framework outlined by the theory provided the researcher with the opportunity to explore dynamics within the investment decision-making process of the crowdinvestors to extrapolate key themes while providing comparable data. At the same time, not being a ready-made theory for economic investigations, it also provided a simplified representation of the investing process, meaning a certain grade of flexibility enabled the researcher to adapt the tool to the needs of the research. Third, the Prospect Theory has a great advantage of taking the role emotions play in making investing decisions into consideration, according to a bounded-rationality view whereby the rationality of the investor is limited by the cognitive capacity of the investors and by the time available to make a decision. In view with the above, the author developed a guide that was fine-tuned through a pilot interview stage.

Regarding the sampling strategy, the researcher adopted a two-fold strategy compounded of two phases to enhance diversity of perspectives: judgment sampling and snowball sampling. The author recruited 15 crowdinvestors in total, details of whom are provided later in this thesis.

To analyse data, the researcher used a thematic analysis approach in two forms according to the two research questions. With regard to the first question (aimed at exploring how the crowdinvestor makes investment decisions in the context of equity crowdfunding), the author leveraged a framework method to design an investment decisional process. For the second research question (exploring the needs underpinning their investing decisional activity), the author leveraged a traditional form of thematic analysis to spot units of meaning useful to address the research question.

To better outline the peculiarities of the cluster of the research, to add a layer of consistency to the research strengths and findings, whilst offering the reader a better understanding of the cluster of the research and its diversity, the author delivered an assessment of the Individual Entrepreneurial Orientation of the participants in the research. This served as a proxy to evaluate their entrepreneurial propensity meant as the combination of multiple factors. They include their Risk-Taking orientation (the possibility of gaining rewards from high investments of time and/or money); their openness to Innovation (their willingness to experiment); and their Proactiveness (their desire to anticipate in future opportunities in the market). The result was a suggestion as to the general willingness of the members of the cluster to anticipate future opportunities in the market by taking a collaborative approach, making them the ideal crowdinvestors. In other words, the participants were found to be entrepreneurial, that is, they have the propensity to take calculated risks and seek businesses that also do the same.

Additional measures, adopted to guarantee research trustworthiness, have been articulated through ex-ante and ex-post procedures. The former were used for both the researcher to familiarise with the context of the research to increase the impact of its effort vis-à-vis the real world, and to point out the limitations related to researcher involvement. The latter were leveraged in order to strengthen the trustworthiness of the research in the aftermath of the data collection phase. In particular, with regard to the ex-ante strategies, to develop an in-depth understanding of the topic of the research, the author has had a regularly updated and multi-award-winning blog since October 2016, with a major focus on the equity crowdfunding industry[3]. Through this project, for example, the researcher regularly got in touch with top business and thought leaders within the industry, gaining insights on the main trends and challenges of the space. As an additional activity to engage with the industry, the researcher also took part in academic conferences and

[3] Over the years, the editorial mission of the blog has changed so as to follow the natural evolutions of the market. Today, it also includes new forms of digital fundraising for business purposes, such as Peer to Business Lending, Initial Coin Offerings, Initial Exchange Offerings, Security Token Offerings, and platform-based forms of Angel Investing and Venture Capital. This would provide the author with the quantum leap to nurture future research in the area.

industrial conventions. On top of this, the author clarified his biases. The ex-post operational procedures included member-checking interviews aimed at reducing errors in content validation and the involvement of professional readers to increase the accuracy of the account.

Ethical considerations were made to ensure both the participants and the reader could take part in the research without risks. To this end, the researcher adhered to the ESRC Research Ethics Framework, the University of Worcester Ethics Policy, and the study was subjected to an Ethical Approval process. Through that process, the researcher provided explanations of any measures to preserve confidentiality and anonymity of data, including specific explanations of data storage and disposal plans.

1.6 Layout

What follows is the layout of the present work, provided to allow the reader to be aware of the underlying structure of the big picture provided in this introduction section above. This supports an understanding of how the work develops and comes together in one consistent and structured piece of research. The structure provides a map as to how the study moves from the scenario to the theoretical contributions, onto the implications for practitioners which signal the impact findings possible for application in the real world, as well as the opportunities for future research in the field, and the links which intertwine each part of it.

Having provided the context of the research in this chapter, Chapter 2 provides the reader with the theoretical background of the thesis. In it the author explores the social role of entrepreneurship, followed by the role of equity crowdfunding in supporting entrepreneurship, the role of crowdinvestors as the part of society able to make or break an entrepreneurial project, and the review of literature regarding their investing decisional choice framed within the bigger debate of making investment decisions under uncertainties.

Chapter 3 presents and develops the philosophical underpinnings of the research. In it, the author shares the chosen paradigm-methodology dyad to address the research questions after examining the possible combinations on the basis of the available ontological, etymological, and axiological options.

In Chapter 4, the author moves towards the research methods employed, focusing on the research method chosen on the basis of the philosophical underpinnings highlighted in Chapter 3. The author presents the semi-structured interview as a method of research, as well as the interview guide, sampling strategy, the operational procedures which were employed to ensure the research trustworthiness, the pilot interview stage, and the ethical implications for the participants. The chapter also provides the analysis of data in the conclusion.

Chapter 5 presents and discusses the finding of the research. In it, the author addresses each research question using the theoretical grid to interpret collected data.

Finally, Chapter 6 presents the conclusion of the present research by summarising the research questions, showing what the contributions to theory have been made here, establishing the practical implications therein, and discussing the main limitations and future research opportunities which arise from reflection on the study. In it, the author also provides some general concluding remarks in light of the findings, his personal journey within the industry over the last five years, and the context of the research.

1.7 Conclusions

In this introductory chapter, the author has provided the reader with the context of the present research. In particular, by adopting a holistic view, the characteristics of the historical, political, economic, and sociological context have been explored in terms of from where equity crowdfunding has emerged. This has provided the reader with a background understanding of this particular study, whilst offering a wider breadth to the analysis of equity crowdfunding as a platform-based form of entrepreneurial finance. Attention is now directed to the review of literature.

Chapter 2

Literature review

2.1 Introduction

We live in a divided society; capitalism is in crisis. Society needs to rebuild a new, unifying narrative. In view of the context of the present research, delineated in the first chapter, entrepreneurship is posited here as a value creation process which has the potential to accommodate change in society.

Starting from the analysis of the interplay between entrepreneurship and society, in the first part of this literature review the author examines how the digitisation of the economy has provided the opportunity to rediscover the human voice in the value creation process. Indeed, the digital transformation of the economy has taken collaboration and cooperation to new levels, as shown by the emergence of the crowd economy. In it, people have become central actors in the entrepreneurial process.

However, the digital environment has also amplified the paradox around which the entrepreneurial process revolves, that is, information asymmetries. While they are the greatest source of entrepreneurial opportunities, they are also the main cause of market failures. In fact, the crowd has even less information, and that which it has is of lower quality than its counterpart.

One of the digital entrepreneurial spaces where this is more evident is equity crowdfunding, the analysis of which constitutes the main focus of the second part of the present chapter. Whilst, as a form of digital based form of entrepreneurial finance, equity crowdfunding has allowed entrepreneurs to tap into the wealth of the crowd for their business projects, investors from the crowd (i.e., crowdinvestors, which constitute the focus of the third part of the present chapter) find it difficult to make investment decisions owing to the complications related to the high presence of information asymmetries.

This would be detrimental in the long run for the equity crowdfunding industry (as betrayed investors would not likely return to the platform to invest), and it poses an issue regarding the investing decisional process in uncertain contexts, a topic which constitutes the fourth part of the present review of the literature.

As in a kind of theoretical jigsaw, the combination of the above-mentioned sections helped the author define the aim of the present research and, with it, the research questions to address a specific call for research coming from the scholarly community.

Attention is given to the interplay of entrepreneurship and society.

PART 1

The interplay between entrepreneurship and society

2.2 The social role of entrepreneurship

What is, if any, the role of entrepreneurship in society? This section of the present works aims to investigate the interplay between entrepreneurship and society to provide the reader a tentative answer to one of the most complex and controversial debates within the research community.

As a research field, entrepreneurship has been on the radar of economists since the late 18th century thanks to the work of Cantillon. While identifying the entrepreneur as an economic agent who transforms demand into supply for a profit, Cantillon defined the entrepreneur as the final decision maker in the market, (Grebel et al., 2001). Although this has been considered one the first formal analyses of entrepreneurship, it is also claimed that Vauban and Boisguilbert (Menudo, and O'kean, 2006) made the preliminary contributions to the debate: the former focusing on the ability of the entrepreneur to calculate the monetary value of production; the latter making the first distinction between merchants and entrepreneurs. However, it was Turgot (Grebel et al., 2001) who developed the first capitalist perspective by considering the entrepreneur as the outcome of an investment decision. In other words, he argued that when the owner of capital decides to buy factors of production and run a business which carries risk, they become an entrepreneur. Turgot's contemporary, Baudeau, shifted the focus on the concept of invention by defining the entrepreneur as an innovator who, thanks to their capacity to exploit knowledge, acts as a dynamic economic agent. But it was Jean Baptiste Say who evolved the capitalist view of Turgot by making a formal distinction between the innovator and the capitalist. Indeed, in line with Baudeau, Say argued that an entrepreneur's key characteristic is to understand the technological development within the society and exploit that knowledge into products to meet the customer needs. In other words, Say not only unveiled the pivotal role of research and development in the entrepreneurial process, but also explored the role of the entrepreneur in society as a key driver for the production and distribution of wealth. In so doing, Say's work opened up a new stream of research analysing the role of innovation in the entrepreneurial process and, in turn, paved the way for the insurgence of the Austrian school that, with its emphasis on the creative phase of the entrepreneurial process, posed the entrepreneur as a driving force for economic development.

Indeed, nowadays there is a wide consensus that entrepreneurship is an innovation platform pivotal to nurturing growth (Shane and Venkataraman, 2000). According to an evolutionary perspective, in fact, the centrality of entrepreneurship for economic development relies on the fact that it permeates almost every aspect of human progress, spanning from the introduction of new innovations to the continuous reshuffle of existing resources throughout an incessant process of origination defined as creative destruction by Schumpeter (1942), who posed entrepreneurship as the key building block of capitalism. From this, it can be inferred that entrepreneurship is at the same time the process of discovering new ways of combining resources, the outcome of that process and the entrepreneur behind it being somebody who tries to make the most of entrepreneurial opportunities, transforming them into value for others (Greco and Jong, 2017), be they financial, cultural, or social. In such a guise, entrepreneurs can be viewed as the heroes of capitalism, acting as a stimulus, an agent of change, by bringing "new ideas to markets and stimulate growth through a process of competitive firm selection" (Wong et al., 2005, p. 337). As a consequence, the entrepreneur challenges *de facto* the status quo by means of creation and innovation to promote economic progress and improve a society's global competitive position (Audretsch et al., 2006; Baumol and Strom, 2008).

At the same time, researchers have also formed a general consensus that entrepreneurship is a strategy to contrast social inequality and environmental degradation (Gast et al., 2017; Muñoz and Cohen, 2017; Téran-Yépez, 2020). This could help explain why many governments consider entrepreneurship a key priority. For example, according to the Organisation for Economic Co-operation and Development (OECD), entrepreneurship is "critical for innovation, job creation and inclusion," (OECD, no date) as it is "at the heart of national and local economic growth. By innovating and seizing opportunities, entrepreneurs drive national and local economic change and competitiveness." (OECD, no date). The Global Entrepreneurship Monitor (GEM), considered the leading body for research on the intersection between entrepreneurship and economic growth, points out that: "Entrepreneurship is an essential driver of societal health and wealth, and a formidable engine of economic growth. It promotes the innovation required not just to exploit new opportunities, promote productivity and create employment, but also to help address some of society's toughest challenges." (GEM, 2020, p. 14).

However, there are alternative views to this stream of thought. In other words, there is an active debate as to whether entrepreneurship can be a driver of economic growth. Indeed, taking different perspectives, some researchers have contended, as also highlighted above, entrepreneurship could have negative effects on society due to its dysfunctional facets (Neumann, 2020). For example, Wright and Zahra (2011) contend that entrepreneurship has a "dark side" as: "a process under the entrepreneurial activity carried out by an individual(s) directly, indirectly, through an organized enterprise, new venture, or made by some instance of the entrepreneurial ecosystem (…) harms the elements for which it has been implemented, and causes a decrease in the personal, organizational or innovation-based values that jeopardizes the viability of the original objective, goal or mission," (2011, p. 76). One explanation for this would point to the entrepreneur's imperfect knowledge of the context, be it temporal, social, industrial, and so on. This view is also shared by McKeever et al. (2015) who argue that the context where entrepreneurship occurs has an influence on the ways through which entrepreneurs and society at large interact. Beaver and Jennings (2005) claim that the egotistical orientation of the entrepreneur results in abusive behaviours which could determine the failure of the company. Halvarsson and colleagues (2018) maintain that entrepreneurship has a polarising effect on society, whilst Khan et al. (2007) focus on the unintended consequences of institutional entrepreneurship in the context of post-colonial countries. Doran and colleagues (2018) report that while entrepreneurial attitudes are found to stimulate GDP per capita in high-income countries, the entrepreneurial activity has also been found to have harmful consequences in middle/low-income economies.

From the debate, the importance of the context in which entrepreneurship takes place has emerged. However, the question of whether it is the quality of an economic context which influences entrepreneurship or, the other way around, it is the entrepreneurship which determines the quality of an economy is yet to be answered. In other words, it is a chicken and egg problem. The author supports the view that entrepreneurship does play a specific social role as it helps societies to adapt to change: "The societal function of entrepreneurship is to provide adaptive reality testing; that is, to *change* existing obsolescent societal patterns (of relations, organization, modes of production) to render them more compatible with the changed environment." (Etzioni, 1987, p. 177). This view echoes Kirzner (1973, 1979) in defining entrepreneurship as a mechanism through which chaos is ordered and change is accommodated. This does not necessarily mean that the entrepreneurial attempt will be successful, nor that entrepreneurial societies are the ones which can be more successful in coping with the changing nature of the world[4], but only that the entrepreneur tries to be a catalyst of the change which is needed. In such a guise, entrepreneurship constitutes “a social force and not simply an economic instrument,” (Daskalaki et al., 2015, p. 420). From this perspective, it could be argued that the role of entrepreneurship in society is linked to the introduction of new patterns that are more adaptive than the old ones in facing contemporary challenges. For example, some researchers (Gopi and Jimenez, 2017) point out how entrepreneurs have begun taking the social and environmental impact of their ventures into consideration in view of a different perception of the priorities of businesses as social actors and have started to cooperate with external partners. From this, it can be contended that entrepreneurship can be seen as a platform through which people try to create and appropriate value on a greater scale by addressing questions to contemporary issues in society. In other words, entrepreneurship is an expression of the context in which it takes place.

The digital context, where we spend most of our lives, does not make any exception. Rather, the members of society have seen their role amplified. The digitisation of the economy we live in, especially in advanced economies, has provided the entrepreneurial activity with the opportunity to rediscover the human voice in the value creation process. Indeed, the interplay of Web 2.0 and its openness allowed a participatory culture to emerge. Consider the possibility disclosed by the web for the consumer to produce their own content (user-generated content), to share their own experiences, to like on social media platforms, to comment, to provide feedback, and so on. These actions have become possible for many reasons, including the technological evolution, but also thanks to the interplay of two elements: collective and connective intelligence. These are two

[4] In line with the second law of thermodynamics that states that entropy in the universe will stay constant, or increase.

complementary concepts: collective intelligence (Levy, 1997); the capacity to live in society accordingly with the logic triggered by collective groups, and connective intelligence (De Kerckhove, 1997); the amplification of someone's intelligence through connections. They have concurred to further develop a participative culture by enriching societal dynamics, bringing the individual intelligence to a collective level by means of new interactive technologies on the Web. This way, producers and consumers have become part of the same context in which barriers, like frameworks, have vanished. The cultural roots of this shift can be traced in the arts of the early 1930s. Walter Benjamin (1934) wrote, in Dadaism, the prodrome of the meshing up of the two distinct dimensions of the public (consumers) and the author (producer). The breakthrough came through the activity of testing the authenticity of the concept of art. In this regard, Benjamin argues that photomontage triggered the collapse of the traditional barriers between consumption and production: "Let us think back to Dadaism. The revolutionary strength of Dadaism lay in testing art for its authenticity. You made still life out of tickets, spools of cotton, cigarette stubs, and mixed them with pictorial elements. You put a frame round the whole thing. And in this way you said to the public: look, your picture frame destroys time; the smallest authentic fragment of everyday life says more than painting. Just as a murderer's bloody fingerprint on a page says more than the words printed on it. Much of this revolutionary attitude passed into photomontage," (p. 94). One of the implications of this process is that it has paved the way for members of the public to become prosumers (Toffler, 1980), that is, an active part of the artistic process, by filling the gaps of the representation through their own experiences and embodiment. More in general, the point is that breaking frameworks, meant as something established, has allowed consumers to enter the creation process and enrich the consumption journey through their own maps, whereby the "map is not the territory" (Korzybski, 1933, p. 58), that is, a personal path of meaning.

From an economic standpoint, the digital transformation of the economy, which has had a disruptive impact on many industries, has also created a wealth of resources and opportunities, thus taking collaboration and cooperation to a new level, never experienced before, simply by leveraging social connections through the web. In acting as mediators between supply and demand, reducing transaction costs between providers (Botsman and Rogers, 2010; Gansky, 2010), digital platforms have opened up new ways for entrepreneurship to emerge and innovate entire industries. An effective example of this is given in Stephen Witt's *How Music Got Free* (2014), in which the author points out how the technological liberation enabled the emergence of a collaborative economy and led to the establishment of today's platform-based music industry (Witt, 2014, p. 244). What happened in that industry would be a precursor for what happened within many different industries, spanning from retail to media, from the financial services to the travel industries, to mention but a few. In other words, digital platforms have facilitated collectives to take part in the creation of value and, in doing so, have made networks of resources and social capital more robust. As multisided playgrounds (Cusumano et al., 2019), formed by a complicated mixture of software, hardware, operations, and networks, digital platforms have shaped new ways for participants to interact with each other (Kenney and Zysman, 2016, p. 66). In so doing, they have changed whole production ecosystems, resetting entry barriers by reverting the logic of value creation and value capture. Indeed, technological disruption has given people and organisations alike the possibility to directly engage with other people and organisations whilst offering new insights and pathways for entrepreneurs to develop new businesses. This is why it has been argued that the Internet has created an abundance of powered-people (Nekaj, 2017) eager to contribute to the value creation process. Let's consider, for instance, crowdsourcing in the digital context. It has become a diffuse driver of inclusion (Lenart-

Gansiniec, 2016) by providing society at large with a strategy to address the request for change, enabling bottom-up, decentralised processes, and the participation of different actors with different capabilities and interests (Lettice and Parekh, 2010) to create a new dynamic ecosystem. This is what researchers define as crowd economy, a "distinctly new set of economic relations that depend on the Internet, computation, and data," (Kenney and Zysman, 2016, p. 66).

Organised in online communities, that is, "social networks in which people with common interests, goals, or practices interact to share information and knowledge, and engage in social interaction" (Chiu et al., 2006, p. 1873), people have become central actors of the entrepreneurial process. Indeed, they have helped entrepreneurs to overcome resource-based hurdles to launch a plethora of new entrepreneurial projects. This has reverted the logic of access, as mentioned, as people actually act as gatekeepers for the construction of brand-new worlds. As such, crowdsourcing has emerged as a value co-creation strategy whereby the value co-created in an open context (Chesbrough and Di Minin, 2014) can now be appropriated by society as a whole.

In turn, this has had an impact on the concept of the entrepreneurial social capital from something intended to be purely owned by the entrepreneur to something diffused, owned by all the parties involved in the process, implying the extension of the scope of opportunities (Dubini and Aldrich, 1991). Due to both the newness of the theme and to the limitations on the possibilities to evaluate its implications, scholars are mainly divided in two opposing schools of thought (Acquier and Carbone in Davidson, 2018). On the one hand, there are those who worry about the drawbacks of the new system. Indeed, they see the rise of peer-to-peer platforms in terms of a "low cost" access economy (Bardhi and Eckhardt, 2012), based on business models which destabilise employment relations

(Scholz, 2012; Casilli, 2017) and promote a new neoliberal agenda (Murillo et al., 2017), thus damaging the concepts of enterprise and employment itself (Fleming, 2017). On the other, there are those who see in this phenomenon the opportunity for social innovation at scale, that is, environmental progress, for a new wave of solidarity and more in general a positive impact on social welfare (Sundararajan, 2016). In other words, they see the emergence of platforms as a great opportunity to deploy the potential of transformational entrepreneurship, the possibility for whole ecosystems to make the most of the opportunities of scaling businesses that platforms provide, whilst managing negative externalities (Marmer, 2012).

Even though the two streams of research are difficult to reconcile, the central role of the people in the entrepreneurial process emerges. Certainly, people and technologies are not just linked one to another nowadays, but inextricably connected with each other so that, from a conceptual point of view, society would be enriched by enhanced individual capacities working in groups. In other words, the human connectedness resulting from the collaborative economy opened-up new opportunities to explore value co-creation at the intersection of technological availability and the cultural readiness needed to foster dynamics which have shaped different forms of collaboration, such as collaborative production, collaborative consumption, collaborative education, and collaborative finance (Sundararajan, 2016, p. 82). If entrepreneurship plays a specific role at the societal level in helping societies to adapt to change, enabling people to actively participate in such a process is the reason we need to better investigate what these bridges of inclusion might be, and how they might be best exploited, so that the promise of change can become inclusive change, and thus socio-economic development.

In these dynamics, information plays a key role in building the social trust glue that can hold everything together, as we will see in the next section.

2.3 The role of information in the entrepreneurial process

Information provides the glue with which to keep things together. The entrepreneur needs information to create a new business, and in the digital context platforms have become a "prevalent and key source of information" (Song, 2015, p. 122); information has become an essential resource for entrepreneurs to get the ball rolling in an entrepreneurial ecosystem. To explore this concept in more detail, the author starts by arguing that, in the end, entrepreneurship is a network-based (Dubini and Aldrich, 1991) open process (Greco and Jong, 2017) where entrepreneurs operate as part of complex systems. In doing so, they seek "partnership arrangements which help to bring together the skills and firm-specific resources to complete partial capabilities need to realize the perceived opportunity" (Tomy and Parded, 2018, p. 10), which originates from the personal stakeholder relationships around the entrepreneur in the pre-venture phase (Harris et al., 2009). This means, as mentioned above, "entrepreneurial processes are enacted in context" (McKeever et al., 2015, p. 51) due to their being embedded in human relationships (Payne et al. 2011). This is also why the entrepreneurial chances of success, measured in terms of a positive entrepreneurial outcome, such as a first sale or profit (Davidsson and Honig, 2003), depend on entrepreneurial networks that represent the social capital of the entrepreneur (Burt, 1992). One of the possible examples of how this could work in practice may clarify the point. Adopting a resource-based view of entrepreneurship (Kellermanns et al., 2014), to acquire resources after the entrepreneurial opportunity has been noticed, the entrepreneur reconfigures it by adopting an effectual approach (Sarasvathy, 2001), that is, by engaging with their network to seek resources and assistance through a process commonly known as bricolage (Landström, 2017). This happens because the entrepreneur does not own all the resources needed to deliver the promise of the opportunity (Osterwalder and Pigneur, 2010). Such a dynamic sheds light on a concept defined as the compensation hypothesis (Bayer, 1991); when the amount of the resources owned by the entrepreneur is not sufficient to gain a competitive advantage then the network compensates for said lack of resources. One of the rationales behind this is rooted in the network success hypothesis (Dubini and Aldrich, 1991), according to which, through their networks, an entrepreneur can access, at a lower cost, resources not otherwise available. In this way, the entrepreneur can compensate for the liability of smallness (Aldrich and Auster, 1986) and liability of newness (Stinchcombe, 1965), two common traits of new ventures. However, being part of networks is a necessary but insufficient condition for the entrepreneurial success, for at least two reasons: the first one is related to the nature of the network, whilst the second revolves around the position of the entrepreneur in a specific network or in between two or more networks. Regarding the former, the density of a network influences its innovation output. In fact, the more intense an entrepreneur’s network is, the less likely new resources (such as financial, human, emotional support, and so on) will enter the entrepreneurial eco-system, with the implication being that resources simply recirculate within the group (Granovetter, 1973; Hoang and Antoncic, 2003). Such a phenomenon has also been studied in contexts where the economic activity is stagnant, such as in the case of areas affected by Mafia and the Camorra in Southern Italy (Sciarrone and Storti, 2013), whereby the presence of structurally tight ties impedes the economy from thriving. In other words, the tightness of a network determines its innovation output. A variation of this debate could be read in the form of protectionism enacted by Mercantilists, as opposed to Smith's concept of free trade. According to the latter, it is the openness of the market that is the driver of the wealth and growth of a nation, as opposed to the rent-seeking approach of the former, which would prevent an economic system to prosper (Mazzucato, 2019, pp. 22-28). Applying this lens to an entrepreneurial perspective, the traditional view of entrepreneurship as something limited to the formation of a venture is limited in scope because entrepreneurship is more than just closing a sale and developing a new organisation. Entrepreneurship is a social practice in which, for the success of the project, the interests of all the firm's stakeholders are taken into account to maximise the venture's purpose. As social playmakers, to discover and exploit entrepreneurial opportunities, entrepreneurs have to be in a position through which they can act as a bridge between different groups of stakeholders (Hoang and Antoncic, 2001). This concept, which has been defined as 'betweenness centrality' (Freeman, 1977), posits entrepreneurs as *de facto* social brokers exploiting arbitrage opportunities by leveraging information asymmetries to create demand and supply (Kirzner, 1997). It follows that the better they are positioned within a network, and in particular in a position of being a bridge between two weak ties of it where the lack of resources of the different actors is present, the better the entrepreneurial outcome. The reason for this is that "entrepreneurial opportunities arise from information asymmetries concerning the true value of resources and the resulting value of the combination of those resources into outputs" (Cohen et al., 2007, p. 32), as also pointed out by Sarasvathy and colleagues (2003).

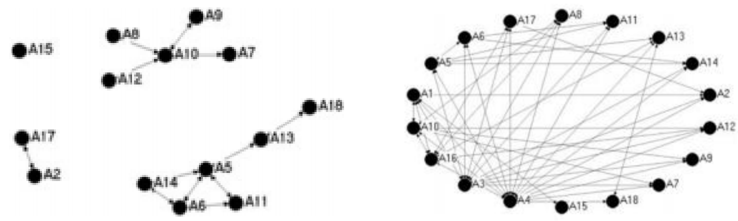


Fig. 1 Network in absence of social brokers vs. network in presence of social brokers. (Chiu and Lee, 2012)

However, from this discussion emerges the notion that a balance is needed in the amount and quality of information between the different parties of a network. Indeed, if on the one hand too much information would prevent the entrepreneurial opportunity to emerge and to be exploited, on the other, too little information or information of poor quality would mean running the risk of incurring a failure. This is the paradox around which business creation revolves. In other words, the main issue with information asymmetries is that they are a dual concept (Barbaroux, 2014). Whilst, they are the biggest source of entrepreneurial opportunities, they are also the main cause of market failures. For example, when a customer cannot make an evaluation of the quality of a product (Akerlof, 1970) or an investor cannot know how a company will behave (Spence, 1973), then the market fails to produce an equilibrium as it ceases to efficiently coordinate transactions (Stiglitz, 2000). This, in turn, fuels search costs for buyers who have "to determine the quality of goods and services they buy" (Nayyar 1990, p. 517), with the consequence that "prices do not accurately convey all the information necessary to coordinate economic decisions." (Eckhardt and Shane 2003, p. 337). Thus, for the sustainability of the entrepreneurial attempt, the key priority becomes to establish the extent to which information asymmetries constitute an opportunity or a threat in the entrepreneurial process. For instance, due to the massive presence of weak ties, the Internet would constitute the congenial environment for entrepreneurship to thrive (Cai et al., 2019); in fact, as above mentioned, the lower the intensity of the entrepreneurial network the greater its openness and, consequently, the possibility to find opportunities. However, the lack of proximity, which constitutes a precondition for the presence of weak-ties, fuels information asymmetries that tend to be detrimental for entrepreneurial success (Evald et al., 2006). On top of that, if on the one hand the lack of resources between two nodes of a network typically constitutes an opportunity for entrepreneurs, in turn, entrepreneurs would need resources to make a success of the spotted entrepreneurial opportunity.

Digital platforms, as two-side markets (Lexology, no date), seem to have contributed to solving such a paradox. Indeed, technological disruption has provided people and organisations alike with a new setting where they could operate to produce value (Fischer et al., 2011). The progressive and active involvement of an increasing number of social actors in value production has allowed crowdsourcing to emerge as a societal strategy whereby the value co-created in an open context (Chesbrough and Di Minin, 2014) can be appropriated by society as a whole, such as by addressing social issues with innovative ideas and solutions (Di Gangi and Wasko, 2016). Cumulative knowledge generation is a viable path to generate social innovation (Kohler and Chesbrough, 2019), with the anchor point of it being constructed by collaborative communities who cooperate through online platforms. This is the case, for example, when networked crowds collaborate to address societal issues with innovative ideas and solutions. With the progressive and active involvement of an increasing number of social actors in the value production phase, crowdsourcing has emerged as a societal strategy whereby the value co-created in an open context (Chesbrough and Di Minin, 2014) has been mostly appropriated by society. Wikipedia neatly exemplifies this point; the world's largest collaboratively edited source of encyclopaedic knowledge is in fact created and edited by a dispersed crowd of people around the world and has become the primary source of information within the web and beyond (Marchiori and Vieno, 2020). Its trajectory suggests that crowdsourcing is, in essence, an approach to supply the request for change by enabling bottom-up, decentralised processes, and the participation of different actors with different capabilities and interests (Lettice and Parekh, 2010). In it, the role of social trust is pivotal for the system to be sustainable in the long term (Skopik et al., 2010) due to the lack of face-to-face interactions in the online context, which increases the presence of information asymmetries. The essence of the Wikipedia experiment relies on the fact that, by the means of an online platform, people, from the ground, create and appropriate value.

Looking more in depth, these dynamics appear to be both more nuanced and more complex. Consider the case of communities, which are, generally speaking, a form of network (Jackson with Ngoune, 2010). Members of communities are tied together by some sort of identification clues around specific values and beliefs and this fosters trust, reciprocity, and participation, and hence, collaboration and sharing. This is valid for both offline and online communities. There is however a difference between the two; online communities, meant as "social networks in which people with common interests, goals, or practices interact to share information and knowledge, and engage in social interaction" (Chiu et al., 2006, p. 187), often lack face-to-face interaction (Kindsmuller et al., 2015). This suggests the massive presence of weak ties that are congenial for entrepreneurial opportunities to emerge (Cai et al., 2021) can also make or break the entrepreneur. In this regard, it could be argued that the Internet constitutes a congenial environment for entrepreneurship to thrive. The reason for this is rooted in the fact that, as mentioned above, the lower the intensity of the entrepreneurial network, the greater its openness. This constitutes the precondition of the entrepreneur engaging with new trends and developing new ideas as it provides freedom to understand and value new knowledge (that is, entrepreneurial absorptive capacity) as posited by the Knowledge Spillover Theory (Qian and Acs, 2011).

2.4 Do people have the power? A communitarian view of entrepreneurship

One question emerges from this: who has the power in such an ecosystem? Is it the entrepreneur, who could make the most of the weak ties in a network, especially if the network is remote as it is in the digital context? Or is it the people, that is, online communities who could make or break an entrepreneur? It is worth mentioning that not every activity or process can be within the span of control of the entrepreneur since much more informal aspects gain ground and the entrepreneur loses their identification power. From this, it could be inferred that online communities have a sort of power over the entrepreneur, who is still a playmaker, but as such is part of wider team (the communities they embed). In such circumstances, the reputation of an entrepreneur and their potential to leverage the community to expand demand, through actions such as referrals from existing and loyal clients, are in the hands of the online community. It emerges that business fundamentals like marketing and sales, which have traditionally been seen as being in the hands of the entrepreneur, rely ultimately on a kind of wisdom of the crowd. In such a perspective, it becomes crucial for entrepreneurs to cultivate their communities. Online community building is a critical means to foster loyalty (Tsai and Pai, 2012). However, this also suggests a different perspective through which to look at things.

In other words, it is the interplay between the entrepreneur and the online community that may play a vital role in the value co-creation process. As a function of interaction (Grönroos and Voima, 2013), co-creation can be valued in both directions: on the one hand as a way for the member of the community to participate in the entrepreneurial process and, on the other, as an opportunity for the entrepreneur to be involved in community members' lives (Heinonen et al., 2010). In other words, co-creation entails mutual value creation (Ramaswamy, 2011). This requires open systems as "co-creation occurs only when two or more parties influence each other" (Grönroos and Voima, 2013, p. 142), and it would only be possible when the two spheres of interactions are joined, as co-creation only happens when there is direct interaction. In other words, co-creation is socially embedded (Edvardsson et al., 2011) because value is value because it is created and validated as such. It follows that creating value is a function of how actors of a specific context interact and co-create; the social forces in a specific context are the ones who shape the value, which is then reproduced by social structures: "Providers' and customers' positions in the social structure and their participation in processes of signification, domination, and legitimation affect the likelihood of their deploying an effective and mutually satisfactory co-creation process." (Galvagno and Dalli, 2014, p. 646).

Therefore, it could be argued that embedding (Granovetter, 1985) themselves in the community, entrepreneurs would lower information asymmetries. This is relevant in view of the fact that members of a community are eager to provide resources as a means of generating value from a product or a service and it helps explain why organisations which can deepen their relationships within actors within their networks can profit from a mutually beneficial relationship by creating collective goals and interdependencies. As such, they can co-create value in a win-win situation in which information asymmetries diminish. Where this would not take place, that is, a system characterised by the presence of weak ties and massive levels of information asymmetries and great arbitrage opportunities to be exploited only by the entrepreneur, community members would find it difficult to evaluate the quality of an entrepreneurial project as they would incur transactional costs which would make it difficult to make a decision to support (or not) a specific entrepreneurial project.

In view of the above, with the role of the entrepreneur in society in mind, it can be argued that whilst the mainstream approach to entrepreneurship views the entrepreneur as the virtuoso who makes the most of disequilibrium (that is, a soloist approach), and the network-based approach to some degree extends this view by posing the entrepreneur at the centre of a net with the purpose of acquiring resources and exploiting arbitrage opportunities, the community-based approach overturns both perspectives. The glue for this relies on the concept of identity (Ashfort and Mael, 1989). Identity is indeed the contextual glue which may allow the entrepreneur to be part of a community and for the community to take part in the exchange of resources for generating value. Therefore, in such a perspective, it becomes relevant to examine how members of communities concur to foster entrepreneurship.

In this regard, the author now examines a specific digital entrepreneurial space whereby this could happen, that is, equity crowdfunding.

PART 2

Equity crowdfunding

2.5 Crowdfunding: An introduction

Crowdfunding is a form of collaborative finance. Tapscott and Williams (2010) first introduced the concept of collaborative finance in the aftermath of the global financial crisis: “The industry need to take stock of what happened during the crisis and work to restore the trust and confidence of investors, regulators, and regular citizens. A new movement is beginning, and it's inspired by the public anger at a host of things, from the behaviour of Wall Street and massive bank bonuses to the widening gap between the interest rate offered to savers and the rate charged to borrowers. It's enabled now by the growth of mass collaboration via the Internet,” (pp. 56-57). In view of this, crowdfunding (and in particular its debt and equity forms) has increasingly gained the attention of academics as it has become a relevant topic to investigate (Moritz and Block, 2014; Gierczak et al., 2016) considering perspectives of capital seekers (i.e., project initiators), capital providers (i.e. backers), and intermediaries (i.e. platforms) from several perspectives (Mochkabadi and Volkmann, 2018).

Belleflamme and colleagues define crowdfunding as “an open call, mostly through the Internet, for the provision of financial resources either in form of donation or in exchange for the future product or some form of reward to support initiatives for specific purposes” (2013, p. 8). In the perspective of the current research, crowdfunding can be viewed as a process whereby people, through open calls on the web, take part in collective action to deliver value in the interest, at least, of the co-opted crowd (Ghezzi et al., 2018). In fact, in taking place via the Internet through open calls through online marketplaces (i.e., crowdfunding platforms), crowdfunding lets people take an active stance in the entrepreneurial process by providing the entrepreneur “ideas, feedback, and solutions to develop corporate activities” (Belleflamme et al., 2014, p. 586). In this regard, crowdfunding has emerged as a subset of crowdsourcing (Afuah, 2014), whereby the crowd of backers provides the project owner with feedback, during and in the aftermath of a campaign, on the development of a product, as well as additional information about the future demand of the good (Eldridge et al., 2019). Both crowdfunding and crowdsourcing, in the context of entrepreneurial finance, have been seen as a subset of Fintech (Martinez-Climent et al., 2014); the use of new technology to tap into wealth and to raise money for business or non-business-related projects. Technology indeed represents the key cornerstone of the concept (Brown et al., 2015).

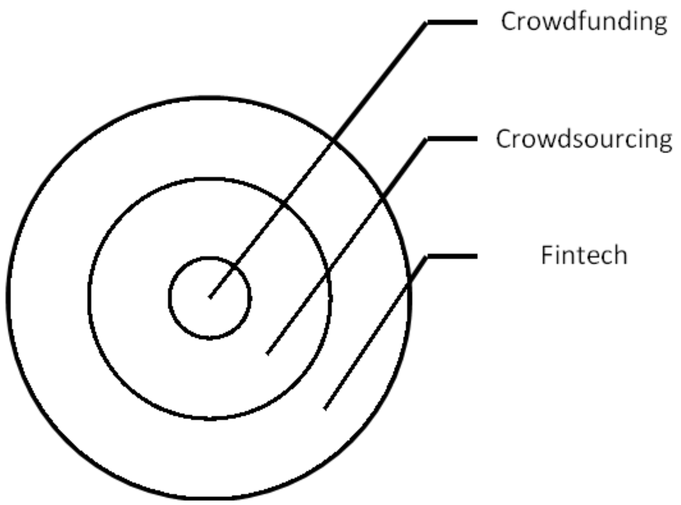


Fig. 2 Crowdfunding as a subset of crowdsourcing and fintech.
(Elaboration of the author on the basis of Martinez-Climent et al., 2014).

This does not represent the only way to approach the theme, of course. For instance, others (Shneor and Torjesen, 2020) position crowdfunding at the intersection of finance, entrepreneurship, marketing, e-commerce, and social networking.

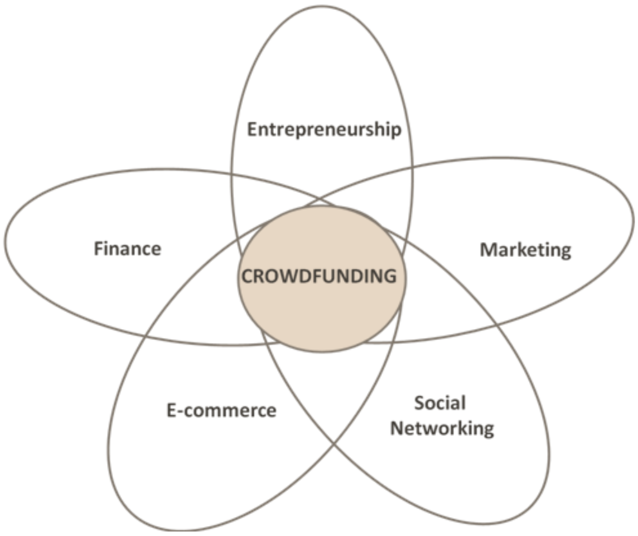


Fig. 3 Crowdfunding at the intersection of Entrepreneurship, Marketing, Social Networking, E-Commerce and Finance. (Elaboration of the author on the basis of Shneor and Torjesen, 2020).

A solid conceptual framework to systematise the above definitions and navigate equity crowdfunding as a digital-based form of entrepreneurial finance is provided by the Digital Finance Cube developed by Gomber et al. (2017).

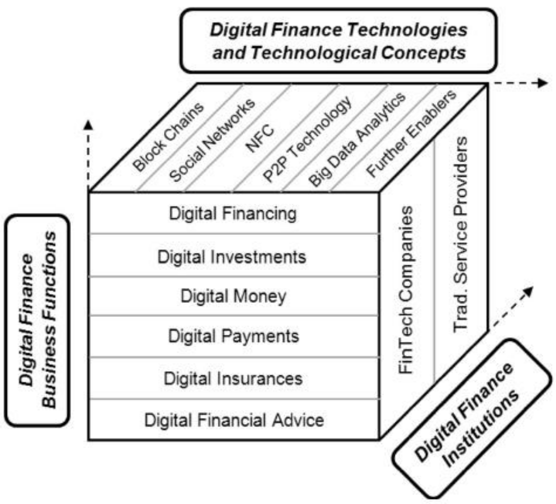


Fig. 4 Digital Finance Cube (Gomber et al., 2017)

By orthogonal intersecting three different dimensions of digital finance (digital finance business functions, digital finance technologies and technological concepts, and digital finance institutions), it is possible to identify the theoretical territory of equity crowdfunding. Indeed, looking at the above definitions of equity crowdfunding through the lens provided by the cube, it would be possible to argue that:

1. In respect of the Digital Finance as a Business Function, equity crowdfunding is a form of digital financing, that is, a way for new ventures to become financially independent;
2. In respect of the Digital Finance Technologies and Technological Concepts, equity crowdfunding is a type of business fundraising which makes the most of social networks because, to deliver their campaigns, entrepreneurs leverage the pervasiveness of social networks to reach out to online investing communities;
3. In respect of Digital Finance Institutions, equity crowdfunding is part of the fintech industry meant as new players able to provide in an innovative way entrepreneurial finance services, spanning from serving entrepreneurs with the technology needed to raise funds by leveraging the possibilities of Information Technology in the Internet environment, to the support needed to manage their investing communities throughout the whole campaign process. That is: pre-raise, during the campaign, and post-raise.

Originating in the seventeenth century, when public issues were handled through public calls, crowdfunding as we know it today took off with musicians raising money and producing their music, prior to being adopted by filmmakers and journalists (Moritz and Block, 2016), at times when the whole music industry had to change its business model in the face of an unprecedented attack from piracy (Witt, 2015).

Fuelled by the collapse of the traditional financial route due to the 2008 global financial crisis, to overcome the close inner circle of finance (Schwartz, 2013)represented by those such as venture capitalists, private equity, and investment banking, at times of scarce financial resources when banks also stopped lending, crowdfunding offered an opportunity to discouraged borrowers (Brown et al., 2017) to raise funds for their projects, becoming one of the most critical elements for the success of SMEs (Ou and Haynes, 2006; Drover and Zacharakis, 2013;Grell et al., 2015).

Since then, entrepreneurial finance has begun to rapidly evolve (Bruton at al., 2014), with a growing number of capital seekers starting to combine traditional debt and equity start-up finance (friends and family, angel investors, and venture capital) with crowdfunding and other financial innovations, such as microfinance and peer-to-peer lending (Khavul, 2010; Moenninghoff and Wieandt, 2013; Schwienbacher et al., 2013). Thus, in the span of just a few years, crowdfunding positioned itself as a robust alternative to traditional ways of funding entrepreneurship (Huynh, 2015; Estrin and Khavul, 2016; Moritz and Block, 2016), becoming part of the entrepreneurial equity “food” chain, (Drover and Zacharakis, 2013).

An emerging field in the broader sphere of entrepreneurship research, within the segment of entrepreneurial finance (Landström, 2017; Mochkabadi and Volkmann, 2018), crowdfunding has reshaped the whole financial industry as we know it (Bellavitis et al., 2017). Crowdfunding is usually classified into four classes (Wieck et al. 2013): “donation-based”, where funders do not receive any reward; “debt-based” when funders lend money to founders in return for interests; “reward-based” when gifts are offered from founders in return for their offer; and “equity-based” where funders receive financial compensation (equity, revenue, and profit-share arrangements) in return for their investment.

Recently, in view of additional technology evolution, scientists have started to focus on the role of blockchain in the funding process, and in particular on how it can be used for digital fundraising purposes. Consequently, a new stream of research has started to emerge to focus on ICO (Initial Coin Offerings), DAOICO (ICO made through a DAO, that is, a Decentralized Autonomous Organization), IEO (Initial Exchange Offerings), and STO (Security Token Offering), (Myalo, 2019).

For the purpose of the present research, the main focus is on the equity-based form of crowdfunding. Equity crowdfunding is a subset of start-up financing, along with angel investing and venture capital, on which the author focuses on in the next session, prior to a focus on equity crowdfunding.

2.6 Start-up financing

Generally speaking, the lack of financial resources, especially in the early stages of a new company, is one of the main constraints for entrepreneurs to start a business. There are many reasons for this. For example, a new venture can lack collateral, a track history, cash-flow, or simply too much information asymmetry with the capital provider (Cosh et al., 2009).

From a theoretical perspective, financing a new venture (entrepreneurial finance) finds its soft spot at the intersection of entrepreneurship and corporate financial theory (Landström, 2017). It is defined as follows: "the acquisition and the use of capital, as well as the decision regarding the size of capital in new and growing ventures, and particularly paying attention to the characteristics and particularities of the development phase of the venture," (2017, p. 6). A further element to draw a rich and nuanced definition of entrepreneurial finance involves distinguishing between debt and equity financing (Cummings and Vismara, 2016).

During the business journey, an entrepreneur faces different financial needs. Ideally from the pre-seed stage to the moment a venture goes public, the entrepreneur has to leverage different options to face specific financial requirements vis-á-vis the stage in which the organisation is. In this regard, Berger and Udell (1998) offer an effective framework to analyse the interplay between the entrepreneurial growth and the lack of capital: from the beginning of the entrepreneurial journey, when the only available financial sources are internal (such as their own assets or those of family, friends, and fans) to the very moment when a company is listed in a public and regulated market, the firm ideally constantly grows through specific and detailed stages, a life-cycle approach.

Throughout all these phases, support to the entrepreneur is provided by different actors spanning from friends and family in the pre-seed phase to the stock exchange passing from the informal capital provided by business angels, crowdfunding, and the formal capital provided by venture capitalists, private equity, and so on.

Being the focus of this section on seed finance, that is, the start-up life cycle stage of a company, the author next focuses on two of the main sources of finance at this specific stage of the entrepreneurial cycle: angel investing and venture capital. There are three main reasons for that: first, they focus on capital supply in the start-up stage (but not exclusively as the hybridisation of models in increasing); second, they share similarities and complementarities with our object of study, that is, equity crowdfunding; third, angels and venture capitalists are increasingly investing along with the crowd to foster entrepreneurship. Of course, these are only a few of the elements which drove the author to make such a choice as entrepreneurial finance is fast moving, with entrepreneurs continuously adapting their strategies to the changing nature of the external business world. This means, it is difficult to get a clear picture of the state of the art of the industry and of the research as both are constantly moving; categories often overlap and business models of capital providers must adapt quickly. Therefore, with these limitations in mind, an attempt to provide as clear a picture as possible is now given.

With this in mind, attention is given to venture capital and angel investing to compare and contrast these two concepts with equity crowdfunding.

2.7 Venture capital and angel investing: A general overview

A subset of private equity, venture capital (VC) can be defined as a unique combination of capital and know-how" (Klonowski, 2015, p. 98) .VC tends to be most known form of equity financing (Drover et al., 2017) despite counting for less than 10% of all start-up funding (Klonowski, 2015, pp. 103-110). As venture capitalists are well known for a high tolerance of risk, they consistently look for above-average returns. The reason for this is that VCs do not work with their own capital, but with that of third parties, earning a percentage on a successful capital gain materialising during an Initial Public Offering (IPO) or on a trade sale to strategic investors. In both cases, specialists talk about exit strategies.

Thus, since VCs want neither to be stuck within a company, nor to incur in ventures with insufficient performance to proceed to an exit, they intensify their level of scrutiny, which explains the high rate of rejections among companies looking for risk capital. This also helps to explain, for example, why this form of equity finance counts for so little of the wider equity finance industry.

The other way around, since ventures are capital burning organisations, entrepreneurs get stuck seeking additional capital whilst worrying about diluting their participation in the company as this has an impact on the decision-making process. Indeed, having a venture capitalist on board means that every decision an entrepreneur is willing to make must pass through the approval of the providers of external sources of capital. This is also the case with angel investing.

Business angels have been defined as non-institutional equity providers (Klonowski, 2015, pp. 137-142). Usually, angels are high net worth individuals with assets worth at least £1 million and an annual salary of £250k. They are eager to invest in entrepreneurial projects in which they see growth potential. They usually invest in the region of £500k, and usually work with start-ups valued between £1 million and £1.5 million. Their goal is to exit the company by selling their share, usually to venture capitalists, when the company reaches a value of between £20 million and £30 million so as to maximise their capital gain.

Whilst exit remains a key reason to invest in a business, it is not the only one. For example, other entrepreneurs or members of the so-called C-Suite community (top managers including CEOs, CFOs, CMOs, and the likes) invest with a different logic. For example, angels usually see their investment portfolio as a sort of fridge to look into when they are hungry: “The major reason to invest is that (angels) need something to get out of the bed in the morning for!” (Sabia, 2017). This is why business angels can have a passive role in the management of the company in the aftermath of their investment. However, angels are commonly reputed to provide guidance and mentoring, with the aim of helping the entrepreneur transforming int CEOs, thus helping the venture grow while heading towards a more managerial dimension. (Klonowski, 2015, pp. 137-142).

According to research (Fili, 2014), such a role is what differentiates angel investment from venture capitalism; the angel investor is interested in a financial return, but at the same time the coaching relationship at the basis of the interaction with the entrepreneur determines a different orientation of the investing philosophy.

For example, to successfully exit, both the angel and the founder have the common interest of seeing the venture grow. This means that for the latter (the entrepreneur) to evolve their role from entrepreneur to CEO by making the most of the non-financial support from the angel and, for the former, making the most of their passion for business by helping a start-up to move to the next stage of its evolution. In contrast, the relationship between the entrepreneur and the venture capitalist is one based on cost control in order to maximise the return on investment and consequently the VC's exit.

The digitisation of the economy has enriched the variety of the types of possible relationships between entrepreneurs and investors in the context of start-up financing. This is particularly evident in emerging forms of entrepreneurial finance, such as in the case of equity crowdfunding where large groups of casual investors decide to support entrepreneurs in their entrepreneurial projects. Equity crowdfunding constitutes the focus in the next section of the present chapter.

2.8 Equity crowdfunding in a nutshell

Equity crowdfunding has been defined as "investments via an internet platform undertaken by both specialist and small novice investors in return for share capital which is issued directly to investors or held by a nominee" (Brown et al., 2015, p. 8). This definition sheds light on one of the main purposes of equity crowdfunding, that is, the acquisition of capital (Gierczak et al., 2016); capital seekers and capital providers work together on a common goal through a platform (Lee and Sorenson, 2016). For project initiators, such as entrepreneurs, crowdfunding is also a way of promoting a product or an idea at a lower cost than traditional marketing and communication practices (Lehner, 2013).

The rationale behind this is the possibility of having a pre-market window during which entrepreneurs have the opportunity to gain public attention and promote their projects (Belleflamme et al., 2013). Bruton et al. (2014) see low servicing costs as a competitive advantage of crowdfunding over traditional project financing methods, while Ordanini and colleagues (2011) state that crowdfunding brings lower risks to capital providers. Estrin and Khavul (2016) also see in crowdfunding the opportunity of reducing biases associated with traditional forms of the early stages entrepreneurial finance, including gender and location of the business.

From the capital providers' perspective, Grossman (2016) argues that digital innovation has made it easier for investors to invest their money with the consequence being a remodelling of the whole sector by lowering entry barriers for capital providers.

At the moment of closing the current thesis, equity crowdfunding represents a niche in the broader alternative finance space, but a consolidated equity funding channel for start-ups and SMEs across the world. According to the latest data from the University of Cambridge's Cambridge Centre for Alternative Finance (CCAF, 2020), looking at the volumes by model and geographies, globally the equity crowdfunding market is valued at around $1.5 billion dollars, 31% of all equity activity in the world. The US is the leading marketplace with circa $507.9 million, equalling 20% of all equity activity there; the UK is the second largest marketplace in the world, reporting circa $484.7 million, 56% of all equity activity there. Europe comes in third place, with circa $278.1 million, 31% of all equity activity there, followed by the APAC region: $161.2 million as 32% of all equity activity there. In the Middle East, 96% of all equity activity is provided, with a market value of $34.3 million, followed by Canada with $19.9 million (46% of all equity activity in the country). Finally come the Latin American and Caribbean regions ($19.3 million for 42% of all equity activity each), China ($5.7 million for 26% of all equity activity), and Africa ($3 million for 25% of all equity activity).

Looking at the onboarding rate of this equity model, as potential fundraisers have to go through a number of checks and assessment to determine their suitability prior to raising funds or prior to changing platform, equity crowdfunding tends to have a much lower onboarding rate than other non-investment models. In Europe, for instance, the onboarding rate is the lowest, with only 9% of projects accepted, whilst in contrast the APAC region presents the highest rate with 38%. The UK reports a 13% acceptance rate. Looking instead at the successful funding rate, that is, projects which successfully completed their campaigns, rates are quite different, with Europe reporting 86% success, the APAC region 59%, and the UK 43%. It emerges clearly that despite the UK and

Europe having just a 4% difference in their onboarding rate, Europe almost doubles the success of the projects presented via UK equity crowdfunding platforms.

Another interesting aspect to consider in view of the hybridisation of the model is institutionalisation, the number of institutional investors (all investors that are not people). On a global scale, equity crowdfunding accounts for only 23% of institutional presence investing along the crowd, which suggests equity crowdfunding is still a private investor form of investing.

In the perspective adopted in the present work, it is useful to point out one of the aspects that could influence the market; as mentioned elsewhere in the course of this thesis, social trust. In line with the OECD definition (Algan, 2016), social trust is how much the population believes a person will act consistently with its promise. Findings from CCAF (2020) indicate that the higher the social trust, the higher the volume of alternative finance per capita in a specific country.

Along with social trust, analysts point out the importance of two other elements: the presence of relatively rich societies and of highly digitalised economies. In their interplay, these three elements are pivotal not only for the alternative finance industry per se, but also in view of the role they play in the bigger economic environment and, in particular, in one of the main concerns of governments, that is, fostering entrepreneurship as a means to rejuvenate economy and support growth. In this regard, recent research has confirmed a positive correlation between equity crowdfunding and the growth opportunity of small firms (Eldridge et al., 2019).

In order to fulfil its role, however, equity crowdfunding as a sector also needs to constantly adapt to the market needs, as confirmed by data from CCAF (2020), which shows that equity crowdfunding platforms constantly fine-tune their business models. For instance, 67% of the equity crowdfunding platforms said have changed their business models, with these changes having been more significant (16%) for some than for others (51%).

2.9 Equity crowdfunding and online communities

Regarding the interplay dynamics between equity crowdfunding and online communities, research appears to be fragmented. Only a few studies have been dedicated to the investigation of the intersection between virtual communities, defined as "an online social network in which community members interact with each other" (Cai et al., 2019, p.5) and equity crowdfunding, which "offers entrepreneurs an online social media marketplace where they can access numerous potential investors," (Estrin et al., 2018, p. 425). Certainly, the theme should be one of the most topical within entrepreneurship scholars and in particular within the entrepreneurial finance segment. Virtual communities are in fact ubiquitous vis-á-vis the entrepreneurial process, having the greatest impact on the future of an entrepreneurial project. For example, they provide the entrepreneur with feedback allowing them to fine-tune the project accordingly. They are the sounding board on which the entrepreneur builds the brand story, crafting its values on the clues from the identity of that community. They are the capital providers for the new venture to take off. The embedded mechanism which makes this possible is social capital, as above defined.

Broadly speaking, the literature on crowdfunding has found that social networks play a pivotal role in the entrepreneurial funding process. Indeed, online communities can have an impact on the entrepreneurial trajectory, as mentioned above, as they can affect investor decision-making (Polzin et al., 2018). Whilst it has been shown that private social networks, such as friends and families, contribute to the acquisition of early capital (Lukkarinen et al., 2016), probably due to closeness mitigating information asymmetries and therefore reducing the perceived risk (Vismara, 2016), at the same time such a situation leads to a self-reinforcement mechanism (herding), which creates momentum for the project owner to reach the funding target (Colombo et al., 2015) as the online communities at large become eager to invest in the project.

At the basis of this, there are signals sent, received, and elaborated on by and from the crowd, spanning from the quality of the project itself to that of the enterprise and of the entrepreneur. Those signals increase trust as they reduce the perceived risk owing to an enhancement of values shared within the community that finally affects the commitment of its members to continue to be a part of it by pledging to it. This suggests that the investment decision by a member of the community is underpinned by an identification mechanism, sustained and nurtured by a constant flow of communication, which increases the entrepreneur’s trustworthiness.

Put simply, such a mechanism works due to its ability to reduce the distance between the entrepreneur and community members of networks that are highly characterised by weak ties, thus ultimately allowing the entrepreneur to share the journey with the crowd. In this, a multi-layered concept of virtual community compounded of structural (such as strong and weak ties), relational (trust, identity, and communication), and cognitive dimension (shared values and shared narratives) that are the counterpart of the crowdfunding process emerges, which is in turn compounded by many more aspects than just funding (Cai et al., 2021).

This opens up a new perspective looking at crowdfunding in its interplay with the online community not only as a funding strategy, but also as an effectuation process which could find its *raison d'etre* in the fact that, generally speaking, crowdfunded projects are not highly profitable ones, and so are highly dependent on capital markets. This would find confirmation in the interpretation given by Walthoff-Brom and colleagues (2018a) with regard to the pecking order theory; the higher the margins, the lower the dependence of the firm on capital markets as these kinds of companies can more easily generate cash.

In other words, as companies that prefer equity crowdfunding as an entrepreneurial finance strategy tend to be the riskiest ones, the entrepreneur has to find ways to persuade people to pledge. Since non-institutional investors represent the biggest section of investors in equity crowdfunding (Drover et al., 2017), an investor-protection issue emerges as the information asymmetries would remain high, in addition to adverse selection issues. In this regard, assuming that it would be impossible to eradicate information asymmetries, it becomes pivotal to investigate how crowdinvestors within online investing communities make their investment choices.

The other way around, in tapping into the wealth of the crowd (Burtch et al., 2013), project initiators such as entrepreneurs create a grassroots movement through which to provide the crowd with the possibility to pledge to projects they believe in. This is why Mollick and Rubb (2016), in analysing the role of crowdfunding as a driver to democratise innovation, talk about grassroots innovation. In working together towards a horizon of shared values (Weidinger, 2014), project owners and backers get beyond the market value of the project in itself (Schaltegger and Wagner, 2011). In this regard, Drover et al. (2017) state that investors are attracted to entrepreneurs who are similar to them in many ways, suggesting the presence of an identarian glue between the entrepreneur and the crowd (Fedorenko et al., 2017).

This also explains why crowdfunding has proved to facilitate the evolution of entrepreneurial ecosystems, creating engagement within brand communities by stimulating fanbase interactions and, in turn, fuelling emotional engagement with positive effects on purchase intentions, as well as on the sustainability of the brand community itself (Menon et al., 2018). This further adds to the efforts to shed light on why many see equity crowdfunding as a way to democratise finance. Even though little has been written on this (Mollick and Robb, 2016), experts argue that one of the rationales is that equity crowdfunding frees entrepreneurs from the costs of raising capital, enabling a new wave of investors to contribute to the innovation of entrepreneurial finance as a whole.

All in all, equity crowdfunding has so far proven to be a useful strategy to fill the equity gap in many sectors in the aftermath of the 2008 global financial crisis and in combination with low-interest rates (Wallmeroth, 2019). Indeed, it has proven to be a viable driver to open access to entrepreneurs to external resources, including capital and feedback from backers, to improve their products and foster their brands. At the same time, it has allowed a new cluster of investors to have a stake in projects in which they believe.

This then leads us to investigate who has benefited from equity crowdfunding.

Generally speaking, crowdfunding resonates well with the utilitarian ethos of reform and social improvement (Shneor and Torjesen, 2020). Indeed, the idea that a greater sum of happiness affects a greater number of people in society (the utilitarian view) applies to crowdfunding due to the democratising aspect of opening access to finance to a diffused number of entrepreneurs whose projects are validated by a crowd of people investing in them, thus allowing greater resource allocation efficiency. In fact, crowdfunding disrupts the traditional entrepreneurial finance oligopoly by giving more entrepreneurs new opportunities to launch their projects. This is especially the case for those belonging to the weaker segments of society; in turn, it provides more people in society with the possibility to take part in the entrepreneurial process, thus influencing it. In other words, such investors help the supply of new products and services align to societal desiderata, and this, in turn, minimises inequalities in the long term by fostering inclusion.

Such an aspect, which draws its strength from the active participation of people in terms of money and ideas, is particularly relevant in view of the possibility of entrepreneurial projects to serve part of the population which has not been served by public institutions (such as healthcare, education, energy, funding for communal expenses, and so on). The other way around, some make the criticism that investing in crowdfunding projects may legitimise the political inefficiencies of public institutions. In other words, while crowdfunding shows a positive face and appears to be an opportunity, some shed light on the drawbacks of the model. For instance, many focus on the massive presence of information asymmetries and herding behaviour, an aspect already cited in the course of the present works and on which the author focuses in much more detail in the following sections. On top of this, some criticise the presence of the herding behaviour as presenting a risk of the tyranny of majority (Guinier, 1995) in view of the fact that the crowd often follows when a campaign is successful. In other words, people with greater economic power may determine the outcome of a campaign and on a large scale, favour specific projects to emerge. Not to mention that the literature on equity crowdfunding economics confirms the “benefits from crowdfunding will not be uniformly distributed. Certain types of ventures will benefit more than others from this new form of finance. For example, the types of ventures that may disproportionately benefit include those with consumer products where the value proposition can be easily communicated via text and video and where the product is unique and not subject to easy imitation when publicly disclosed. Even still, these ventures may prefer to raise their funds from traditional sources unless the cost of capital is significantly lower or they are able to derive additional benefits from interacting with a crowd of heterogeneous, geographically dispersed funders.” (Agrawal et al., 2014, p. 38). Last but not least, looking at the success and failure rates of equity crowdfunded companies, it has emerged that start-up failures are more common where the level of transparency of the campaign was low (Hornuf and Schmitt, 2016). This contrasts with the data provided by the *Chicago Booth Review* (Deutsch, 2018) as it has emerged that “equity crowdfunding has yielded mediocre results compared to VC and angel investing”, with nearly 20% of new businesses created raising funds by using this entrepreneurial finance strategy going out of business, meaning the related impact on new job creation is affected. All in all, it becomes apparent that the impact on equity crowdfunding appears to be a mixed bag. While it seems clear that equity crowdfunding allows entrepreneurs to fill the equity gap, it remains unclear whether this form of entrepreneurial finance, at the heart of which there is grassroots, benefits the crowd as well. This is why further research has to be delivered to bring more clarity to the field of enquiry and within the industry starting to focus on the issues in the field.

2.10 Issues in equity crowdfunding

In the context of equity crowdfunding, people and money coexist peculiarly, that is, entrepreneurs pitching business ideas via online platforms to collect funds from a dispersed crowd (Drover et al., 2017). One of the first issues to emerge is that equity crowdfunding platforms have to cope with collective-action problems; crowd-investors do not have the time, resources, or sufficient financial expertise to deliver a proper due diligence (e.g., Ridley-Duff 2009; Steinberg, 2012; Bauer-Leeb and Lundqvist 2012; Shafi, 2019; Vismara, 2016). Opposing this view, Gunther et al. (2015) claim that crowd-investors assess pitched projects in line with their financial expertise, and that the combination of their industry knowledge and their financial expertise will determine the invested amount. In the debate, Ahlers and colleagues (2015) point out that the information asymmetries in equity crowdfunding affect the capacity of crowdinvestors to read between the lines to effectively assess pitched projects. This aspect suggests the existence of the risk that campaign dynamics would exacerbate one of the issues that characterise the agent dilemma, that is, adverse selection (Ahlers et al., 2015; Bapna, 2017). This appears particularly evident in the pre-raise phase of a campaign in the quality of the information provided by the entrepreneur (Stiglitz, 2000) and the consequent difficulty for the crowdinvestor in detecting the quality of the entrepreneurial project to pledge into independently by their skills or the time they have available to evaluate a project. That is why some refer to crowdfunding as an investing environment characterised by a high potential for frauds and scams (Kim and De Moor, 2017), leading some researchers to question whether crowdfunding is, in the end, a market for lemons (Ibrahim, 2016). In supporting this view, Walthoff-Borm et al. (2018a) claim that the risk is high in this regard; they found that, in line with the pecking order theory (according to which a company first prefers internal sources of finance prior to use external finance), companies that access equity crowdfunding use it as a last resort. In other words, ventures raising funds via equity crowdfunding are likely to be the riskiest ones. This could complement the perspective offered by Belleflamme and colleagues (2014), who claim that the very reason why entrepreneurs prefer crowdfunding is the high presence of information asymmetries. This is also why Vismara (2018) suggests that to be successful within their campaigns, entrepreneurs need to reduce information asymmetries so as to increase levels of trust to sustain an investment decision.

This represents a pivotal passage in the context of the present research. Since investors have been proven to play a crucial role in equity crowdfunding dynamics, entrepreneurs must therefore rely on their investment behaviour (Mochkabadi and Volkmann, 2018). As such, the question becomes: to what extent can information asymmetries be considered a resource for the entrepreneur which is a determinant of their being successful within their equity crowdfunding campaign? In cases in which the answer is little or none, more transparency would be needed in communicating with crowdinvestors.

Such a debate indeed provides a clear direction for research. It is necessary to gain a better understanding of the behaviour of the crowdinvestor, but also to explore how they make investing decisions, how they manage the variables they take into account, how the context influences their decisional process, and so on. In other words, it is pivotal to outline the behaviour of the crowd and the communication the entrepreneur must deliver. This is particularly relevant in terms of future regulatory efforts to protect crowdinvestors and allow the industry to be sustainable in the long term (Moritz and Block, 2015) so that crowdinvestors can increasingly benefit from this form of entrepreneurial finance. But who is this crowdinvestor?

PART 3

The crowdinvestor

2.11 The crowdinvestor: A tentative profile

Generally speaking, crowdinvestors can be compared to angel investors in many aspects (Wilson and Testoni, 2014) as they provide the investor with much more than just money, spanning from feedback to brand ambassadorship passing to the network. They can also be grouped into active or passive investors (Schwienbacher and Larralde, 2010) as they can actively contribute to the development of the entrepreneurial project or just wait for an exit to maximise their capital gain. Further classifications differentiate between sophisticated investors, i.e., a small group of very active and experienced funders; crowd enthusiasts, i.e. a sizeable group motivated by pro-social factors; and casual investors, i.e. the majority of people interested in just wealth maximisation.

Factors of additional segmentation include demographics. Broadly speaking equity crowdfunding is a male dominated world (Furnari, 2018). Indeed, the typical investor is male, well educated, and a high-income earner. Perhaps due to the latter, the typical crowdinvestor is not worried about the illiquidity of the market or the financial risk connected with the investment, that is, they do not seem interested in their own protection. This means that they seem aware of the riskiness of crowdinvesting to the extent that for them, it is not that the main point of the story. They know that they can lose money and they accept this fact. Thus, the typical crowdinvestor is more interested in other aspects connected with the investment. In fact, investing in start-ups via equity crowdfunding is an activity which includes different elements. There is of course a financial element of interest, but also the social aspect of this activity plays a pivotal role in their decisional process.

By investing in start-ups via an equity crowdfunding platform, the crowdinvestor seems to satisfy personal interests, such as supporting a community to which they belong or supporting, in a structured (entrepreneurial) way, society at large. This behaviour can be effectively interpreted under the lens of the time spent on the evaluation of the quality of the entrepreneurial project, that is, due diligence of the company. In this regard, it can be said that rare are the cases in which a crowdinvestor spends more than two hours evaluating the quality of a project, with the average being just one hour. It could be that the little time they do spend has the function of tasting the water to avoid fraud. Thus, to build the trust needed to make an investment choice they rely on something else, that is, signals coming from the presence of an investor they know in the crowd, the due diligence operated by the platform, the presence of institutional investors, as well as the numerosity of the crowd. In particular, this final aspect is strictly connected to the herding phenomenon (further analysed in the course of the present thesis) that is characteristic of such an investing environment, according to which the first person investing in the company, by making the decision to invest, starts sending messages which are positively interpreted by others who then follow.

This brings a sort of viral distortion which is instead perceived as a solver of the information asymmetries with a dual effect: on the one hand this helps entrepreneurs create momentum, which is in turn constantly corroborated by the use of social media to promote their campaigns and reach the target amount in the short period of time possible; on the other, it creates a polarisation on the platform with very successful campaigns on the one hand and very unsuccessful ones on the other.

In posing the problem of a bimodal distribution of funding (Armour and Enriques, 2018), that is a resource misallocation and reduced return for the crowdinvestor, this aspect constitutes a reputational issue for both the platform and entrepreneurs. Regarding the latter, unsuccessful campaigns cast doubt on the quality of the due diligence delivered by the platform itself, with the risk of losing prospective crowdinvestors for trust reasons. Such prospects may believe that since the quality of analysis is insufficient, they are better placed by not taking the risk of investing on the projects the platform promotes. Furthermore, failures in running a digital fundraising campaign can be detrimental to the reputation in the eyes of the entrepreneur when considering successive rounds or accessing different sources of capital.

What is the main takeaway of the study? Being one of the first to focus on the investor perspective in the context of equity crowdfunding, this study offers the reader simple evidence which adds to the relevance of the present research sphere. Net of cultural differences, the crowd appears not to be a monolithic concept, but a rich and diverse one as "crowdfunding investors are not similar." (Feola et al., 2019, p. 1247). Since equity crowdfunding is characterised by such heterogeneity, influencing factors such as motivations and decisional criteria can significantly differ among subgroups (Lukkarinen et al., 2019). Hence, it is difficult to conduct research with impact. Therefore, it is pivotal to define the cluster of the research. This is why, due to a lack of consensus around a definition of the equity crowdfunding investor persona, and in view of the newness of the current research, the present study refers to the equity crowdfunding investor, as the crowdinvestor, while also providing a definition of the cluster of the research.

Motivation and decisional criteria are core aspects of investing decisions. As such, the thesis now focuses on those aspects in the following section.

2.12 Motivations to invest via equity crowdfunding

Research suggests that the main motive for investing via equity crowdfunding is wealth maximisation as "investors are primarily interested in turning a profit." (Hornuf and Schmitt, 2016, pp. 16-22). However, such a perspective risks being partial as crowdinvestors are also driven by non-financial drivers (Schwienbacher and Larralde, 2010). Some point out that investing via equity crowdfunding can be linked to other kinds of motivation, including recognition motives, liking motives, image motives, lobbying motivation, interest, and excitement (Lukkarinen, 2020).

More in general, it could be argued that motives to invest in new entrepreneurial projects via equity crowdfunding can be grouped in two categories: intrinsic motivations and extrinsic motivations. Intrinsic motivations are characterised by the investing activity being with a view of achieving an internal reward. This can be in the form of personal enjoyment, a contribution to a specific community or society at large, for example by investing in a project which could enhance social welfare; it could be part of a philanthropic strategy of the crowdinvestor, or just a way to nurture their relationships for social reasons, such as belonging to a specific group as a matter of communicating the crowdinvestor's identity or to promote an entrepreneurial approach. For example, in view of the profile of the crowdinvestor drawn above, a crowdinvestor that is also an entrepreneur could decide to invest in a project because such an activity could be a way to promote a way of doing business. From this, the crowdinvestor would gain personal satisfaction. However, social motivation is something which can also lead to an extrinsic reward. For instance, an entrepreneur investing in a specific project because they want to create some sort of reciprocity with that entrepreneur, possibly because they could invest, in turn, in the future campaigns of the initial entrepreneur/investor. As such, a social motivation could be both an intrinsic and an extrinsic motivation on top of the usual financial payoffs which are part of any investment and by definition the clearest example of extrinsic motivation, that is, wealth maximisation. This suggests that intrinsic and extrinsic motivation could co-exist in underpinning the action of the crowdinvestor, and that there can be overlaps.

All in all, in both cases an approach which could be read through the lens provided Deci and Ryan's (1985) Self-Determination Theory (SDT). A macro-theoretical framework of human motivation, SDT explains how humans made the most of their inner resources to self-regulate their behaviour to underpin their identity in a harmonious way. SDT posits that human beings' actions are driven by three kinds of needs: competence, a need to feel competent about the external environment; self-relatedness, a need to have meaningful relationships and interaction with other people; and autonomy, a feeling of being in control of the external environment. Those three needs promote intrinsic motivation or curiosity (Ryan and Deci, 2000). They also help explain the mechanics behind extrinsic motivations, linked to a reward, be the reward intrinsic or extrinsic. Being interested in exploring these trigger points, that is, the individual psychological needs underlying the crowdinvestor's motivations, other theoretical lens widely used in the Marketing literature to investigate the identification mechanisms like the Social Identity Theory (SIT) (Tajfel, 1978; Tajfel and Turner, 1979) seems not to be not relevant in this context as their focus is more on the social dimension us vs them than on the individual level.

Having focused on the motivations underpinning the decisional process, the thesis now focuses on the investing decisional process.

PART 4

Investing decisions in uncertain contexts

2.13 The investing decisional process

Making an investment decision on an equity crowdfunding platform is, in light of the literature explored above and of the questions of how the crowd could benefit from the promise equity crowdfunding makes in general of democratising finance, tantamount to making a decision in an uncertain context. This is why one of the main points of interests in the current debate in the field is to gain insights into the whole investment process of the crowdinvestor (Hoegen et al., 2018; Mochkabadi and Volkmann, 2018). This will help platforms, for instance, in providing investors with a better investing experience. It will also help the entrepreneur make the most of this entrepreneurial finance strategy to pave the ground towards long lasting brand community for their new venture to scale up. Furthermore, it will help regulators to fine-tune regulations to enhance investor protection whilst keeping this kind of investment context open. To set a theoretical frame to interpret collected data, the author reviewed the main literature on investment decision-making, and in doing so developed a behavioural perspective. Even though the behavioural perspective "engenders considerable scepticism among some economists on both philosophical and methodological ground" (Ljungqvist and Wilhelm, 2005, p. 1), it has paved the ground for further analysis. This has been more the case since the Nobel academy started to pay attention to behavioural economics, awarding a prize to Daniel Kahneman in the 2002 for "having integrated insights from psychological research into economic science, especially concerning human judgment and decision-making under uncertainty." (Nobelprize.org, 2019).

With regard to the present research, the researcher first focuses on reviewing the literature on start-up investing strategies before turning to decision making under uncertainties, in particular comparing and contrasting the Expected Utility Theory (the rational choice) and the Prospect Theory (the irrational choice).

Looking at the way entrepreneurial finance players make investment decisions, it could be argued that the common investing precondition to all of those forms is trust (Klabunde, 2015). This of particular importance in the uncertain context of start-up financing because start-ups are a high-risk investment asset (Nofsinger and Wang, 2011).

Thus, a main point of attention is how the start-up investor reduces the social distance with the entrepreneur to lower the levels of information asymmetries present in the system. In this regard, it has been shown that whilst institutional investors focus on the entrepreneurial experience of the start-upper, informal investors like crowdinvestors leverage their proximity to the entrepreneur, that is, their relationships. In both cases, the interest of the investor is to maximise the return on investment which would activate a virtuous circle according to which the more the satisfaction, the higher the trust, the stronger the loyalty, and the more successive investments. (Klabunde, 2015).

Such an interpretation reflects a cognitive perspective, which stresses the view that the mindset is key for the perception and the realisation of the opportunity. That is, in the present case, self-reinforcement dynamics that activate a virtuous circle. For this reason, the present approach suggests why some entrepreneur-investor relations create more value than others and assumes particular relevance in a stage of entrepreneurial finance, seed financing, or start-up financing, where the uncertainty is typically high and the knowledge about value creation opportunities is ambiguous.

Having said that, it is possible to compare and contrast the different strategies of business angels and venture capital before focusing on equity crowdfunding. Concerning angel investing, research confirms (Huang and Perce, 2015) that angels adopt a stage-funnelling method to reduce the number of possible investment options by leveraging heuristic shortcuts. Then, an in-depth evaluative approach is established to assess a subset of ventures. The success of their choice mostly depends on intuitive evaluators based on their experience.

In contrast, VCs tend to be more structured in their approach, even though, similarly to angels, experience plays a key role in their investment decision making. For instance, whilst novice VCs focus on the composition of the management team and on the characteristics of the market when making an investment decision, more experienced venture capitalists tend more to explore the nuances of the big picture. Indeed, they look more into the team cohesion (Franke et al., 2008), the entrepreneurial passion and preparedness to make their final choice (Chen et al., 2009). However, additional studies point out how the investment decision also depends on the stage the venture is in (Fried and Hisrich, 2014). All in all, it can be concluded that while angels adopt personal judgement, VCs mostly follow an inferential logic.

Things appear to be different in the context of equity crowdfunding. In such a context, crowdinvestors constitute the majority of the investing population. They approach crowd investing in an unstructured way when compared with investing in traditional finance. For example, due to the lack of physical access to founders, something which requires the use of substitutes to mitigate asymmetries (Ley and Weaven, 2011), they seem to rely on measures like the behaviour of other investors (Mochkabadi and Volkmann, 2018) as well as on the context of the decision (Astebro et al., 2018), in contrast to what regularly happens in venture capital and angel investing whereby professional investors have physical access to the entrepreneur (Ahlers et al., 2015). Differently, in the context of equity crowdfunding, investors interact by sharing their views confirming signalling remains a pivotal tactic for crowd investors to lower information asymmetries (Ahler et al., 2015; Hornuf and Schwienbacher, 2018; Vismara, 2018). In other words, investing in new ventures via equity crowdfunding appears to be a social proof-based activity. For example, Vismara (2018) found that early investors start cascading, so creating a herding momentum, a process also confirmed by Åstebro and colleagues (2017). In other words, information plays the role of a quality pivot, suggesting how critical is the role played by the whole community. This is particularly evident in investors with a public profile as they have a pivotal role in triggering an information cascade (Vismara, 2016). Salomon (2018) penetrates those dynamics further by arguing that the crowd seems to leverage financial and non-financial signals to make their investing decision. In particular, while the crowd seems to rely more on social proofs and emotions, navigated investors rely on more technical aspects of the proposal and on their familiarity with the market segment or the proposal itself. In such a perspective, the interplay between owned and shared knowledge emerges as, for example, crowdinvestors with a lower amount of experience tend to rely on signals from experts and the amount of experience they share. Thus, while experts focus more on elements like the product-concept, the commercial dynamics, founders and their vision, business models, marketing strategy, their familiarity with the industry, and the team behind the project, for less navigated investors the quality of the presentation has a greater impact (Mollick and Nanda, 2015). This could suggest why for less experienced investors, the presence of early investors, like Angels, is important (Kim and Vismanathan, 2013). All in all, it can be argued that decisional criteria in the context of equity crowdfunding revolve around opinions, investor status and a founder's reputation.

Despite these initial efforts, the research remains fragmented as just a few studies have been dedicated to the investigation of the intersection between virtual communities, which entail “an online social network in which community members interact with each other” (Cai et al., 2021, p.5), and equity crowdfunding, which “offers entrepreneurs an online social media marketplace where they can access numerous potential investors,” (Estrin et al., 2018, p. 425).

With regard to the investment dynamics, the author highlighted the main traits in. In addition to that, it can be added that the level of uncertainties faced by crowdinvestors are high because the asset class (start-ups) is one of the riskiest. Whilst this constitutes a common trait with other seed capital providers, such as angels and venture capitalists, crowdinvestors face additional issues, and thus a bigger uncertainty. This is related to a diffuse absence of personal interaction with the entrepreneur. Crowdinvestors are part of virtual communities, which in turn are ubiquitous vis-á-vis the entrepreneurial process in the digital economy. This ubiquity does not always correspond to the possibility of direct interaction.

Nevertheless, the investing mechanism works due to its ability to reduce the distance between the entrepreneur and the member of the community, as mentioned above, within networks which are highly characterised by weak ties, ultimately allowing the entrepreneur to share the journey with the crowd. In between the lines, emerges a multi-layered concept of virtual community compounded of structural (e.g., strong and weak ties), relational (e.g., trust, identity, and communication), and cognitive dimensions (e.g., shared values and shared narratives), which are the counterpart of the crowdfunding process, which is in turn compounded by many more aspects than just funding, including, for example, discussing, following, and so forth and so on (Cai et al., 2021). Still, equity crowdfunding remains an investing environment in which decisions are made under uncertainties.

To explore this facet of the story, the author first reviews the concept of decision making under uncertainties by focusing on two theories, the Expected Utility Theory and the Prospect Theory, as an alternative to the dominant framework of Agency Theory.

2.14 Investing decision making under uncertainties

As emerged from the analysis of literature, investing in a new venture via equity crowdfunding involves making decisions in an uncertain context. To better understand what this entails, the author focuses on the literature on decision making under uncertainties in this section.

Everyone is involved in making a great number of choices every day. Indeed, statistics confirm that on average we are used to making 35,000 decisions a day, or 1,944 per hour, excluding 6 hours of sleep. To manage such an amount of information, we often use shortcuts, named heuristics (Baddeley, 2019, pp. 34 – 53), losing efficacy in our attempt. Data scientists point out that we would regret 1 choice in 5, possibly for a mistake which incurs time, or may be self-destructive behaviour (Weinberg et al., 1998).

It is common sense that investment activities are related to risk management. While investing is a kind of activity which brings with it a certain amount of risk, it has to been said that, generally speaking, every opportunity carries risk. Moreover, unconvincing mixed empirical results connected to the Agency theory invoke the need for a different view of the problem (Mockhabadi and Volkmann, 2018), and this is even more so in the context of entry/seed funding decisions, whereby the risk connected to the investment is even higher.

In particular, research should focus on how investors, as individuals, perceive risk, and how required actions to cope with uncertainty are taken. This discourse includes investment decisions, as well as assuming a particular relevance in the case of start-up investors. Start-up investors provide the capital needed for companies to take off by overcoming one of the main external constraints in the entrepreneurial activity. Such an investment represents the first step of the entrepreneur/investor relation paramount for the success of the start-up itself.

Nevertheless, investing in a start-up remains extremely risky (Agrawal, et al., 2013). Hence, if we add, to the unpredictability of the entrepreneurial outcome, a weak relationship between the entrepreneur and one of its best resource providers, the start-up investor, we run the risk of compromising *ab origine* the opportunity for a new established business to survive and thrive and, on an aggregate level, for the capitalistic system to develop and in the context of this research, rejuvenate itself.

Yet, the importance of the entrepreneur/investor relationship has been underestimated by scholars (Aldrich and Zimmer, 1986) despite, it could be argued, the efficacy of new models of sourcing financial capital in entrepreneurship, like equity crowdfunding, relying on it: “These models (…) provide a marketplace for exchanging financial resources through arm’s length and transactional relationships.” However, “these models are largely devoid of the interpersonal interactions,” (Huang and Knight, 2017, p. 96). Those interactions are replaced by the use of videos and other support materials, a start-up storytelling strategy when the entrepreneur has to expand their reach beyond their community. In this regard, scholars believe in the central role of narrative and its persuasive power (Busselle and Bilandzic, 2008), with the emotional reactions linked to it. Research confirms that the more persuasive a text is, the more the emotional reaction to it will be. This confirms that emotions are important factors affecting the investment decision and perceived risk, and positive emotions, in particular, positively affect intention to invest (Shiv et al., 2005).

However, the other side of the coin is that an emotional response could lead to an irrational choice. This is why researchers (Hoegen et al., 2018) recommend using a behavioural lens to investigate the irrational behaviour of crowdinvestors, and in particular applying the Prospect Theory (Kahneman and Tversky, 1979) to deliver a holistic investigation of the investment decision making in the context of equity crowdfunding.

In this perspective, the aim of the next section is if to familiarise the reader with the Prospect Theory Framework in the context of theories of choices and in particular within the stream of research on investment decision making under uncertainties and its behavioural critic, to which the Prospect Theory fits. This is why the researcher reviews the Expected Utility Theory first to move towards the Prospect Theory through the behavioural critics of rational models of choice.

Attention is now given to the Expected Utility Theory.

2.15 Expected Utility Theory

Broadly speaking, making a decision involves risks. The literature includes a wide theoretical corpus focusing on investment decision making under uncertainties. However, it is so dispersed that it is almost impossible to draw a unique decision theory (Willekens et al., 2017). This is why a plethora of frameworks have been arranged in several umbrella models, such as the Agent-Based Models (ABMs), for example, or the Rational Choice Theory, which includes the most used theory on decision making: the Expected Utility Theory. This is used to evaluate decision making under uncertainty and relies on the concept of expected utility, that is, the value for one of several options multiplied by its probabilities to occur over a period of time in unknowable circumstances.

This notion has been used to solve the St. Petersburg Paradox, which posited *de facto* the Expected Utility Theory, even though it needed two centuries before establishing itself as a mainstream theory. The paradox states that in the context of a gamble which promises infinite gains, people are not willing to pay huge sums to join the game.

Retracing the genesis of the paradox, Bernoulli wrote (Peterson, 2019): “A promises to give a coin to B, if with an ordinary die he brings forth 6 points on the first throw, two coins if he brings forth 6 on the second throw, 3 coins if he brings forth this point on the third throw, 4 coins if he brings forth it on the fourth and thus in order; one asks: what is the expectation of B?”. Cramer (Peterson, 2019) proposed a more elegant formulation of the problem: “In order to render the case more simple I will suppose that A throw in the air a piece of money, B undertakes to give him a coin, if the side of Heads falls on the first toss, 2, if it is only the second, 4, if it is the 3rd toss, 8, if it is the 4th toss, etc. The paradox consists in this that the calculation gives for the equivalent that A must give to B an infinite sum, which would seem absurd.” In other words, the expected value of the income is expected to be infinite.

However, he also argued that it is not the expected value of the money but its decreasing marginal utility to make a difference: “Mathematicians value money in proportion to its quantity, and men of good sense in proportion to the usage that they may make of it. That which renders the mathematical expectation infinite is the prodigious sum that I can receive, if the side of Heads falls only very late, the 100th or 1000th toss. Now this sum, if I reason as a sensible man, is not more for me, does not make more pleasure for me, does not engage me more to accept the game, than if it would be only 10 or 20 million coins,” (Peterson, 2019).

A decade later, Bernoulli would come to similar conclusions about the expected utility of wealth as “large monetary prizes will contribute less to the expected utility of the game than more probable but smaller monetary amounts” (Peterson, 2019). It emerges that the concept of expected utility is linked with the concept of marginal utility, and in particular assuming that marginal utility is a decreasing function of wealth, as shown in the graph below.

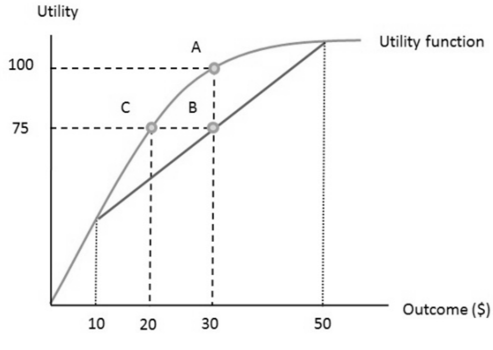


Fig. 5 A concave utility function.

Therefore, the key to the paradox is to determine the value someone would be willing to pay to play a lottery game. In the Expected Utility Theory, von Neumann and Morgenstern (1947) show that the utility of an economic agent under uncertain circumstances could be calculated as the weighted average of every possible outcome associated with the individual evaluations of those outcomes.

In other words, the theory is meant to provide a normative framework on how to make an optimal decision under uncertain circumstances. In this regard, the major contribution to the field of theories of choice by the Expected Utility Theory is to shed light on the fact that, in presence of risk and so of uncertain outcomes, human beings do not always opt for the higher expected value.

Not all humans are equals. This is reflected by different levels of risk aversions among them and, consequently different choices. However, the dependence of the Expected Utility Theory to risk aversion is one of the main critiques moved by psychologists Kahneman and Tversky (1979), who developed the Prospect Theory.

They pointed out the limitations of the predictive value of the theory; the predicative value relies on the fact that the economic agents are not fully rational and the strategies adopted to make a decision depend on a great number of variables, such as how the opportunity is presented, what the perception of it is, and what the characteristics of that particular moment in time in which a decision could be made are, for example (what they call framing).

Indeed, according to their findings, there is not always consistency between a player's preferences and their choices; the opportunity of incurring a loss puts the decision-makers in the condition of deviating from the course of rationality. This confirms that in real life, psychology does play a decisive role in making a choice.

Attention will be given to the role of psychology in decision making.

2.16 The behavioural critic and the role of psychology in decision making

Before continuing the analysis of the Prospect Theory, it is worth mentioning how economists have started to learn from other fields to enrich their work. With the context of the current research in mind, it could be argued for instance that psychology indeed represents one of the most promising fields for them to further their studies. Many economists, for example, have investigated the reasons we fail in making a decision.

Research shows that human beings are not strict utility maximisers and are indeed risk-averse (Hintze, 2015). One of the main reasons for this could lie in our self-conservation instinct, a debate which tracks back in time. Behavioural economists have focused on the limits of the rational choice theory.

According to this view, people use their rationality to guide their choices in the way they calculate, in mathematical terms, costs and benefits before deciding what to do. In this regard, it could be argued that any choice is instrumental, that is, economic agents are driven by economic monetary motivations.

Such an approach, though, assumes that on average humans act in a mechanical way, so that Homo economicus' problems are more engineering than social-psychological ones. Indeed, the individual action is interpreted as the result of mere calculative strategies since people act because of a reward (conditioning), measurable in terms of gains measured as value and quantity as an outcome of a statistical process. Therefore, according to this view, social complex phenomena can also be investigated through the lens of profitability, which assumes the role of the engine of such a methodological individualism whereby profit is the only clue of human action.

The argument could also be extended to power mechanisms based on the asymmetries in terms of resources availability between actors in an exchange (or their alternatives) which, in turn, determines their bargaining power (Heath, 1976, p. 24). This is confirmed, for example, by monopolies and their power to set prices in the markets.

What happens in entrepreneurial networks regarding the generation of power in exchange relationships? To start up, entrepreneurs need financiers in a situation in which there is clear disequilibrium in terms of bargaining power. Borrowing from Akerlof (1970), it could be argued that information asymmetries fostered by the entrepreneur can be seen as a strategy to mitigate such a power unbalance and so acquire resources. The flipside of course is that the investor suffers the impossibility of discovering the true value of the firm they are investing into. As a consequence, since individuals cannot evaluate the quality of the project, the market fails to produce equilibrium prices and coordinate transactions efficiently (Stiglitz, 2000). Game over. This is why mainstream economists consider information asymmetries as the major source of market failures, even though such asymmetry, in turn, would open up new market opportunities, as pointed out by the Austrian school: “The foregoing suggests that information asymmetry plays a dual role as it raises transaction costs and generates market failures but at the same time, creates market opportunities, providing incentives to develop innovations through the creation of new ventures,” (Barbaroux, 2014, p. 2).

This suggests human action cannot be explained just as the outcome of a process based on rational action. In the relationships between the entrepreneurs and the financier, for example, trust can play a pivotal role in lowering information asymmetries. However, the debate has not come to a conclusion in this regard, with many scholars, like Coleman (1990), claiming trust would be a rational response to a specific situation. Conversely, others, like Cook and Emersons (1978), support the view that the existence of trust cannot be seen in purely rational terms.

Such tension relies on the divide between rational choice theorists and behavioural scientists. Behavioural economists have rolled out their analysis since the very early days through the contribution of David Hume. Hume focused on the role of benevolence as a way of creating a positive connectedness within society to solve market failures. Such interdependence represented a way out for the atomistic view of the economic agent. This was developed in the same period by Adam Smith, who emphasised the importance of imaginative sympathy in human nature and subsequently the role of emotions in decision making.

In contrast to those views, Bentham developed the concepts of utilitarianism and psychological hedonism, conceiving happiness to be the result of a detailed calculus. In other words, Bentham assumes that people tend to maximise their interests. Vilfredo Pareto, however, pointed out the main limitation of such a reasoning: considering people as a homogeneous corpus where every human being behaves in the same way. His attention to diversity of approaches, skills, and mind-sets paved the ground for the development of social psychology.

Such a conceptual journey visits the work of Irving Fisher (Dimand and Geanakoplos, 2005), who posed personal factors as being the basis of investment choices, focusing in particular on the difference in timing, contrasting the assumption of rationality at the basis of the economic choice. These psychological laws would be deepened by Keynes. In line with Smith and the role of emotions, Keynes concluded that economic decision making is the result of a sophisticated mixture which includes rational and emotional elements alike. According to his view, in the fundamental uncertainty of the world, decisions would rely on fragile assumptions: “paradoxically, it is the emotionally-based animal spirits of entrepreneurs that propel the far-sighted behaviours necessary to justify sufficient capital accumulation of sustained economic growth” (Keynes, 1936, pp. 161-2).

In contrast to that view, Schumpeter (2008) posited the social forces in conditioning economic development, particularly in the emulative approach of new entrepreneurs joining the capitalistic arena. A different take comes from Hayek who claimed that the human mind cannot be reduced to something else: “Human decisions must always appear as the result of the whole of human personality – that means the whole of a person’s mind,” (Hayek, 1952, p. 193).

Consistent with the views of Keynes, however, Minsky (1992) extended his research on how emotional influences destabilise the financial structure, focusing in particular on the over-optimism which leads to over-investments and over-lending, creating pressure on the system during boom phases, and the conditions whereby entrepreneurs, investors, and financiers turn to fear and pessimism. An additional extension of Keynes’ works is offered by George Katona (1977), in particular referring to the idea of herding. Researching the social forces which affect group attitudes towards an economic decision to be made, Katona pointed out how groups tend to rely on the simple observations of others to acquire information and make decisions. This confirms people tend to prefer short-cuts (heuristics) and to imitate others' actions (herding) if there is some sort of identification with the reference group.

As mentioned above, this constitutes one of the key elements of analysis of crowdinvestors' behaviour in the context of equity crowdfunding. Starting from those first contributions all the way to the 2017 Nobel Prize awarded for the first time to a behavioural economist, Richard H. Thaler, the integration of economics and psychology has offered a completely new way to view and interpret how humans deviate from traditional economic models by providing a more realistic explanation of how we think and decide.

While such an intersection has nurtured the debate about the opportunity and the effectiveness of incorporating psychology into economics due to the lack of a grand unifying theory of the latter (Earl, 2005), several researchers who adopted a psychological lens to interpret data have been dragged down by using traditional tools like game theory, insights from theories of learning, and some themes from information and labour economics.

All in all, it seems rationality and emotions go hand-in-hand in influencing how people make a decision. While rational aspects play a crucial role, irrational elements fill the knowledge gaps which characterise the market as an imperfect environment.

In the end, it is the human factor that makes a difference in terms of decision making. That is, in making our final choice, conscious and unconscious variables influence the process through which we choose from among a set of alternatives. This assumes a particular relevance for the purpose of the present research, whereby the investor, as resource provider, has to make a decision under massive levels of uncertainties in a context, like the start-up one, in which generally speaking the vast majority of startups tend to fail and where the ones which choose equity crowdfunding as an entrepreneurial financial strategy do so as the last resort for their survival (Walthoff-Borm et al., 2018a). This would, in turn, suggest that the entrepreneur would not fully disclose information in their possession, shedding light once again on the interplay of trust and information asymmetries.

Attention is now directed to Prospect Theory.

2.17 Prospect Theory

To develop Prospect Theory, psychologists Kahneman and Tversky (1979) explicitly dealt with consumer behaviour and in particular with their risk attitudes (Barberis, 2013). The analysis of systematic violations of Expected Utility Theory outcomes confirmed that, under uncertainties, we frame options in terms of positive gains if we are risk-averse. That is, we prefer the status quo and lower gains; the other way round, that is, when options are presented in terms of negative outcomes then we are counterintuitively risk-takers preferring situations where the risks are higher. In other words, one of the main merits of the theory is to focus on both sides of the coin, namely risk aversion and loss aversion.

In practical terms, given a certain gain of £100 or the possibility of a gain worth alternatively £0 or £200, we tend to prefer the certain gain of £100. Hence, we are risk-averse and prefer to maintain the status quo. The other way round, given a certain loss of

£100 or the possibility to lose alternatively £0 or £200, we prefer to run the risk of losing £200. In this case, we are risk-takers.

A key element for interpreting the theory is represented by the presence of a reference point, or *status quo*, which is linked to the anchoring and adjustment heuristic. This involves an initial estimate of a probability (anchoring) and subsequent adjustments according to new information in the hands of the decision-maker (adjustment).

In a social dimension, judgment is anchored to others' opinions (Baddeley, 2019, p. 45), which helps to explain mechanisms like herding and signalling in the context of the present research. Hence, it could be argued that the reference point plays a central role for the decision-maker to express a preference. Indeed, the difference of choices is linked to human feelings and in particular to the perception of loss relative to a reference point.

It could be summed up that the more trustworthy the reference point, the more it would confirm our final decision. However, different biases could emerge in the form of cognitive errors from insufficient adjustments, including, for example, biases in evaluating conjunctive events (whereby we tend to overestimate the likelihood of an event to occur in the presence of other events) or anchoring biases (the tendency to over-rely on the anchor).

On top of this, Kahneman and Tversky (1979) pose particular attention to special circumstances which could influence the final choice of the decision-maker. In this regard, the importance of framing in the context of the Prospect Theory emerges. All this confirms the role of emotions in the decision-making process.

What is more, in Kahneman and Tversky's perspective, losses weigh more than gains in making a decision, and this helps to explain why marginal utility of a gain decreases over time, that is, an additional £1 is perceived as having less value compared to an initial gain, in view of a certain loss we tend to run a bigger risk if there is the option of not losing any money. According to the theory, the decision-making process is divided into two phases, the first being "editing" and the second "evaluation". In the editing phase, the decision-maker draws a big picture of the whole spectrum of prospect preferences as a conceptual map That is, prospect decisions are ordered and framed in a way that a point of reference is established and accordingly, gains (desired outcomes) and losses (lesser outcomes) clarified. This plays a central role in the subjectivity of the decision-maker, whereas, by contrast, the expected utility theory focuses on given probabilities as a risk.

During the second phase, evaluation, the decision-maker computes a value or utility. The value function passes through the reference point and is asymmetrical and s-shaped as shown in the graph below.

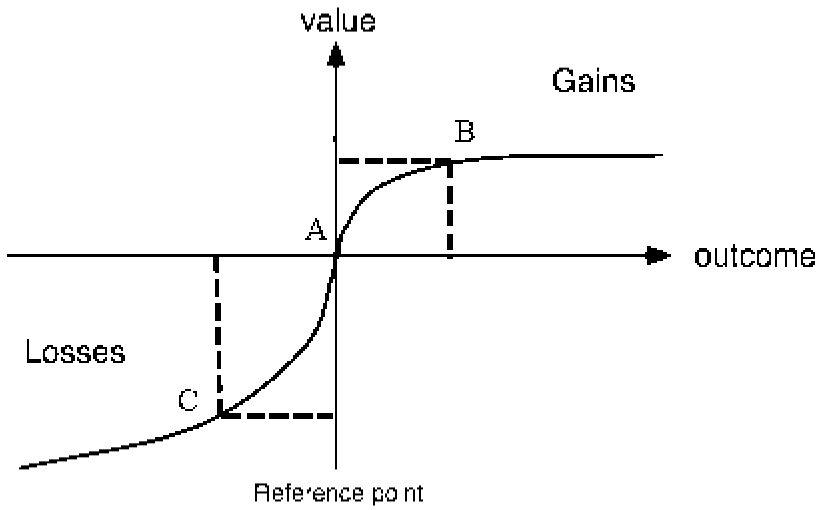


Fig. 6 Prospect Theory value function. (Kahneman and Tversky, 1979)

In particular, the curve is concaved in the area of gains, demonstrating a diminishing sensitivity to any additional unit of an outcome, and in so doing confirming a decreasing marginal utility so that the decision-makers become risk-averse. On the contrary, the curve is steep in the loss's region, where the decision-maker becomes a risk-taker.

The rationale behind this is that people like gains but hate loss even more. Along with the presence of a reference point, a value function which captures loss aversion, the concept of diminishing sensitivity, the fourth key element in the Prospect Theory, is probability weighting as people do not weight outcomes in terms of objective probability of occurrence, but in terms of decision weights. Given this analysis, it can be concluded that "the central idea in prospect theory is that people derive utility from "gains" and "losses" measured relative to a reference point," (Barberis, 2013, p. 178).

However, how to calculate gains and losses is often unclear, and there have been many attempts to clarify this aspect. For example, Koszegi and Rabin (2009) try to make a point in differentiating between consumption and expected consumption, where expectations constitute the reference point. Others, while agreeing that the theory offers a viable way to test the risk attitude in experimental settings, question whether findings under the Prospect Theory lens tend to be valid outside the laboratory setting. Another limitation is carried over by the fact that the theory is not ready-made, requiring adaptation in view of the scope of the research. In other words, the theory has proved to carry out limitations with itself, including the fact that it can be applied to gambles with at most two nonzero outcomes, and that it predicts that people sometimes choose dominated gambles (Barberis, 2013). This is why Kahneman and Tversky developed the Cumulative Prospect Theory whereby weighting is applied to the cumulative probability distribution function, as in rank-dependent expected utility theory, but not applied to the probabilities of individual outcomes.

2.18 Literature review conclusions

Provided the fragmentation of the literature on the interplay between entrepreneurship and society, equity crowdfunding and emerging forms of entrepreneurial finance, the figure of the crowdinvestor, and investment decision making in uncertain contexts, this review set out to create a narrative texture upon which to embed the subject matter of the research and the questions it poses. In doing so, it has outlined the main contributions to the debate within each field in view of the current research, providing a brief contextual background within which the research is set.

After an overview of the theoretical and empirical approaches on the role entrepreneurship can play in society in accommodating change in the digital economy, the analysis focused on the role of networks and online communities, as a specific form of networks, in the context of the entrepreneurial process. This paved the way to explore the interplay between the entrepreneur and online communities in more depth in terms of resource acquisition and the role played by communities in legitimising the entrepreneurial trajectory. This is of crucial importance in a context where the request for change from society is fostered by society itself, and where the entrepreneur, embedded in the community, through an effectual strategy, should play the role of pivot in order to link stakeholders to them and address their needs.

Nevertheless, the analysis pointed out some issues which risk undermining this attempt. Indeed, in a context whereby the face-to-face interaction is missing, like in the case of equity crowdfunding, the presence of information asymmetries skyrockets. High levels of information asymmetry bring the risk of adverse selection, which could transform the whole market into a ‘market for lemons’. This emerges from the riskiness associated with the specific type of investment asset (start-ups) and in view of the fact that start-ups choose this alternative entrepreneurial finance strategy as their last resort to raise funds.

Therefore, the key point is how crowdinvestors could make inferences on the quality of the entrepreneurial project advertised on an equity crowdfunding platform prior to investing. In this regard, there is a paucity of research which is polarised, with on side arguing crowdinvestors are irrational, and the other, rational.

However, much remains to be done to develop this segment of the research, that is, the investor perspective in the context of equity crowdfunding (Mochkabadi and Volkmann, 2018). In particular, what is missing is an end-to-end exploration of the investing decision-making process of the crowdinvestor in the context of equity crowdfunding, which would help to add to existing findings and advance the research field (Hoegen et al., 2018).

In this regard, and to underpin the investigation, the main literature on decision making under uncertainties was reviewed, and in particular the strand which favours the behavioural angle since, in the presence of such a volume of information asymmetries, it is not possible to make pure rational decisions. To underpin the analysis of primary data, the author would leverage the lens of the Prospect Theory as an alternative to Agency Theory, proving the latter to contain contradictory outcomes to tackle these issues.

2.18.1 Aim and research questions

The research aim and research questions have been defined as follows. The present study aims to provide an understanding of how crowdinvestors make investment decisions and what factors influence the investment decision. As such, it addresses the following research questions:

1. *How do crowdinvestors make an investment decision?*
2. *What are the needs that drive the investment decisional process?*

with the objectives of:

1. Identifying the steps in the investing decisional process;
2. Identifying what the needs that drive the investing decisional process are;
3. Evaluating how those needs drive the investment decisional process.

In order to address the above, the author will focus on the research design, focusing first on the methodology and then on methods.

Attention now turns to the methodology.

Chapter 3

Methodology

3.1 Introduction

The purpose of this chapter is to set a philosophical framework for how the research was undertaken. From the identification of the underlying paradigm to the definition, the researcher examines the available philosophical perspectives and their limitations in light of the practical implications of the study.

Attention is now given to the selection of the research approach.

3.2 The paradigm and methodology space

No research is philosophy free (Chilisa and Kawulich, 2012). The nature of the world (ontology), how we can know it (epistemology) and the value of such knowledge (axiology) concur in defining the soft spot of a researcher's set of values and beliefs (paradigm), which ultimately informs the strategy adopted to address the research questions (methodology).

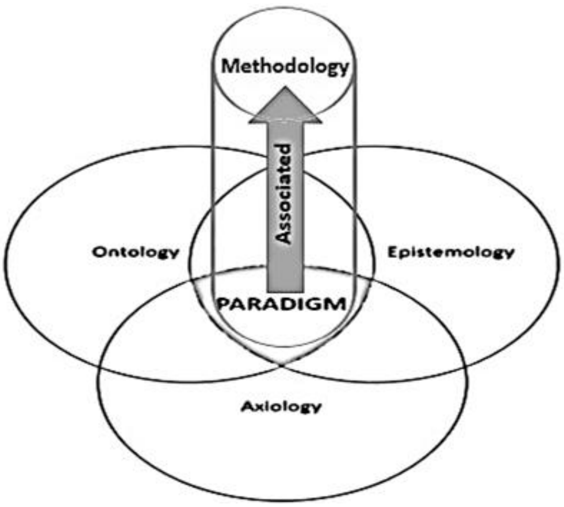


Fig. 7 Paradigm and methodology interplay. (Elaboration of the author)

For example, depending on the research question(s) type and the aim of the research, a study may adopt a positive paradigm and a quantitative methodology, or a phenomenological paradigm and a qualitative methodology, or a combination of the two, for example, through the lens of a pragmatic paradigm which requires the use of mixed methodologies (Creswell, 2014; Saunders et al., 2019).

However, if on the one hand these combinations are convenient schemes, researchers believe that these dyads are not universally given. In other words, researchers may encounter the necessity of adopting diverse patterns of investigation by using different combinations, such as in the case of a qualitative methodology in the context of the post-positivism paradigm. This suggests that there is neither a right nor a wrong choice and that the above-mentioned frameworks are just some of the available options. In the end, the interplay paradigm-methodology constitutes the pre-requisite to build the research engine. This is why, prior to moving on and making a choice, the researcher presents a brief review of them.

3.3 Positivist paradigms and quantitative methodology

The Positivist Paradigm – Quantitative Methodology is possibly the most used combination in the research realm. The reason for this is that it is claimed that traditional scientific research is commonly associated with a positivist or a post-positivist view of the world. According to the former, a view formulated by the French philosopher Auguste Comte, the world is external to us, a place which can be neutrally observed and measured, and whose measurements can be generalised in laws via a deductive process. In short, the meaning of the world is discovered since it exists independently from the view of the researcher. The main limitation of this view relies on their confirmatory tendency, that is, theory as a positive means to know the world. Post-positivists criticised that view for its failure to contemplate any possibility of error. Indeed, according to the latter, observations can fail so that a theory is valid until proven otherwise (null hypothesis). In doing so, logical-positivists from the Vienna Circle, led by the philosopher Karl Popper, challenged the notion of the absolute truth of knowledge (Phillips and Burbules, 2000).

In such a perspective, proving the nexus true-false acquires a central prominence as the general law is verified through the formulation of a new hypothesis and the collection of new findings, analysed using statistical tools, with the probability that the outcome of the process could be positive or negative. In other words, the ontological assumptions of the philosophy which underpins the positive view of the world, a place which is still knowable but imperfectly and probabilistically, are put under discussion. As such, from an epistemological perspective, the investigation effort cannot be considered *a priori* since it is ultimately based on human assumptions. In other words, research cannot be neutral.

However, this does not mean *per se* that post-positivism constitutes a form of relativism. Post-positivists still view the world as being objectively intelligible. The difference between the two approaches sits on the axiological aspect of the philosophical investigation. In other words, the tools the researcher decides to use, the questions they decide to formulate, and the population they are trying to investigate will affect the research.

Thus, it could be concluded that although knowledge is still logically consequential, the analysis of the cause-effect mechanism is ultimately influenced by the choices of the researcher. What the two approaches share includes determinism, that is, causes producing effects, and reductionism in creating discrete sets to be tested through experimentation. Finally, both start from theory to develop a hypothesis and collect data to support or refuse theory (Creswell, 2014). In relation to the present project, a positivist paradigm cannot be leveraged as per the explorative nature of the research signalled by the research questions.

3.4 Phenomenological paradigms and qualitative methodology

One of the main criticisms of positivism and post-positivism is that both approaches impose rules on the world meant as normative visions of what the reality is, or it is not. Conversely, in the late years of the 19th century, new attention emerged towards the role played by psychology, and in particular the role of memories and their impact on the meaning of time, which disclosed a very different conceptualisation of the scientific view of the world adopted until then.

In Germany, the revival of Kant and idealism led to the distinction between natural and human sciences, in particular through the work of Wilhelm Dilthem, whose efforts aimed at extending Kant's nature-oriented Critique of Pure Reason into a Critique of Historical Reason. In France, it was Henri Bergson who formulated a view of the world as the result of a process of continuous creation based on the interplay between intuition and consciousness. In Italy, Benedetto Croce defined the whole reality as the result of the historical process.

These few examples help the reader identify a shift in the philosophical thinking. That is, one which helps the researcher build an imaginary spectrum which includes two polarities: the positivist/post-positivist paradigm and the phenomenological paradigm.

This, in turn, includes its main subsets, Constructivism and Interpretivism, whose main peculiarity is the creation of meaning through an incessant action of interpretation and reinterpretation.

Concerned with the study of consciousness as experienced by the person in the first instance, Phenomenology was founded by Edmund Russell in the first years of the 20th century. According to this paradigm, it is the first-person perspective which becomes prominent. Context, space, time, previous knowledge, as well as culture, for example, in such a context all play a pivotal role in generalising one single concept, that is, common reality (Chilisa and Kawulich, 2012). As such, theorists do not start from a given theory, but develop their understanding through patterns of meanings created via a qualitative methodology and try to get to a generalisation via an inductive approach (Creswell, 2014).

The main difference between the two above-mentioned subsets (Constructivism and Interpretivism) is in the way meaning is created. From a constructivist perspective, meaning is collectively negotiated by participants in a shared environment, while from an interpretive point of view, meaning is imposed by a subject on an object. Through their interpretation, researchers recognise that their background influences the interpretation of the participant's world, which explains why there could be different interpretations of the same phenomenon. Moreover, both can be valid at the same time. Completing this side of our ideal paradigm spectrum is the Transformative School (Creswell, 2014, p. 38). Relying mainly on the Critical Theory developed by School of Frankfurt theoreticians like Herbert Marcuse, Theodor Adorno, Max Horkheimer, Walter Benjamin, and Erich Fromm, who provided a specific interpretation of Marxism, this view of the world does not rely on a unified body of literature. In other words, it is an umbrella term under which, between the 1980s and 1990s, a group of researchers claimed that research activity must be intertwined with the political agenda in promoting equity, diversity, and social justice (Kose, 2010). The list of researchers belonging to this stream includes critical theorists, participatory action researchers, Marxists, feminists, racial and ethnic minorities, persons with disabilities, indigenous and postcolonial peoples, and members of the LGBT (Lesbian, Gay, Bisexual, and Transgender) and Queer communities.

3.5 Pragmatic paradigm and mixed methodology

To complete the paradigm-methodology analysis, the dyad pragmatic paradigm-mixed methodology concludes the list. Considered to be the heritage of the American philosophy, pragmatism originated in the late nineteenth century in the work of Peirce and James, whose work was further developed by Mead and Dewey among others (Creswell, 2014, pp. 39-40). In the pragmatic view of the world, theory derives from the action, and not vice versa: “Truth happens to an idea. It becomes true, is made true by events. Its verity is in fact an event, a process: the process namely of its verifying itself, its verification. Its validity is the process of its validation.” (Mnstate.eu, 1975). In other words, instead of focusing on theory to develop an understanding of the world, pragmatism focuses on the research problem to be solved, using all approaches to achieve this goal. Hence, from a methodological point of view, pragmatists develop mixed-method research, whereby both quantitative and qualitative methodologies are leveraged to engage with research. The rationale behind this relies on a pluralistic view of the world according to which the world is not seen as a unity. Rather the world is part of the researcher’s mind as well as an independent unit of study: it changes with the subject. This explains why researchers have freedom of choice in terms of what methods, techniques, and procedures can be used to collect and analyse data.

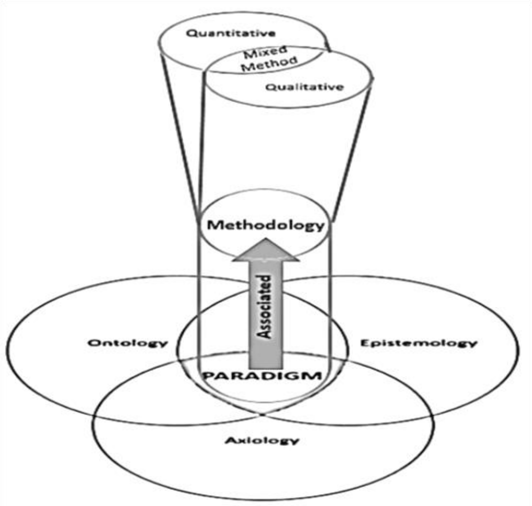


Fig. 8 Quantitative, qualitative, and mixed methodologies. (Elaboration of the author)

3.6 The chosen paradigm-methodology dyad

To design the research, the constructivist paradigm was selected as the paradigm of choice since the whole process relies on the participant's views in the studied situation (Creswell, 2014, p. 38). Moreover, in comparing and contrasting the options under the phenomenological umbrella, constructivism is preferred to interpretivism here because, since the theoretical contribution of this work is developing a decision-making framework, and one of the topical differences between the constructivist paradigm and the interpretive one relies on the fact that the former can be employed in model building and the latter in model testing, the constructivist paradigm fits perfectly in this context.

Concerning the methodology of choice, the framework through which the research is conducted, the author, who seeks a deep understanding of a process through the views of its participants, adopted a qualitative methodology to capture participants' perspectives from their direct experiences.

To this end, prior to moving on to the method chapter, the author would like to share with the reader the state of the art of the qualitative research in equity crowdfunding in order to provide them with an additional contextual element with which to embed the present study.

Attention is now given to qualitative research in equity crowdfunding.

3.7 Positioning the present research

To provide the reader with a sense of where the present research positions itself vis-à-vis the broader equity crowdfunding research environment, the author presents the state-of the-art of the qualitative research in the context of equity crowdfunding.

To the best of the researcher's knowledge, the first systematic review on equity crowdfunding (Mochkabadi and Volkmann, 2018) points out that only 1 in five studies in the field so far has used a qualitative design. Those studies include case studies, interview-based research, and reviews. In particular, interview-based investigations constitute the biggest chunk of the spectrum (48%), with reviews covering 8% and case studies accounting for 20% of the total. The remaining part includes conceptual works and descriptive analyses. Looking at the intersection between the investor perspective in equity crowdfunding and qualitative studies, it emerges that interview-based studies focus on the investment evaluation phase, and in particular on whether, and how, investor communication affects the investing decision making process (Moritz et al., 2015). Another focus of interest is on how the non-financial involvement of the crowd in the aftermath of a campaign affects the performance of the firm (Di Pietro et al., 2018). All in all, qualitative studies leverage different perspectives. For example, reviews are mainly used in a capital markets perspective, whilst cases have examined the institutional perspective, that is, the regulatory frameworks in which platforms operate.

Qualitative Approaches	Capital Markets Perspective	Entrepreneurial Perspective	Institutional Perspective	Investor Perspective	Platform Perspective
Cases	1	1	2	-	1
Interviews	1	4	1	1	2
Reviews	2	-	-	-	-

Tab. 1 Research in equity crowdfunding. (Elaboration of the author from Mochkabadi and Volkmann, 2018)

From this brief descriptive analysis, it can be inferred that interviews are suited to investigate the micro-perspectives of the three actors that define such an investment environment, namely: the platform, the entrepreneur, and the investor. In contrast, the use of cases and the literature reviews are used mostly from a macro point of view (capital markets and institutional perspective). This suggests that whilst case studies are an effective tool to provide a holistic view of the phenomena, interviews are more effective to carry out deep analysis from the perspective of individuals.

That said, this study finds its research niche in this specific strand of the qualitative research in the context of the analysis of the investor perspective in equity crowdfunding. The uniqueness of this work relies on the fact that for the first time, to the best knowledge of the author at the time of writing the thesis, it is presented an end-to-end (i.e. from the discovery phase to the final decision of whether or make writing the check) investigation of the investing decisional process of the retail investor in the context of equity crowdfunding.

3.8 Conclusions

The present chapter has set the framework for the methodological framework of the research, identifying the underlying paradigm for collecting and analysing data having examined all the available philosophical perspectives and their limitations in light of the practical implications of the study. The chapter also provided the reader with the overview of the types of approaches used in equity crowdfunding research to position the current study within the equity crowdfunding scholarship. Attention beknow turns to the methods of data collection and analysis.

Chapter 4

Methods

4.1 Introduction

The aim of this chapter is to present the method used to collect and analyse data. In it, the author guides the reader through the process to the individuation of the best strategy of inquiry and all the operational procedures to increase the research trustworthiness of the study.

Moreover, with the following are provided: a detailed analysis of the use of semi-structured interviews as method of research; the sampling strategy; and how, consistently with the presentation of the crowdinvestor profile given in the literature review section, the participants in the research were profiled by adopting the framework offered by the Prospect Theory discussed in the literature review section.

Last, but not least, to better contextualise the present research, a detailed analysis of the cluster is provided, prior to a focus on the data analysis strategy adopted.

The chapter concludes with the presentation of the findings from the pilot interview stage used to fine-tune the semi-structured interview guide, as well as the ethical considerations adhered to, and analysis of the data.

Attention is now given to methods.

4.2 Methods

The task of researchers is not limited to merely choosing a methodology to conduct a study, they must also select a specific strategy of inquiry (Denzin and Lincoln, 2011). For example, in the realm of quantitative methodologies, the most used strategies can be grouped into experimental and non-experimental. While the former is seen as a way to test the relationship between two variables (independent and dependent variables), the latter considers the causation effect after an event has occurred. As such, in line with the aim of the quantitative methodology of achieving generalisability, surveys are one the of the most preferred tools because they enable the researcher to generalise findings from a sample to the whole population (Creswell, 2014, p. 41).

In contrast, the qualitative methodology contests, on the one hand, the distance of the researcher from the object of investigation and, on the other, the definition of categories of inquiry, which is seen as arbitrary and, for this reason, limits the efficacy of methodological controls (Flick, 2009). Moreover, the researcher's interests, as well as their social and cultural background, are valued. As such, the richness involved in the qualitative research process prevents the qualitative researcher from relying on a unique body of knowledge as it is nurtured by a variety of streams and schools of thought which define its complexity. Nevertheless, it is still possible to identify a common ground in a specific social and cultural construction of reality (Gray, 2014, p. 160). This suggests that qualitative researchers see knowledge as embedded with a specific context in a specific moment in time. Morcellini, for example, points out that "if there is one thing twentieth century's Sociology taught us is that the value of facts given as certain is actually based on interpretations and that interpretation is not objective as it depends on the perspective someone takes." (2019, p. 45). In other words, a person participates in creating units of meaning which are useful to build or interpret reality in a sort of reciprocal relationship. This is the reflection of a specific ontological position, rooted in the critical realism, which puts its emphasis on "the relationship between the world and our human interpretation and practices," (Braun and Clarke, 2019, p. 27). More in particular, it would be one whereby the reality emerges between the nuances provided by the multiple faces of a prism. This is why research tools like interviews or focus groups, for example, are seen as the key to enter one's world or explore the different aspects of a phenomenon from the direct point of view of participants. This is given a deeper discussion later in this section.

The other way around, though, it has also been posed that to effectively understand others' perceptions requires a common ground between research participants and the researcher (Cohen and Manion 1994, p.36). Creswell sheds light on five designs of inquiry to build that common ground (2014, p. 42). They include narrative research, in which the researcher studies the lives of individuals, asking people to provide stories about their lives; phenomenological research, where the researcher describes the lives of individuals according to their perception; grounded theory, where a researcher draws a theory of the process which is grounded in the views of participants; ethnography, in which the researcher investigates the patterns of behaviour of observed people; and case studies in which the research dives deeply into the complexities of a case by exploring all the nuances related to the case itself.

Lastly, mixed methods studies tend to combine the quantitative and qualitative worlds, mainly with the logic of taking a picture of a phenomenon by combining two different methodologies of data collection and analysis. Indeed, the collection of data can be delivered concurrently or sequentially. Creswell, for instance, focuses on three main designs (2014, p. 43-44): convergent parallel mixed methods, in which the researchers merge qualitative and quantitative analysis to provide a comprehensive analysis of a phenomenon by collecting and analysing both forms of data, qualitative and quantitative, roughly at the same time; this contrasts with the second option, the explanatory sequential mixed methods, whereby the researcher firstly takes a picture of a phenomenon by collecting and analysing quantitative data to proceed with a further analysis delivered by the lens of qualitative data; the third design, exploratory sequential mixed methods, sees the sequence reverted and the follow-up activity delivered by leveraging quantitative analysis with the final aim of generalising findings. These basic models can be further combined in transformative mixed methods, whereby data are embedded with a larger design, and multiphase mixed methods, in which concurrent and sequential strategies are applied in tandem to figure out the long-term goal of a programme.

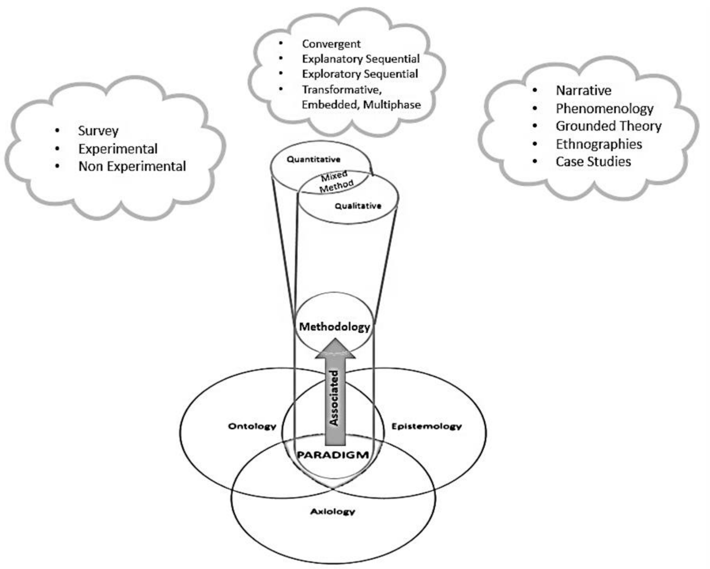


Fig. 9 Strategies of inquiry. (Elaboration of the author)

Attention is now given to the chosen method.

4.3 The chosen method

To address the above-mentioned research questions in view of the chosen paradigm-methodology dyad and the research aim, the author combined the use of semi-structured interviews built upon the multilevel framework provided by the Prospect Theory.

Indeed, in order to achieve the objective of the research questions that are explorative by nature and are focused on understanding the decision making within the investment process, it is more appropriate to use interviews.

In this regard, the author focuses first on the analysis of interviews as a tool of research, prior to the motivation for the choice of semi-structured interviews and introducing the Prospect Theory-based multilevel framework.

Attention now turns to interviews as a method of research.

4.4 Interviews as a method of research

Interviews, which can be defined from a research perspective as a professional conversation to collect a participant's views, thoughts, and experiences on a topic defined by the researcher (Braun and Clarke, 2019, p. 77 – 132), are the most common qualitative method used to gather data.

Among the different types of interviews (structured, semi-structured, unstructured), semi-structured interviews are the most common. In contrast to the structured interview, which is mostly used in a quantitative kind of research whereby people are asked to answer a close set of rigid questions, semi-structured interviews develop around a set of open questions which act as a guide prepared in advance for the interviewer to interact with the participant. By asking open-ended questions, the researcher gathers data about the participant's experience. This is then coded and grouped into themes and categories to be investigated. Unstructured interviews, however, tend to follow the stream of consciousness of the participant. Therefore, interviews can be viewed as belonging to a spectrum in which semi-structured interviews benefit from the flexibility of unstructured interviews and the structure provided by the presence of a default questions set.

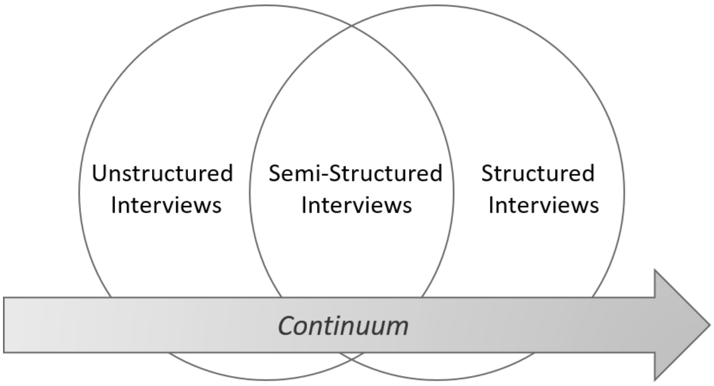


Fig. 10 Interviews continuum. (Elaboration of the author)

A different type of data collection method in the qualitative domain is represented by focus groups, where the main focus of the research is not the individual experience but the collective view and its multiple facets. In this context, the researcher is not an interviewer, but a moderator acting within the group to help participants contribute to the discussion. Indeed, focus groups are an excellent tool to generally elicit a wealth of different point of views on a topic. The difference is that the research questions at the basis of interviews are so-called experience-type research questions.

Both methods, interviews and focus groups, share the modality of interaction, which is mainly face-to-face even though the use of virtual settings like the telephone, Skype, Zoom, MS Teams, WhatsApp, Google Hangouts, e-mail and so on has become more and more pervasive, culminating in a much wider variety of interaction opportunities.

In the end, it could be pointed out that in both cases the pivotal element for the data gathering activity is the type of interaction. The interaction type distinctively poses at its centre the human interaction, the human being and their experience, and the nuances they can bring to the table; all things a qualitative researcher is interested in.

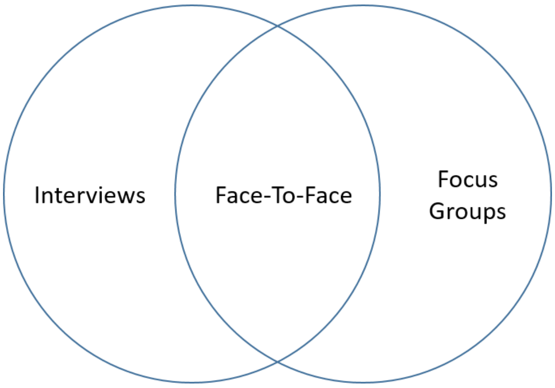


Fig. 11 The common ground between interviews and focus groups. (Elaboration of the author)

Attention is now given to semi-structured interviews.

4.5 Semi-structured interviews

As mentioned above, semi-structured interviews are used to gather focused and qualitative data. The opportunity to use semi-structured interviews revolves around the intersection between the research questions and the intrinsic characteristics of semi-structured interviews. With regard to the former, for those who seek to explore the dynamics within the investment decision-making process of crowdinvestors, semi-structured interviews constitute a suitable tool to extrapolate key data. Indeed, semi-structured interviews are well-suited for exploration of the perceptions and opinions of respondents. For this reason, they enable probing, escalating the richness of data required, that is, saturation. Moreover, semi-structured interviews can put the participant at ease due to their freedom to express their views on their own terms. This could be mainly due to the fact that semi-structured interviews allow reciprocity between the interviewer and the participant (Galletta, 2012), giving the latter enough room to express themselves. Lastly, in terms of trustworthiness, semi-structured interviews provide comparable data (Bernard, 1988) as they also allow follow-ups (Polit and Tatano, 2010).

Attention is now given to the profiling the participants of the study.

4.6 Profiling the participants

This study involved complementing the data integration of a multilevel framework to deliver semi-structured interviews by assessing the entrepreneurial orientation of crowdinvestors in the context of equity crowdfunding.

In particular, different levels of information were integrated, including background information and their investing background, to focus on their professional careers and their investing activities (for example, investment rounds they have taken part in prior to the interview and the result of their activity in terms of return on investment).

Moreover, each participant was assessed with regard to their entrepreneurial orientation. The reason for this is that there is a statistically significant correlation between someone's entrepreneurial orientation and their investment behaviour (Raheja and Singh, 2018).

Indeed, this constitutes a central aspect of the profiling exercise because entrepreneurial orientation indicates the participant's perception level of the risk, their willingness to challenge the status quo and act in anticipation of future market needs and opportunities.

With regard to the specific tool used, a questionnaire developed building on the research by Bolton and Lane (2012) is useful for consideration. A set of questions for each participant is provided along with a set of sub-dimensions which form the individual entrepreneurial orientation: *innovativeness*, which is about challenging the status quo and supporting new ideas; *risk-taking*, which is about the risk-reward trade-off; and *proactiveness*, which is about adopting a forward-looking perspective (Linton, 2019). A Likert scale was used to measure the grade of each dimension individual entrepreneurial orientation being each sub-dimension a continuous variable.

Attention is now given to the multilevel framework used to design the semi-structured interview guide.

4.7 Multilevel framework

It is commonly believed that qualitative studies do not imply the use of previous, explicit theory, although it is not possible to start with a pure observation of phenomena as there is always a conceptual structure in place to orient the view of a researcher (Schwandt, 1997). The use of semi-structured interviews as a data collection method requires previous knowledge of the investigated topic area. Moreover, the weakness of theoretical foundations provided by an emergent field like equity crowdfunding promote consideration along with consolidated praxis to use a theoretical framework.

For example, in the context of the current research, the topic of investor protection in the context of alternative finance tools is predominant, so the use of pre-existing theory in formulating the question is pivotal for the success of the whole study. Thus, drawing on existing theory, an interview guide was designed to improve the trustworthiness of this qualitative research. This aimed to adapt an existing multilevel framework used to explore the two areas of interest in the current work, borrowing from the Prospect Theory of Kahneman and Tversky (1979).

Not being a ready-made theory for economics investigation and focusing on the emotional sides of the investing decision-making process, the theory allowed a certain grade of flexibility useful for the researcher to adapt the tool to the need of the current research. As such, the author developed a guide focusing on the two phases: editing and evaluation. With regard to the former, the prospective investor goes through three different phases to define the status quo, the point of reference upon which to make a decision. In other words, through this process they proceed through a simplified representation of the investing environment. To do this, the prospective investor goes through the steps of coding, combination, and cancelation. During the coding activity, they evaluate the investment opportunity in terms of potential gains and losses respectively to a reference point, which is not necessarily zero, but often the asset position of a person (Baddeley, 2019), as well as to a previous investment. In view of this, the main question to emerge is: "Looking at your latest investment round, how did you classify investment opportunities in terms of gains and losses? Why?" To reach saturation, "the point at which no new information or themes are observed in the data" (Guest et al., 2006, p. 59), a set of probes to prove a participant's answer has been included through the following additional guide questions, used in a flexible way depending on the answer provided by the participant[5]:

- How much time did you spend on the platform? Why?
- How important was the information provided by the platform? Why?
- How important for you was the entrepreneur's reputation? Why?
- How important for you was the presence of additional investors? Why?
- How important for you was the reputation of the platform? Why?
- How did you integrate the information provided with additional sources of information? Why?

Progressing with the leaning through activity designed by the theoretical framework, during the second step of the editing phase, called "combination", the probabilities associated with identical outcomes are combined together (Baddeley, 2019). For example, considering a number of prospective investment outcomes, such as a 25% chance of 100, 25% 100 and 50% of 0, then these probabilities are assembled as follows: 50% probabilities of 100 e 50% of 0. In this regard, the main question is: "Looking at your last investment round, how did you deal with investment opportunities with potentially the same outcome in terms of gains/losses? Why?"

Finally, with regard to the "cancellation" phase of the editing phase, prospective investors remove opportunities which are not considered worth investing in. In this regard, the main question is: "Looking at your last investment round, how did you remove investment options presenting the same outcome probability? Why?"

[5] The list, which is not exhaustive, is only indicative of the type of the many possible and similar questions that can be asked in an interview context.

During the second phase of the investment decision-making process, “evaluation”, investors evaluate the remaining prospects on which to invest and make their final decision. This phase is formed by two different steps: evaluation and selection.

In evaluating prospective investment opportunities, the investor orients their focus on gains and losses. In this regard, the main question asked to the participants is: “Looking at your last investment round, how did you assess the remaining options? Why?”

Over the second phase, the options of choice will be selected. Main question to investigate this aspect is: “Looking at your last investment round, how did you make your final decision? Why?”

Attention is now given to the sampling strategy.

4.8 Sampling strategy

As above mentioned, the added value of qualitative research is the opportunity it offers for exploring diversity. This, in turn, offers the researcher the possibility to draw on common themes which are transversal in order to find consistency in diversity and develop narrative layers to be further investigated. This helps explain why the author tried to maximise the diversity of approaches and sources to form the cluster of the research.

Regarding the former (approaches), contrary to the typical quantitative sampling approach based on a random access to data aimed at generalising findings, to gain rich data a purposive sampling approach was employed in the current research (Braun and Clarke, 2013, pp. 56 – 57).

In particular, under this umbrella the researcher combined two sampling strategies, judgment sampling (Frey, 2018) and snowballing (Naderifar et al., 2017), to enhance diversity of perspectives vis-á-vis a sensible topic, that is, personal investments. With regard to the judgment sampling strategy, an online advertising approach was used to recruit participants, leveraging on the one hand an e-mail advertising tactic to reach out personal and impersonal contacts on the basis of their professional profiles with regard to the research questions, and on the other, a social media advertising tactic delivered by posting a research advertisement on social media, including online forums like Reddit as well as the researcher's blog and his LinkedIn and Twitter profiles. The judgment made by the author for prospective participants to be included in the sample was being honest and open about their investment decision making.

With regard to the snowballing strategy, the researcher leveraged the role of gatekeepers of four digital fundraising platforms (Crowdcube, Invesdor, SeedTribe, and SyndicateRoom) and asked other participants to be introduced to additional participants.

Prior to directing the reader's attention to the main characteristics of the cluster of the present research, the author now focuses on the rationale behind the choice of platforms.

Consistent with the mission of qualitative research of exploiting diversity, the author made the decision to involve platforms in the research based in different countries with different business models to maximise the diversity of the research environment. The rationale for this is that investors tend to invest via the platform of interest. This is also in line with the decision-making approach of entrepreneurs, who tend to prefer a platform based on their business model and their geographical location. The intention here then was to provide an additional layer in the perspective of the entrepreneur/crowd explored above in the literature review.

Crowdcube was chosen for several reasons. First, at the time when the research was developed, the platform was one of the leading players worldwide, something which would likely allow engagement with a diverse crowdinvestor base, consistent with the qualitative approach of the study. Second, the was attention to co-founder, Luke Lang, to equity crowdfunding as a way to rejuvenate capitalism by involving people from the ground, investing in brands able to make an impact on the world (Lang, 2019). Third, its direct shareholder structure allowed the author to explore what impact being in contact directly with the entrepreneur in the aftermath of a campaign would have on the decisional process as this kind of engagement would allow minimising of information asymmetries because the entrepreneur would be more accountable towards their investing community.

Secondly, Invesdor was chosen, like Crowdcube, for its generalist approach, a thing which would allow a greater reach in terms of crowdinvestors. Another factor in its selection was their leading role in the Nordic region, so covering a different geographical reach. This allowed the diversity within the cluster of the research to be increased. Third, it was chosen because of its interest in growth companies, different to Crowdcube, which also includes start-ups. Fourth, because Invesdor see equity crowdfunding as just one segment of its offering, it enriched the diversity of the cluster further by including investors eager to explore other forms of investment (debt).

SyndicateRoom and SeedTribe were chosen for complementary reasons compared to the first two. Both focus on angel investors, that is, still informal investors, but with a more sophisticated profile, a thing which helped the author enrich the diversity of the cluster further. The second reason is that both focused, at the time when the present research was developed, on very specific niches: healthcare, with regard to SyndicateRoom, and profit with purpose, with regard to Seedtribe, therefore potentially attracting a very specific niche of investors adding further diversity to the cluster. In other words, more than generalist platforms, those were, at the moment of data collection, two vertical platforms with very specific niches. Third, the peculiarity of their business models was considered, that is, they focussed mostly on the B2B segment, a thing which is counterintuitive in a mostly B2C industry like equity crowdfunding. As such, this element was also considered to enrich the diversity of the cluster.

Last, but not least, the author, through his blog on crowdfunding, used as a part of the methodology (see below), had the opportunity to nurture a relation with the founders over the years in which the research was developed, thus paving the ground for a genuine collaboration.

Attention is now directed on the cluster of crowdinvestors for the reader to become familiarised with it.

4.9 The cluster

Some demographic information was collected, including age, gender, location, and profession, which are provided to familiarise the reader with the cluster of the research.

The mean age of participants was 41 (mode 40, median 38) from a sample with an age range between 24 and 65 years old. One in five was aged 50+, whilst the majority sat between 33-years-old and 41-years-old, and just one crowdinvestor was aged under 30 at the time of the interview. Participants were well educated professionals, mainly located in Europe (8 in the UK, 2 in Spain, 1 in the Czech Republic, and 2 in the Nordics) with a minimum presence from North America (1 from the US and 1 from Canada). Participants were mainly males, adding support to past findings that equity crowdfunding is a male-dominated world, possibly because of female funders' bigger risk aversion attitudes (Hervé et al., 2016; Mohammadi and Shafi, 2016).

	Crowdcube (UK)	Seedrs (UK)	Invesdor (Finland)	FundedByMe (Sweden)	Seedtribe (UK)	SyndicateRoom (UK)	WeFunder (USA)	Republic (USA)	StartEngine (USA)
Number of participants investing via the platform according to the available data.	9	9	2	1	2	1	1	1	1

Tab. 2 Where the participants to the research have invested so far. (Elaboration of the author)

To enrich the analysis of the cluster, the author carried out an Individual Entrepreneurial Orientation (IEO) assessment, as mentioned above, as a proxy to evaluate investors' entrepreneurial propensity, the combination of multiple factors including: their Risk-Taking orientation (the possibility of gaining rewards in front of high investments of time and/or money); their openness to Innovation (their willingness to experiment); and their Proactiveness (their desire to anticipate future opportunities in the market).

What has emerged from a general analysis, confirms the homogeneity of the cluster and a high individual entrepreneurial orientation. More in particular, looking at the traits which inform the IEO concept, Proactiveness is the dominant attribute. The other way around, though, innovation and risk-taking are the most present recessive traits. This could suggest a general willingness of the crowdinvestor (in the context of equity crowdfunding) to anticipate future opportunities in the market by taking a collaborative approach, supporting other entrepreneurs to take the lead of a change process, a thing which makes them the ideal company shareholders.

Having presented the methodology and the strategy of enquiry, attention now turns to the measures taken to guarantee research trustworthiness.

4.10 Research trustworthiness

What makes a good piece of research? Generally speaking, validity and reliability of a research study signal the rigour through which it has been delivered (Braun and Clarke, 2019, pp. 278-282). However, there are differences between the two main research approaches (quantitative and qualitative). Indeed, while the two refer to the generalisation of the findings, (beyond the sample to a wider population) that is, reliability, and to the accuracy in capturing a reality, that is, validity, both bring different implications in practice. For example, it could be argued that the main aim of the quantitative researcher is to find measures that allow developing general laws (reliability). By contrast, this is not an appropriate criterion with regard to a qualitative research environment, where the coding procedures make this more complicated. In fact, the only thing the qualitative researcher can do is to make sure that their approach is consistent with different authors and research projects (Creswell, 2004, p. 251). The other way around, though, it could be maintained that validity for a quantitative research study brings threats that can negatively affect the experimental setting (internal and external threats), as well as statistical conclusions so that inferences made to generalise the findings of a study can result in inaccuracies (Creswell, 2014, pp. 223-224). In contrast, qualitative validity constitutes one of the strengths of qualitative research as it enables the determination of whether the findings of a study are accurate, authentic from different perspectives including those of the researcher, the participants, and the reader (Creswell, 2014, p. 251). Comparing and contrasting quantitative and quantitative research strategies in terms of validation, different forms of those respective approaches emerge as to the main differences and requirements of the two. With regard to the former, for example, Braun and Clarke (2019, p. 280) mention construct validity, concerned with whether data measure what they aim to measure; internal validity, concerned with whether in the cause-effect relations, effects are caused by variables under study; external validity, concerned with the generalisation of findings; and ecological validity, concerned with the link between the real world and the research settings. While the first three forms of validation are considered essential within a quantitative environment, the latter is mostly relevant to qualitative research (qualitative validation). The reason for this is that it gathers data in ways "that are less removed from the real world (…) although this is not always the case; an interview is not a person in their 'real life'." (Braun and Clarke, 2019, p. 280).

Turning to the strategies to enhance the qualitative validity of a project, Creswell's (2014, pp. 251-252) suggestion of triangulating different sources by analysing facts from those sources and using them to create a coherent argument seems apt. Another kind of triangulation used is the external peer, a procedure known as peer checking, or an external auditor to involve an additional interpretation beyond the researcher or to review the entire project. In the case of an external auditor, the inspection will go further than a normal review of the study by also involving the formal aspects of it. This can be done by including, for example, the evaluation of the accuracy of transcription, the relationship between the research questions and the data, the level of data analysis from the raw data, and so forth and so on.

In the context of enhancing the qualitative reliability of a study, Creswell also suggests checking information with participants in the aftermath of an interview. Noting that having previously built the rapport to get honest and genuine answers, thick descriptions can be used to deliver a detailed account of the experience. In doing so, the researcher makes the connections between contextual details explicit to interpret social meanings when conducting the research.

To favour this, Cresswell suggests the researcher spend a prolonged time in the field. On top of this, Cresswell suggests clarifying the bias the researcher brings themself in delivering the research to create an open and honest environment whereby the context of knowledge construction will eventually resonate with the reader. In doing this, the researcher should also take into account the contrasting information which would contradict their perspective, as this would add credibility to the final account.

All in all, it can be concluded that to enhance the qualitative reliability and validity of a study, internal and external triangulations and checking constitute the main approaches, whilst the researcher presence in the field has to be clarified and their views compared and contrasted to enhance the quality of the project. With this in mind, and in view of the limitations a PhD project carries in itself, following Creswell's suggestion of integrating some of the above-mentioned strategies to strengthen the trustworthiness of the research

(Creswell, 2014, pp. 251-252), the author chose from a procedural perspective to create a system which integrates four operational procedures articulated in two phases, namely *ex-ante* and *ex-post*.

Attention is now given to ex-ante operational procedures.

4.10.1 Ex-ante operational procedures

Ex-ante operational procedures include those activities which familiarise the author with the industrial context whereby the research exists, and point out the limitations related to the researcher involvement. With regard to the former, the reason for this is that, in order to have an impact, that is, be relevant for the real world, the whole research effort has to be intertwined with the industry dynamics. With regard to the latter, the researcher's biases were clarified, mostly developed through the process of critical reflection upon the development of the industry and the scientific literature alike.

Attention is now given to the analysis of the two above-mentioned procedures: spending prolonged time in the industry and clarifying the researcher biases.

4.10.1.1 Spending prolonged time in the industry

To develop an in-depth understanding of the research topic to increase the trustworthiness of the study by increasing the understanding of the logics and dynamics of the industry, the author has published a regularly updated and multi-award-winning blog[6] named,

[6] Top 100 Best Crowdfunding Blogs and Top 80 Best Fintech Blogs in the world in the following years: 2017, 2018, 2019, 2020, 2021.

Oliver | *People for Impact*, since October 2016, immediately after his interview to start his PhD journey.

To fulfil the above delineated mission, the author decided to focus on the equity crowdfunding industry, both in the EU and the US. Both have been focal points of the present research for the whole duration of the doctoral research project.

The choice of launching a blog as a way to observe the industry whilst interacting with its key personalities (business leaders and thought leaders) depended on a few considerations. First, as a form of digital finance, a blog is a perfect tool to dive deeply into the same kind of environment where equity crowdfunding as a form of digital finance takes place, that it, the digital environment. Second, a blog is a relatively flexible tool that allows the blogger to stay up-to-date with the latest news and developments in the industry. Third, it is cost effective. Launching a blog ideally costs nothing, net of the time needed to keep it running. Fourth, it requires time to build someone personal branding, which allows the building of a solid reputation in the field on a step-by-step basis. This means it is a good strategy to deliver networks. Fifth, a blog is a valid tool to assimilate not only the latest developments of the field and the needs of the business players, but also as a basis of engagement for platforms, trade bodies, and entrepreneurs eager to increase their visibility for their own business purposes. Moreover, it has been a secure way to ensure all of the above in view of the previous experience of the author in the digital communication field. Last, but not least, the blog has also functioned as a platform to build a bridge between academia and industry not only in view of the fact that a doctoral researcher got in touch with platform owners, managers, members of trade bodies, and so on, but also because the blog constituted a valid channel of scholarly communication as the author was able to provide the industry as a whole with the latest findings of the research. This could represent a useful takeaway for developing future research with impact.

To maximise his effort, the author developed an editorial strategy based of the formula “news, views, and data” aimed at increasing the likeability of real interaction with the business players in the market according to the above.

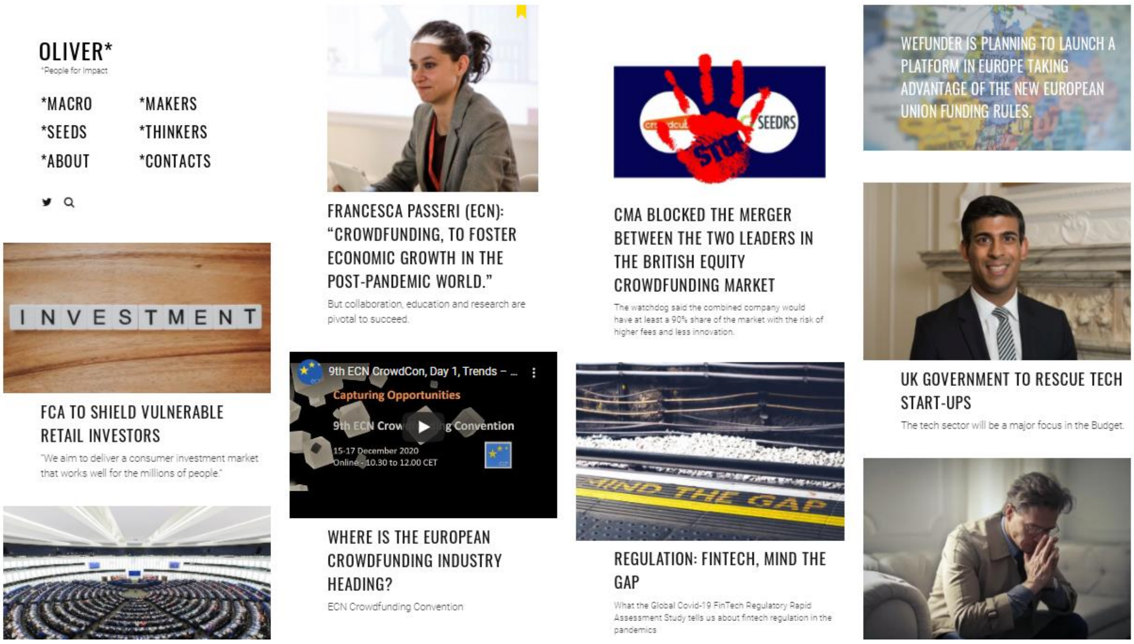


Fig. 12 Snapshot of *Oliver | **People for Impact*. (Elaboration of the author)**

In particular, albeit focusing on the evolutions of the equity crowdfunding sector, the author defined the soft spot of its action in terms of content development at the intersection of macroeconomics, to provide a general current affairs basis, i.e., where the economy is heading and how equity crowdfunding can be a tool to accommodate ongoing change, and microeconomics, the action of trade bodies, platforms, and entrepreneurs in the context of digital fundraising.

This has helped the author build a constant dialogue and secure interviews with several of the top players in the market, entrepreneurs, and trade bodies advocating the equity crowdfunding cause toward the policy maker.

Such an effort was not limited to the blog itself, though, as it has represented only a content hub whose delivery channels have been social media platforms like Twitter, Reddit, and LinkedIn to increase its visibility so as to create a community of interest around it.

The result of this, along with the eagerness of some members of those communities to help the author with the current research by sharing their perspectives, actively participating in the context of data collection, has also been to offer their platforms for the researcher to engage with their activities in the real world.

In other words, the activation of a reciprocity took place which further enriched the journey of the author within the dynamics of the industry and their understanding. In this regard, as a practical outcome of this intense activity, the researcher was invited to both industry and academic conferences, such as the *6th European Crowdfunding Network Convention* in Vilnius, Lithuania in 2018 and the *3rd European Centre For Alternative Finance Research Conference* organised by Utrecht University, Netherlands, in 2019.

4.10.1.2 Clarifying the researcher's bias

A researcher delivering a qualitative piece of research is part of the research itself. Indeed, as qualitative research is a kind of reflective exercise, it is impossible to separate the qualitative researcher from their research (Galdas, 2017). However, as already mentioned, a piece of research which lacks rigour is just fiction. Thus, one of the elements to ensure the protection of the subjective collection and interpretation of data by the qualitative researcher, whilst preserving the trustworthiness of the research itself, has been recognising, understanding, and declaring the researcher's biases, defined as the "inclination or prejudice for or against one person or group, especially in a way considered to be unfair," (Oxfordify, 2021).

This, of course, cannot completely eliminate the problem of bias. The subjective views of the researcher and the potential for participants to be affected by biases in answering the questions asked by the researcher (social desirability bias) both come into play. Since this second aspect is not directly manageable by the researcher, what can be done is trying to reduce the researcher biases by recognising, understanding, and declaring them as completely as possible, as avoiding them is almost impossible.

What are the most common researcher biases? One of the most diffused is confirmation bias (Rajendran, 2001), which occurs when a researcher tends to use data in order to confirm their hypothesis. Culture also plays a role in writing the questions, in saturating data, or in interpreting answers provided by participants. Also, the order of questions could be affected by a distortion by the researcher. There is also an issue related to how the questions are formulated (leading questions). The above represents only a few possible biases. Since they cannot be avoided as it is our brain that works according to heuristics, how can they be managed? As mentioned above, one strategy is trying to understand, recognise, and declare them as was just done. Another additional element is trying to build a good rapport with the participant. To do this it is pivotal to put the participant at ease by protecting, for example, the privacy of participants and more in general that the research has ethical implications and that it has been put through a process to contain ethical risks (as shown below in a further section of this chapter). In other words, whilst biases cannot be eliminated, they can be balanced. However, to limit all the above, the researcher has put ex-post operational procedures in place, which are explained below.

Attention is now given to ex-post operational strategies.

4.10.2 Ex-post operational procedures

Ex-post operational procedures include those activities aimed at strengthening the trustworthiness of the research in the aftermath of the data collection phase. These include member checking interviews aimed at reducing errors in content validation, and the involvement of professional readers to increase the accuracy of the account.

Attention is now given to exploring the above-mentioned ex-post operational strategies.

4.10.2.1 Member checking interviews

In view of the fact that knowledge is co-constructed (Birt et al., 2016), the author conducted a member checking process aimed at reducing errors through the validation of content by respondents. Indeed, such a technique is regarded as a powerful one to verify the completeness of findings, which is in turn a way to validate their accuracy, especially in view of the main assumption behind it; qualitative research involves interpretation so findings can be affected by author biases and cannot be accurately validated. Therefore, to increase the trustworthiness of the author’s interpretation, the researcher asked the participants in the research project to clarify in follow-up interviews, if necessary, some aspects of their answers. This was the option of choice to be consistent with a constructivist epistemological stance according to which the co-construction meaning would validate previous interpretations, also enabling the possibility of adding new data.

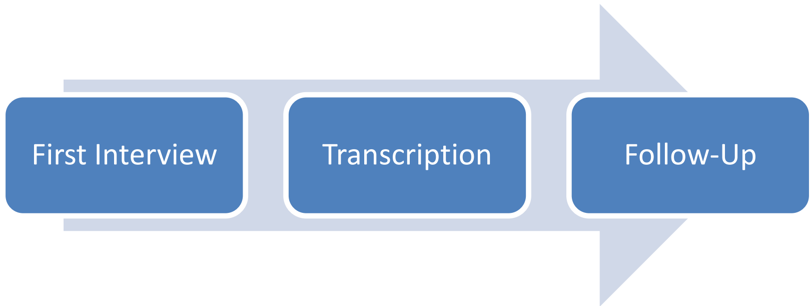


Fig. 13 Member-checking interview process. (Elaboration of the author)

4.10.2.2 Professional readers

To improve the accuracy of the account, the study also leveraged the presence of professional readers in a peer debriefing process (Creswell, 2014, p. 252) through which active review and questioning about the study took place so that the researchers could reflect upon his activity. This strategy represents an additional validity layer to the account.

Attention is now given to the pilot interview.

4.11 The pilot interview and modification of the semi-structured interview guide

The author conducted a pilot interview to test the mechanics of the data collection strategy. Piloting is a key aspect of qualitative research (Majid et al., 2017) as it allows the researcher, who is the primary instrument in data generation (Paisley and Reeves, 2001), to go through the process in order to learn and prepare for the major study (Majid et al., 2017). Fine-tuning of the semi-structured interview guide can then be done if necessary, with the final aim of maintaining consistency all the way through for better data mining.

Indeed, piloting allows the researcher to address practical issues. For example, from the pilot interview a need emerged that a general opening-question should be added to help the participant immediately focus on the process under investigation for the researcher to gain richer data. Such an introductory question would be: *"Can you please synthetise, in the form of successive steps, the process you go through to make your investment decision*?" Despite the participant being a personal contact of the author, something which allowed an acquaintance interview (Garton and Copland, 2010), the performance of the whole interview was a little bit wooden, despite the informal approach aimed at building a good rapport (Jacob and Furgerson, 2012) so as to facilitate better responses.

One of the reasons for this was the author adhering too rigidly to the guide. In this regard, for the main study, the author followed the flow of the discussion, adapting the guide to it to put the participant at ease and avoid the risk of creating a rigid setting where questions would become a barrier between the researcher and data instead of a facilitator to get to them.

Additional points of attention were the limitations associated to the delivery of the interview via mobile phone. The low quality of mobile phone signal risked making the data useless as it prevented the author from delivering a fully *verbatim* transcription despite the use of two audio recorders and notes taken in the aftermath of the interview (Braun and Clarke, 2019, pp.92-93). In this respect, in selecting participants, the author included the possibility of running the interview in person or using other online solutions (e.g., Skype).

On a positive note, the pilot interview allowed an evaluation of the participant entrepreneurial orientation. According to the developed framework aimed at exploring the entrepreneurial orientation of the participant, a moderate risk-taking attitude emerged, along with a moderate tendency to plan for the future accompanied by a strong tendency to challenge the status quo.

These results suggest that if on the one hand the participant shows a tendency to evaluate the different elements of an issue prior to making a decision, the span of the decision-making activity does not take too much time. Combining these elements, it could be argued that the participant is open to change, something which implies low levels of loss aversion and therefore openness in undertaking emerging investment opportunities.

This is a very interesting angle to consider in view of the use of the Prospect Theory's framework to evaluate the investing decision making process of the participant. In other words, the analysis of the entrepreneurial orientation was confirmed as offering an immediate link with the theoretical framework used for the investigation.

The next paragraph offers a Research Design Synopsis, comprehensive of both the methodology and methods.

4.12 Research design synopsis

The following synopsis aims to provide a snapshot of the research design:

Epistemology	Constructivism
Axiology	Subjectivism
Research Philosophy (Paradigm)	Constructivist
Methodology	Qualitative
Method of inquiry	Interview (Semi-Structured)
Sampling Strategy	Judgment
	Snowballing
Piloting	Acquaintance Interview
Coding	Complete
Data analysis	Combination of:
	Framework Analysis
	Thematic Analysis
Research Trustworthiness (Operational Procedures)	Ex-Ante & Ex-Post

Tab. 3 Research design synopsis. (Elaboration of the author)

Prior to moving forward, some ethical considerations which were adhered to in the phases which preceded the data collection are provided.

Attention is now given to the ethical considerations of the study.

4.13 Ethical considerations

A number of potential ethical issues have been considered and addressed for both the participants and the reader to participate in or experience the research without risks. To do that, the researcher adhered to the ESRC Research Ethics Framework, the University of Worcester Ethics Policy, and the study went through an Ethical Approval process. Through that process, the researcher provided explanations of the measures taken to preserve confidentiality and anonymity of data, including specific explanation of data storage and disposal plans. For example, the researcher explained how data would be generated and collected after obtaining the consent of participants. He also explained that the interviews would be transcribed and anonymised and would be assigned a code (participant number) corresponding to both formats (audio and transcription). Both the audio and transcription interview files would be encrypted to create an additional layer of protection against external threats of intrusion. Finally, each file would be given a password. The researcher explained that each audio recording would be saved in the University of Worcester's OneDrive, as well as on an external hard drive owned and managed by the researcher as a back-up. He also made participants aware that data would be retained for a minimum period of ten years, in accordance with University policy, and that the researcher would produce a register to catalogue all the produced data, describing the type of the data, purpose, and when and how it was generated, where it is archived, the relative code, who is in charge of preserving that data, and who can access that data. The researcher finally pointed out that during the research process, the only people who can access data would be the researcher and the supervisors. No other particular risks emerged during the process.

Heading towards the conclusion of the present chapter, the author now focuses on the data analysis as this enables the focus on the findings and discussion which follows.

4.14 Data analysis

Data analysis is a continuous process aimed at reducing the deepness of information to create smaller units of meaning. In choosing the most suitable analytical method, the researcher took into consideration a number of different possibilities in the qualitative research realm.

This involved comparing and contrasting the benefits and drawbacks of the most important strategies, including thematic analysis, interpretative and phenomenological analysis, Grounded Theory, and discourse analysis.

Looking at Grounded Theory, it immediately emerged how this kind of method could help the researcher interpret data from the ground, but the use of existing theories as well as its focus on the sociological underpinnings of a phenomenon, which moreover reveals its theoretical origins, impeded the author in undertaking such an approach to analyse data.

A similar conclusion was reached for discourse analysis. In particular, if on the one hand such an approach would have been beneficial in exploring the psychological nuances linked to the investment decision-making experience, on the other it would have been too complex to apply in the context of a small research project such as a PhD.

Discursive psychology, conversation analysis, and narrative analysis were also excluded, considering their complexity that makes those kinds of approaches more suitable for expert practitioners and in larger and more articulated projects.

Thus, the remaining option was Thematic Analysis. Indeed, many factors helped the author in heading in this direction. First, thematic analysis is considered a pure method, meaning it is flexible for use in a number and variety of ways. In other words, it provides a method free from prescriptions on data collection, theoretical positions, epistemological, or ontological frameworks. At the same time, Thematic Analysis can be used to address every type of research question. Such flexibility also comes from the fact that data can be categorised using both a top-down approach or and bottom-up approach. Additionally, thematic analysis can be used to identify specific patterns of meaning. Last, but not least, it offers the novice researcher, such as a PhD student, the opportunity to learn basic data-handling and coding skills which can also be used in more complex research methods.

This helps to explain why several varieties have originated from thematic analysis, including: Inductive Thematic Analysis, whereby analysis is not shaped by existing theories; Theoretical Thematic Analysis, where, in contrast, the analysis is guided by theoretical concepts; Constructionist Thematic Analysis, which focuses on how topics are constructed and also how accounts construct the world, and Experiential Thematic Analysis, which focuses on the participant's standpoints and in particular on how they make sense of the world. (Braun, and Clarke, 2019).

However, such flexibility has also been pointed to as one its greatest weaknesses. Indeed, the risk of thematic analysis is it being commonly referred to as a kind of "Jack of all trades and master of none". In other words, the drawback of this method mirrors its flexibility itself. Therefore, it could end up lacking consistency, thus negatively affecting the overall trustworthiness of the research project. This is why the author decided to use a subset of thematic analysis, framework analysis, to address the first research question, in view of developing a decision-making framework which could constitute, as pointed out above, one of the main contributions of this study.

A subset of thematic analysis, framework analysis is an approach which provides the author with a "systemic structure to manage and identify themes" (Hackett and Strickland, 2018). Developed by Ritchie and Spencer (1980), this method is widely used in policy and healthcare research, and is also particularly useful for the novice researcher (Smith and Firth, 2011) as it offers a ladder structure through which the researcher can move up and down during the process with a certain degree of flexibility. In other words, it develops around a flexible, continuous, iterative process of analysis with the main characteristic being to produce a matrix to systematise characteristics emerging from data. This is why it is considered to be advanced thematic analysis.

Moreover, this method has the advantage of being used without any particular qualitative data analysis software. Initially, indeed, to lower the complexity of the volume of collected data, the author thought of using software (NVivo) to increase the efficiency of the whole process and to limit researcher bias (explored later in this section). More in particular, NVivo could have helped the author in interpreting data via coding and thematic analysis by establishing lexical and conceptual relations among words to deliver patterns of meaning. To do that, the software could have been used to identify themes and concepts and to code them into units of meaning to be investigated vis-á-vis the two main research questions. Also, this would have helped the author adapt to new research software, adding additional value to his PhD journey since it would have allowed him to acquire a new skill. However, after careful evaluation it emerged that the common criticism of using NVivo is the impossibility of proceeding through data validation due to the lack of transparency within the automatic coding process provided by the software. In fact, as per other software programmes, "none escapes the fact that qualitative analysis is an interpretative process driven by what the analyst sees in, and makes of, the data," (Braun and Clarke, 2019, p. 220). Hence, the author concluded, in line with Grimmer and Stewart (2013), that since there are not consolidated methodologies to deal with automation, it would be too risky to proceed using such software.

The framework analysis is based on an iterative 5-step process which generates a matrix. It starts with a phase called familiarisation, in which the researcher got familiar with data including interviews audio recordings, interview notes, and interview transcriptions. Following this step, an initial framework can be identified. During the third step, such a framework is applied to the transcriptions so that each code could be applied to the transcripts. In the fourth phase, audio recordings are listened to again and transcriptions reread to get to a deeper level of immersion and, in the fifth phase, matched with comments to create themes and subthemes.

In the following sections the author focuses on how thematic analysis was used in the classical form and in the form of the framework method to analyse data in view of the two research questions of the study:

1. *How do crowdinvestors make an investment decision?*
2. *What are the needs that drive the investment decisional process?*

Attention is now given to the first research question: *How do crowdinvestors make an investment decision?*

4.14.1 Research question 1

To understand and model the investing decisional process, the framework analysis method highlighted above was leveraged. The researcher became familiarised with data from 15 prospect prospective crowdinvestors based in the EU and US. In this regard, the author listened to recorded interviews, went through notes taken during the interviews, and through a journal compiled in the aftermath of each interview. Then the author proceeded through a verbatim transcription of the interviews. Following the transcription, the author coded them to finds paths of meaning. From those paths, the author derived subthemes and themes which constituted the steps of the investing decisional process. The author then went through each theme for each interview to substantiate each step in the process, culminating in an analytical framework being derived.

As per the indications derived from the pilot interview, the author asked participants[7] the umbrella question: *Could you please synthesise, in the form of successive steps, the process you follow to make an investment decision in the context of equity crowdfunding?* This was necessary and it emerged as useful in providing the participant with an anchor which helped them maintain focus, putting them at ease, creating optimal rapport with the interviewer and gaining the most genuine answers, that is, a greater quality of data.

Could you please synthesise, in the form of successive steps, the process you follow to make an investment choice with regard to your investments in the context of equity crowdfunding?	
PC1	"(...) I should say my approach is quite irrational to some extents being that based more on emotions, that is, I can be particularly fond of a brand, I can appreciate the approach of a founder, I can be interested in the impact a company could have more than going through facts and figures of a company."
PC2	"Um, they are all quite different."
PC3	"First of all, I go off my interests (…) I look at those interests, watch the news and then (...) I will go to equity crowd funding portals (…) I will start there by looking around watch some YouTube videos (…) look at what the terms are (...) I think about it for a few days."

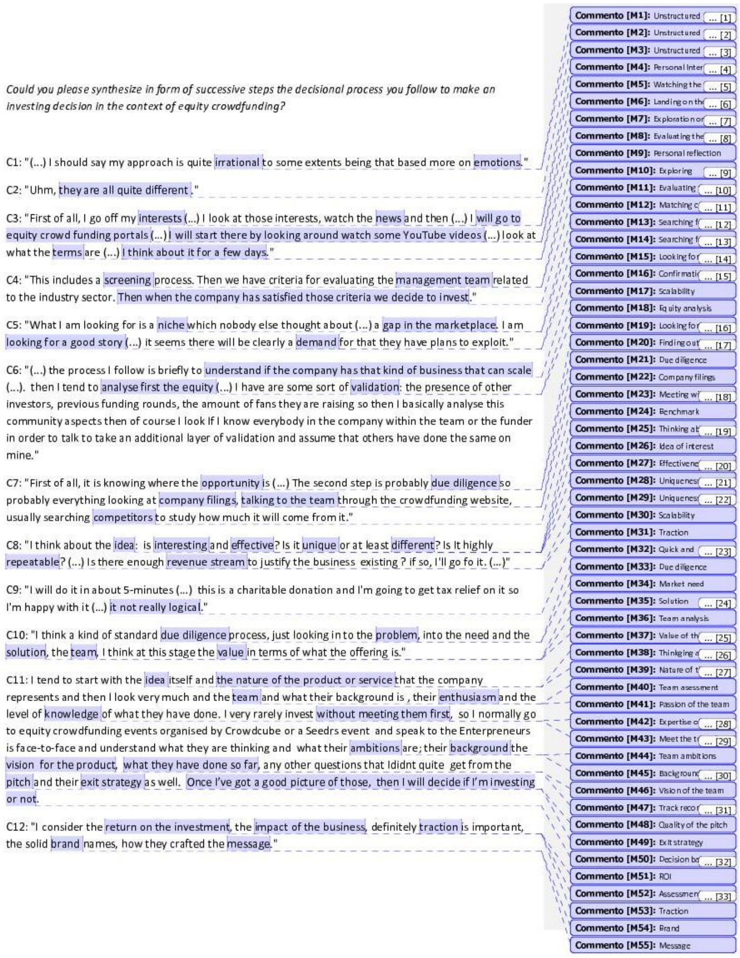
[7] For privacy issues, and in line with Ethical Approval of the University of Worcester, each participant was randomly anonymised by providing an alphanumerical code compound by a letter (i.e. PC for Prospective Crowdinvestor) and a number between 1 and 15.

PC4	"This includes a screening process. Then we have criteria for evaluating the management team related to the industry sector. Then when the company has satisfied those criteria we decide to invest."
PC5	"What I am looking for is a niche which nobody else thought about (...) a gap in the marketplace. I am looking for a good story (...) it seems there will be clearly a demand for that they have plans to exploit."
PC6	"(...) the process I follow is briefly to understand if the company has that kind of business that can scale (...). then I tend to analyse first the equity (...) I have are some sort of validation: the presence of other investors, previous funding rounds, the amount of fans they are raising so then I basically analyse this community aspects then of course I look If I know everybody in the company within the team or the funder in order to talk to take an additional layer of validation and assume that others have done the same on mine."
PC7	"First of all, it is knowing where the opportunity is (...) The second step is probably due diligence so probably everything looking at company filings, talking to the team through the crowdfunding website, usually searching competitors to study how much it will come from it. The more confident I am the more the more I'll commit. I think that summarizes."
PC8	"I think about the idea: is interesting and effective? Is it unique or at least different? Is It highly repeatable? (...) Is there enough revenue stream to justify the business existing ? if so, I'll go for it. (...)"
PC9	"I will do it in about 5 minutes (…) this is a charitable donation and I'm going to get tax relief on it so I'm happy with it (…) it not just really logical."
PC10	"I think a kind of standard due diligence process, just looking into the problem, into the need and the solution, the team, I think at this stage the value in terms of what the offering is."

PC11	"I tend to start with the idea itself and the nature of the product or service that the company represents and then I look very much and the team and what their background is, their enthusiasm and the level of knowledge of what they have done. I very rarely invest without meeting them first, so I normally go to equity crowdfunding events organised by Crowd Cube or a Seedrs event and speak to the Entrepreneurs is face-to-face and understand what they are thinking and what their ambitions are; their background the vision for the product, what they have done so far, any other questions that I didn't quite get from the pitch and their exit strategy as well. Once I've got a good picture of those, then I will decide if I'm investing or not."
PC12	"I consider the return on the investment, the impact of the business, definitely traction is important, the solid brand names, how they crafted the message."
PC13	"First of all, I think that I have to be grabbed by the idea and what is the problem that it is trying to solve or the things that they are trying to alleviate. (...) then in a non-quantitative way, what the addressable market is. Within that addressable market, I think about (...) if it's technologically based (...) immensely scalable and obviously compliance issues. The next thing is (...) if is there a social and environmental aspect to it that, I believe in or agree with."
PC14	"Interesting ideas discussed with the founder, research the market, review legal and financial, and then usually commit."
PC15	"I can mention just a few steps: the composition of the management team, the position of the business model with product or service, make sure that the team has a good understanding of the financials and I do require a personal meeting the personal relationship is part of the investment decision making process."

Tab. 4 Umbrella question. (Elaboration of the author)

Three respondents answered there is not a specific process they follow, that their approach is unstructured, not logical. The remaining part of the cluster, compounded by 12 prospective crowdinvestors, shared their paths as shown in figure 14.


Could you please synthesize in form of successive steps the decisional process you follow to make an investing decision in the context of equity crowdfunding?

C1: "(...) I should say my approach is quite irrational to some extents being that based more on emotions."

C2: "Uhm, they are all quite different ."

C3: "First of all, I go off my interests (...) I look at those interests, watch the news and then (...) I will go to equity crowd funding portals (...) I will start there by looking around watch some YouTube videos (...) look at what the terms are (...) I think about it for a few days."

C4: "This includes a screening process. Then we have criteria for evaluating the management team related to the industry sector. Then when the company has satisfied those criteria we decide to invest."

C5: "What I am looking for is a niche which nobody else thought about (...) a gap in the marketplace. I am looking for a good story (...) it seems there will be clearly a demand for that they have plans to exploit."

C6: "(...) the process I follow is briefly to understand if the company has that kind of business that can scale (...). then I tend to analyse first the equity (...) I have are some sort of validation: the presence of other investors, previous funding rounds, the amount of fans they are raising so then I basically analyse this community aspects then of course I look If I know everybody in the company within the team or the funder in order to talk to take an additional layer of validation and assume that others have done the same on mine."

C7: "First of all, it is knowing where the opportunity is (...) The second step is probably due diligence so probably everything looking at company filings, talking to the team through the crowdfunding website, usually searching competitors to study how much it will come from it."

C8: "I think about the idea: is interesting and effective? Is it unique or at least different? Is It highly repeatable? (...) Is there enough revenue stream to justify the business existing ? if so, I'll go fo it. (...)"

C9: "I will do it in about 5-minutes (...) this is a charitable donation and I'm going to get tax relief on it so I'm happy with it (...) it not really logical."

C10: "I think a kind of standard due diligence process, just looking in to the problem, into the need and the solution, the team, I think at this stage the value in terms of what the offering is."

C11: I tend to start with the idea itself and the nature of the product or service that the company represents and then I look very much and the team and what their background is , their enthusiasm and the level of knowledge of what they have done. I very rarely invest without meeting them first, so I normally go to equity crowdfunding events organised by Crowdcube or a Seedrs event and speak to the Enterpreneurs is face-to-face and understand what they are thinking and what their ambitions are; their background the vision for the product, what they have done so far, any other questions that Ididnt quite get from the pitch and their exit strategy as well. Once I've got a good picture of those, then I will decide if I'm investing or not.

C12: "I consider the return on the investment, the impact of the business, definitely traction is important, the solid brand names, how they crafted the message."

Fig. 14 Coding example. (Elaboration of the author)

From the analysis, the author formulated 67 codes after eliminating those related to the responses of participants who do not follow or cannot identify any particular process.

Codes
Personal interests are the driver in exploring
Watching the news to keep informed
Landing on the platform
Use of social media

Evaluating the legal terms
Personal reflection
Exploring alternatives
Evaluating the team v. the industry
Matching criteria to make a decision
Searching for a market niche
Searching for a gap in the market
Looking for a good story to understand the offer
Confirmation of the market need
Scalability
Equity analysis
Looking for some kind of validation from third parties
Finding out if there is a market opportunity
Due diligence
Company filings
Meeting with the team through the platform
Benchmark
Thinking about the quality of a business idea
Idea of interest
Effectiveness of idea
Uniqueness of the idea
Traction
Quick and emotional approach to crowdinvesting
Market need
Solution assessment
Team analysis
Value of the company
Thinking about the Idea
Nature of the product or service
Team assessment
Passion of the team
Expertise of the team
Meet the team face to face
Team ambitions
Background of the team
Vision of the team
Track record of the team
Quality of the pitch
Exit strategy
Decision based on the whole picture
ROI
Assessment of the impact of the business
Traction
Brand
Message

Grabbed by the idea
Problem to solve
Non quantitative evaluation of the market potential
Size of the market
Compliance issues
Social and environmental impact assessment
Looking for an interesting idea
Meeting with the founder do discuss it
Analysis of the market
Legal issues
Financials
Composition of the team
Business model vis-à-vis the product/service
Looking at the financial expertise of the team

Tab. 5 Codes. (Elaboration of the author)

Codes were then analysed in view of the research question. First, in order to ease the "at a first glance comprehension" of collected data, holistic visualization of the codes was done by the means of a word cloud (Bletzer, 2015) developed through an online word cloud generator[8].

Fig. 15 Code tag cloud. (Elaboration of the author)

[8] Word Cloud Generator by Monkey Learn

This helped the author to draw a rough picture of the main elements of the prospective crowdinvestors' decision making. Codes like ideas, team, market, and assessment emerged as being mentioned more. This helped the author to define some initial entry points in the analysis of data. In particular, in view of the research question, those emergent codes suggested the presence of a movement, that is, the confirmation of the presence of some sort of proactivity by the prospective crowdinvestor in evaluating different aspects of the promoted entrepreneurial project on the platform. In this regard, it could be argued that, at a very general level, ideas, market, and team are some of the key aspects evaluated by the prospective crowdinvestor. However, the process was still not clear at this point. Whilst helpful in offering some clues, however, the word cloud was blurred, representing just one of the very initial steps towards the creation of bigger units of meaning (themes) to which those codes belong with regard to the research question.

In analysing the relations between codes, the author found confirmation of the presence of a progression.

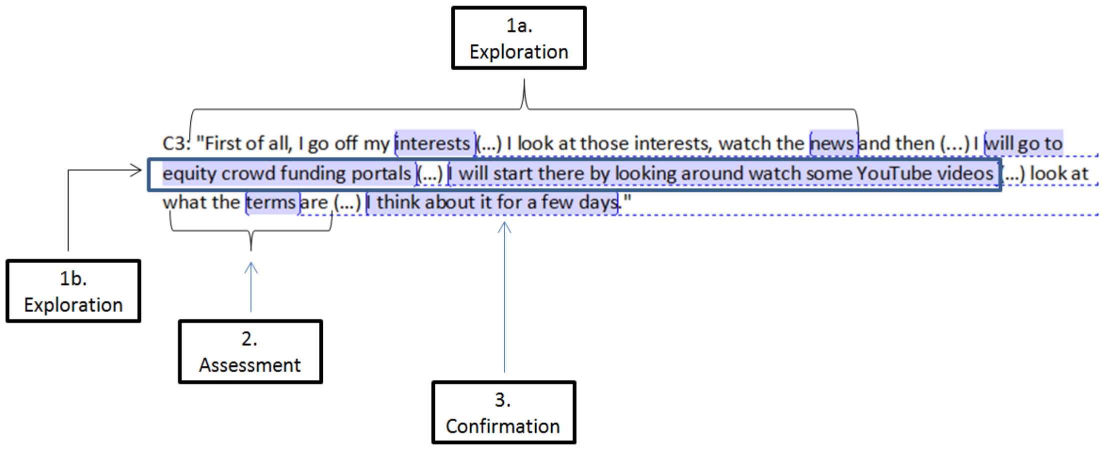


Fig. 16 Example of coding. (Elaboration of the author)

In particular, from the analysis emerged the observation that the prospective crowdinvestors follow a process which includes at least three different phases: an exploration phase, an assessment phase, and a confirmation phase in view of the final choice. Then a process characterised by an input and an output with some steps in between started to emerge.

Assuming the output is common to all the participants, that is, the decision to make (or not) an investment, the author created 3 conceptual units of meaning, i.e., themes, as follows:

- Exploration, referring to the phase of the process in which the exploration of a business idea (an investment opportunity) takes place;
- Assessment, referring to the phase of the process in which the assessment of a business idea (an investment opportunity) takes place;
- Confirmation, referring to the phase in which the confirmation of interest of a business idea (an investment opportunity) takes place.

The table below shows how codes were grouped in themes with regard to the research question.

Codes	**Themes**
Personal interests are the driver in exploring	Exploration
Watching the news to keep informed	Exploration
Landing on the platform	Exploration
Searching for a market niche	Exploration
Searching for a gap in the market	Exploration
Finding out if there is a market opportunity	Exploration
Looking for an interesting idea	Exploration

Exploration on the platform	Exploration
Evaluating the legal terms	Assessment
Evaluating the team v. the industry	Assessment
Scalability	Assessment
Equity analysis	Assessment
Due diligence	Assessment
Company filings	Assessment
Benchmark	Assessment
Thinking about the quality of a business idea	Assessment
Idea of interest	Assessment
Effectiveness of idea	Assessment
Uniqueness of the idea	Assessment
Traction	Assessment
Market need	Assessment
Solution assessment	Assessment
Team analysis	Assessment
Value of the company	Assessment
Thinking about the idea	Assessment
Nature of the product or service	Assessment
Team assessment	Assessment
Passion of the team	Assessment
Expertise of the team	Assessment
Team ambitions	Assessment
Background of the team	Assessment
Vision of the team	Assessment
Track record of the team	Assessment
Quality of the pitch	Assessment
Exit strategy	Assessment
ROI	Assessment
Assessment of the impact of the business	Assessment
Traction	Assessment
Brand	Assessment
Message	Assessment
Problem to solve	Assessment
Non quantitative evaluation of the market potential	Assessment
Size of the market	Assessment
Compliance issues	Assessment
Social and environmental impact assessment	Assessment
Analysis of the market	Assessment
Legal issues	Assessment
Financials	Assessment
Composition of the team	Assessment
Business model vis-à-vis the product/service	Assessment
Looking at the financial expertise of the team	Assessment

Good story to understand the offer	Assessment
Exploring alternatives	Confirmation
Matching criteria to make a decision	Confirmation
Confirmation of the market need	Confirmation
Looking for some kind of validation from third parties	Confirmation
Meeting with the team through the platform	Confirmation
Meet the team face to face	Confirmation
Decision based on the whole picture	Confirmation
Grabbed by the idea	Confirmation
Meeting with the founder do discuss it	Confirmation
Personal reflection	Confirmation

Tab. 6 Developing themes. (Elaboration of the author)

This helped the author find consistency in the huge amount of diversity expressed by the participants in their decision-making. From a framework perspective, the investing decisional process could be defined at large as follows:

Exploration	Assessment	Confirmation

Tab. 7 Themes. (Elaboration of the author)

To provide more emphasis on the specific activity of the investor in view of a final investment choice and to reach a greater terminological consistency with the research community, the author chose to rename these steps as follows:

Discovery	Evaluation	Validation

Tab. 8 Final themes. (Elaboration of the author)

To provide a deeper level of analysis, the author analysed each theme, as a step of the process, by going again through the answers provided by the participants to find out how each phase characterises it, and how prospect prospective crowdinvestors move from one moment of the decisional process to another. This is the focus of the chapter on findings and discussion.

4.14.2 Research question 2

With regard to research question 2, data analysis was employed using a classical form of thematic analysis.

From the coding activity and successive simplification to avoid duplications, following codes emerged:

- Ego boosting
- Being valued as a form of belonging
- One-to-one relationship with the business
- Being part of an entrepreneurial project
- Contributing to a better society
- Fostering a positive impact being part of an entrepreneurial project with impact
- Helping society move forward towards something better
- Creating a more level playing field for a more inclusive form of society
- To support companies which can have a positive impact on society
- Supporting changemakers to foster a better society
- Supporting peers

From this, the author derived the following themes: self-esteem and the need of belonging. The latter was further articulated in the need of belonging to an entrepreneurial community, need of belonging to a fairer society, and need of belonging to the group of peers, as shown in table 9.

Codes	Themes (Needs)	Subthemes
Ego boosting	Self Esteem	
Being valued as a form of belonging	Need of belonging	
One to one relationship with the business	Need of belonging	Entrepreneurial community
Being part of an entreprenuerial project	Need of belonging	Entrepreneurial community
Contributing to a better society	Need of belonging	Better society
Fostering a positive impact being part of entrepreneurial project with impact	Need of belonging	Better society
Helping society move forward towards somethign better	Need of belonging	Better society
Creating a more level playing field for a more inclusive form of society	Need of belonging	Better society
To support companies which can have a positive impact on society	Need of belonging	Better society
Supporting changemakers to foster a better society	Need of belonging	Better society
Supporting peers	Need of belonging	Group of peers

Tab. 9 Research question 2: codes, themes, and subthemes. (Elaboration of the author)

Attention is now given to the conclusion of the chapter.

4.15 Conclusions

The aim of the present chapter is to present the method used to collect and analyse data. Throughout this chapter, the research has explored a number of possible options and combinations to set the research design needed to collect and analyse data to the best of the researcher's capabilities. To do that, the researcher identified rationales to proceed through the selection of the adequate method of inquiry. This helped the researcher to address strengths and weaknesses present in every possible choice and stay fit for purpose. Ethical considerations were made and followed. Finally, data analysis was provided.

Attention is now given to the findings which emerged from data analysis, and the related discussion.

Chapter 5

Findings and discussion

5.1 Introduction

The aim of this section is to present and discuss the findings. As with any other theoretical effort, the present study is naturally affected by attempts at simplification by the researcher. This is due to the limitations related to the investigations highlighted above and to the fact that naturally any research effort is a simplification of reality, per se (Caro et al., 2012). This, however, does not prevent the researcher from providing a structured understanding of the examined topic, which will be helpful in advancing the understanding of the scientific community with regards prospective crowdinvestor behaviours in the context of equity crowdfunding.

Given the above, as mentioned in the closing phases of the literature review, the author addresses two main research questions:

1. *How do crowdinvestors make an investment decision?*
2. *What are the needs that drive the investment decisional process?*

Accordingly, during the first section of the present chapter, the investing decision process of the prospective equity crowdinvestor is modelled to address research question 1, that is, *How do crowdinvestors make an investment decision?* The second section focuses on addressing research question 2, that is, *What are the needs that drive the investment decisional process?* Through this, the author attempts to identify the needs which underpin the decision-making process of the prospective crowdinvestor in the context of equity crowdfunding.

Attention is now given to modelling the investing decisional process of the prospective crowdinvestor in the context of equity crowdfunding.

5.2 Research question 1

The present section of the current work focuses on modelling the investment decisional process of crowdinvestors. Themes, sub-themes, and sub-sub-themes constitute the steps or stages[9] of the decisional process, as is shown in the course of the text.

5.2.1 *Theme 1: Discovery*

The discovery theme is substantiated by the following codes:

- Watching the news to keep informed
- Landing on the platforms
- Using social media
- Searching for a market niche
- Searching for a gap in the market
- Finding out if there is a market opportunity
- Looking for an interesting idea

[9] In this context steps and stages are used as synonyms meaning a level of action (e.g. a stage or a step in the process).

This emerged in a particularly clear way from a participant; the discovery phase starts with the acquisition of information, an activity which passes through the analysis of information channels:

"I watch the news." (PC3)

However, this activity is not limited to a kind of general form of information acquisition via traditional media channels. Indeed, the equity crowdfunding platform represents a source of information to see if something interesting could pop up, as stated by a participant:

"I will go to equity crowdfunding portals." (PC3)

This suggests, moreover, a sort of proactiveness in searching for an investment opportunity. Platforms are seen as a real business partner in the activity of discovering because they seem to provide additional value. As one prospective crowdinvestor stated:

"Newsletters help a lot, portals do help a lot because I don't have those same connections as the venture capitalists or whoever, you know, the big investors, so it helps to kind of whittle it down as I know there are many companies that you would never hear about and that helps. Most of the reputable portals have a selection process it's pretty strict, it helps a lot." (PC3)

From this, the importance of other information tools emerges, such as newsletters, because they are perceived as the direct expression of the quality of an equity crowdfunding platform; a kind of business partner in the decisional process.

However, the activity of discovery is not limited to navigating the platforms. Indeed, social media also appears to be an additional channel to explore, possibly by providing a wider focus than just keeping an eye on the news or searching for something interesting on the platform, however selective the investor may be. For example, one participant stated that when something interesting pops up on the platform, social media constitutes a supplement of information that enriches the activity of discovery:

"I will start there by looking around watch some YouTube videos." (PC3)

For some, the activity of discovering an investment opportunity is linked to a specific purpose. For example, one participant confirmed that they look for a market niche, for a gap in the market, an interesting idea for which there is demand that can be developed:

"What I am looking for is a niche which nobody else thought about (...) a gap in the marketplace. I am looking for a good story (...) it seems there will be clearly a demand for that they have plans to exploit." (PC5)

Albeit with a limited amount of detail, the main characteristics of the discovery phase start to emerge. Both traditional and innovative media channels are used to gather information to spot business opportunities that can be considered viable investment opportunities. As explained by one prospective crowdinvestor:

"It's about keeping an eye on the general trends as a whole at a macro level and find something interesting in which you can look into, especially problems which do not have solutions and finding projects we can provide a solution compared to what the status quo is, where the pain point is." (PC10)

In other words, the goal of this discovery phase is spotting an investment opportunity on the basis of some previous considerations made by the prospective crowdinvestor.

"First of all, it is knowing where the opportunity is." (PC7)

In a more detailed and structured way:

"I do read newspapers every day, I have subscriptions to national newspapers, so I read the news for instance, about electric cars and the environmental arguments for that, so when an opportunity comes up, I marry what I know about that marketplace with the news." (PC5)

From this, it could be argued that the main tendency within the cluster, in terms of information acquisition, includes critical news consumption and a kind of market intelligence. Such an approach can be defined as top-down and consists of collecting all the elements needed to create a big picture whereby the start-up would fit.

However, there are also cases in which the discovery phase can be bottom-up, like in the case of the participant who stated that:

"It has normally been stimulated by receiving an email (from an entrepreneur), stating that they are now on the platform." (PC13)

All in all, this theme could be considered the very first step of the investment decisional journey. Discovery is all about information gathering.

Discovery
Information gathering

Tab. 10 Discovery: information gathering. (Elaboration of the author)

Indeed, during the first step of their investment journeys in the context of equity crowdfunding, prospective crowdinvestors usually gather information about the general market environment. They do that by leveraging all the traditional information channels, such as media outlets, market reports and newsletters. As such, this approach is top-down;

one through which prospective crowdinvestors keep themselves informed about the general and emerging economic and social trends, their particular areas of interest. This suggests the prospective crowdinvestor is an informed person with a particular interest for the economic environment and the new evolutions of the business. However, there are also cases whereby entrepreneurs promoting their projects via equity crowdfunding platforms get in touch directly with prospective crowdinvestors, making them aware of such an investment opportunity, usually by the means of online messaging. The above can be seen as a holistic phase whereby the prospective crowdinvestor acquires information from different levels of focus, spanning from the general economic scenario to the specific investment proposal by leveraging both a top-down and a bottom-up approach.

5.2.2 *Theme 2 – Evaluation*

The second theme is the central one within the whole decisional making process of the crowdinvestor in the context of equity crowdfunding. In it, the decision maker evaluates the business idea promoted on the platform, taking several aspects into consideration.

In particular, after a long period of time spent analysing codes, the author started to spot a number of patterns of meanings. For example, prospective crowdinvestors seem to look at both soft elements of the proposal, such as the idea and the quality of the pitch, but also at more concrete elements, such as the financials of the company and the legal aspects of the proposal. In other words, the coexistence of two main aspects started to emerge: the investigation of soft elements and the investigation of hard elements, which the author refers to as soft due diligence and hard due diligence.

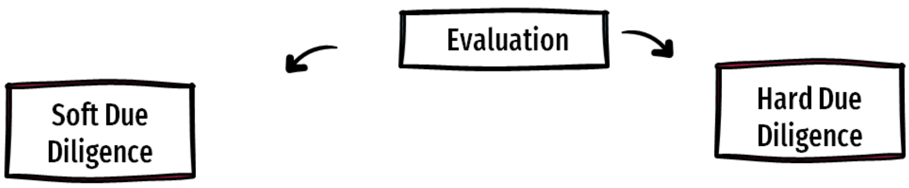


Fig. 17 Evaluation: Soft and hard due diligence. (Elaboration of the author)

To avoid data obesity (Braun and Clarke, 2013, pp. 223-246), the author made the decision to split his focus in two areas, defined as the soft facts area of analysis and the hard facts area of analysis. Following this operation, whilst still analysing codes, the author started to form categories to group units of meaning under each theme. For instance, looking at the soft side of the story, people and idea represented two key categories around which other codes were grouped.

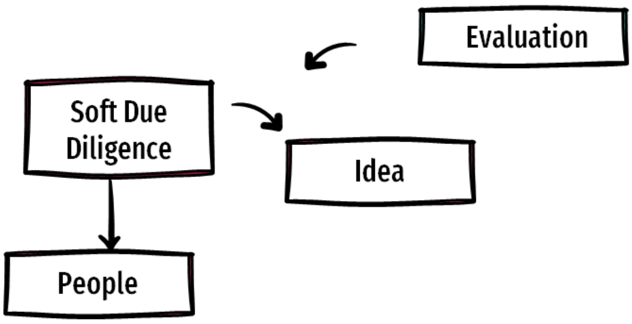


Fig. 18 Soft due diligence: People and idea evaluation. (Elaboration of the author)

For instance, expertise, entrepreneurial track records, the passion and the vision of the team, and their ability to deliver on their promise all emerged as elements linked to the people side of the story.

Looking at the idea, elements like the market fit of the idea, the market analysis, analysis of the brand, and the message all emerged as consistent elements to populate this category in addressing the question of whether (or not) the idea could represent a business opportunity. The same has been done on the hard facts area of analysis, where financial and legal aspects constituted the main elements to consider for grouping within this category.

Also, the prospective crowdinvestor focuses on hard facts, such as the legal aspects of the proposal and the financials of the promoted entrepreneurial project.

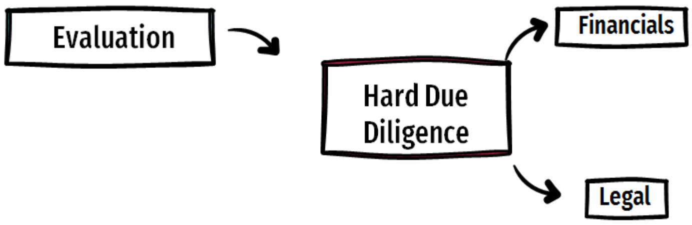


Fig. 19 Hard due diligence: Legal aspects and financials evaluation. (Elaboration of the author)

In short, this helped the author focus on two sub-themes: hard due diligence, that is, the evaluation of the hard facts about the company (financials, legal aspects), and soft due diligence, that is, the evaluation of soft aspects of the company (business idea, people, the idea’s fit with the market).

Attention is now directed to the analysis of the two sub-themes which emerged from the interviews, soft due-diligence and hard due-diligence. To smooth the reader’s experience, the author uses the above maps to provide a guide to comfortably follow the text.

5.2.2.1 Sub-theme 1: Soft due diligence

Sub-theme 1 articulates around three sub-sub-themes: *Familiarization, Idea/Market fit, and People*.

Attention is now given to their analysis.

5.2.2.1.1 Sub-sub-theme 1: Familiarisation

The following codes emerged from the coding activity, with the list simplified below to avoid duplicates:

- Thinking about the business idea
- Idea of interest
- Effectiveness of the idea
- Uniqueness of the idea

Whilst the information gathering of the discovery phase can be considered as a preliminary activity which preludes the decision-making activity, the business idea represents its starting point. As one participant confirmed:

"I tend to start with the idea." (PC11)

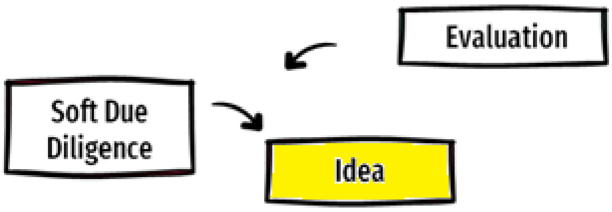


Fig. 20 Starting with the idea. (Elaboration of the author)

Why is that the case? Certainly, the idea represents the main gateway in the decisional process. But still the question of why remains. One prospective crowdinvestor pointed out that there is more than that, as:

"I have to be grabbed by the idea." (PC13)

This suggests that the idea constitutes an emotional hook, a trigger for the prospective crowdinvestor moving forward in their evaluation. This is possibly related to the fact that the business idea represents the entrepreneur's promise and, as such, it is the entry point of a potential new journey for both the entrepreneur and the prospective crowdinvestor. Whilst for the former it is the first step towards the creation of a new business, for the prospective crowdinvestor it is the real first steppingstone towards the final decision to support (or not) the project by pledging to it.

Quality emerges as an important trait to help prospective crowdinvestors build their confidence to support an entrepreneur, because at the end of the day, as a prospective crowdinvestor claimed:

"A good idea is a good idea." (PC3)

Others were more articulated in offering their vision on this:

"I think about the idea: is interesting and effective? Is it unique or at least different? Is it highly repeatable?" (PC8)

For the prospective crowdinvestor to move forward, a good idea has thus to have some characteristics: it has to be interesting, effective, unique, and be highly repeatable, all factors that suggest that in delivering on the promise, the entrepreneur can maintain a sort of competitive advantage which would allow prospective crowdinvestors to maximise their interests, be they financial or not, as seen above. Indeed, saturating data, a prospective crowdinvestor confirmed:

"It is worth risking losing money for something that I think is a good idea." (PC8)

From this it can be inferred that from a business standpoint, a good idea is the premise for a business proposal to be successful. In other words, the entrepreneur needs a good idea to make it work. At the same time, though, the prospective crowdinvestor needs to think it is a good idea, possibly on the basis of what others say, for example in the news, as seen above. Therefore, when there in an overlap between the two, from a more personal perspective, that is, a crowdinvestor perspective, the point could become less financially orientated: I can afford to lose money, provided that there is something on the plate I consider to be a good idea.

Yet, the concept of what a good idea actually entails remains vague. What are the criteria to define a good idea? One prospective crowdinvestor pointed out:

"I have some general criteria around kind of things that are interesting. I know that by reading the first two lines of a description looking into my areas of interest." (PC14)

From this, it appears that defining a good idea is more a gut feeling based on experience and familiarity with a sector than something else. Possibly, this kind of orientation allows the prospective crowdinvestor to recognise the premises for a down-to-earth sort of project. As another prospective crowdinvestor articulated:

"I immediately recognise the validity of the project if it didn't seem like pie in the sky, if I didn't see a fantastic idea, but a credible idea." (PC5)

Thus, it could be argued that the prospective crowdinvestor is willing to pledge to a project if that project is underpinned by a good idea, that is, a credible idea, since reliability, whatever it means in their perspectives, is a signal of the validity of the project. In other words, in making such an evaluation, the prospective crowdinvestor, relying on their experience, seems to ask the entrepreneur: can I trust you? Indeed, in the end, it is about believing, as one prospective crowdinvestor pointed out:

"I have to believe in the idea and a lot of it is about faith and belief." (PC13)

All in all, familiarising with the business idea represents the gateway to move from a general information gathering phase towards a more focused activity. It is the idea which hooks the prospective crowdinvestor, helping them move forward in their decisional process. It is the first stepping-stone to start building trust between the two sides of the table, that is, the entrepreneur and the prospective crowdinvestor.

Consequently, the initial framework starts to become more articulated, as after the discovery case a familiarization step can be added as part of a soft due diligence, as follows:

Discovery	Evaluation
Information gathering	Soft Due Diligence
	Familiarisation

Tab. 11 Evaluation: Familiarisation. (Elaboration of the author)

All in all, the familiarisation step represents the gateway through the final investing decision. In it the prospective crowdinvestor tries to make the very first initial considerations about the business idea. Different approaches to evaluate a business idea emerged from the analysis. That said, common to the prospective crowdinvestors seems to be the orientation to look for a good idea which is interesting, effective, unique, highly repeatable, and credible; all factors which can constitute the premise for the future success of the business. However, defining what a good idea entails remains in the reign of gut feelings, based on experience and familiarity with a sector. In view of the above, this phase can be considered as being characterised by a high degree of irrationality. Therefore, additional information is needed, as pointed out by this prospective crowdinvestor:

"You will need enough information to make a decision." (PC10)

Attention is now directed to the other phases of the evaluation, focussing on the additional information a prospective crowdinvestor needs: the Ideas/Market Fit.

5.2.2.1.2 Sub-sub-theme 2: Idea/Market fit

From the analysis of codes, it became apparent that the prospective crowdinvestor tries to make an evaluation of potential start-ups to support by looking at their main characteristic traits, that is, the idea-market fit. In other words, participants try to evaluate whether there is a good market and a good idea which can satisfy the market need. How do they this?

Whilst an idea is important to hook the interest of the prospective crowdinvestor, this is not sufficient for the investor to move on with their evaluation. This is something which has been defined by an investor as the:

"Marketisation of the idea." (PC14)

In other words, the fit between the idea and the market is a key element of the analysis because it signals:

"The entrepreneurial viability of the project." (PC14)

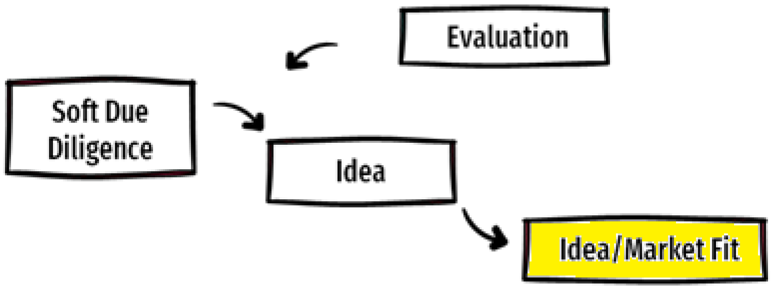


Fig. 21 Idea/Market fit. (Elaboration of the author)

Indeed, prospective crowdinvestors want to know whether the idea could potentially have some sort of future. For this reason, one of the first activities carried out is evaluating how big the market is. A prospective crowdinvestor pointed out:

"For me it is how big the total addressable market is. For example, I have recently invested in a company whose market, I could research it, but for me it was quite obvious that it is at least 1 billion pounds market. In contrast, even in presence of a lifestyle brand but with a considerable smaller market I wouldn't go for it because it would be a much more complex analysis process for something that might not have a big return." (PC7)

The process of analysing the addressable market is indeed complex to the point that for some it is not possible to do it in a quantitative way. A prospective crowdinvestor said that they do it:

"(...) in a non-quantitative way (...). I am unlikely to have the data for this and to be able to analyse what the addressable market is, and a gut feel for what it is; for the beer market just moving away from the mega suppliers to more craft beer. Total market size is

probably not going to vary hugely, whereas other things particularly on the green and social end, recycling and that sort of thing, solar power, wind power and that sort of thing, there is a huge growth and a very large addressable market.” (PC13)

As added later in the interview on this regard:

“It's about what I believe in.” (PC13)

That is, again, the idea:

“That depends on the idea.” (PC13)

Therefore, from this perspective and as explored above in the section about the role of business idea, it could be argued that the perception of the idea plays a great role in such an evaluation.

This links the analysis to one of the key features of an idea, that is, the feasibility of the solution it carries:

“One of the companies I invest in (...) is looking at how to improve the lives of people with Alzheimer's (...) that is a global issue. If you have got the right software, then there's no reason why it couldn't be deployed globally.” (PC13)

Yet, others argue, the efficacy of the proposed solution would depend on the competition in the market (benchmark). For example, a participant pointed out:

"I think it needs to be something where there is genuine differentiation from other things that are already in the market and it needs to be really honestly pitched in terms of what the opportunity is. For example, there was a company a couple of years ago, who were a mail order spice service, and they were using the entire UK supermarket sector to try and frame the size of their opportunity and they were saying if we can get 1% of that we will be doing well. Spice is not 1% of the supermarket sector, I didn't invest in the end, I know a customer of theirs and I use their stuff, but I chose not to invest because I felt that they were slightly disingenuous in the size of what they were trying to do." (PC11)

The participant, as emerges from their words, also referred to positioning as another variable to consider in the benchmarking activity:

"It needs to be really honestly pitched in terms of what the opportunity is." (PC11)

This is why, it could be argued, for some it is important for the company to state:

"how they crafted the message," (PC12)

and consequently:

"solid brand names." (PC12)

The reason for this is explained as follows:

"There is a lot of subconscious, but I'm aware of it because my background is in marketing, so how the brand works is going to make a difference for sure, how they crafted their message and put the message together. I don't know if that's a good answer for the question you are asking me, but this is the reality." (PC12)

The importance of this aspect for some relies on the fact that an effective positioning affects both the traction and the scalability of the project itself. Regarding traction, a participant pointed out:

"If it already has got traction, then I think my level of interest is higher than if it is just not getting traction." (PC13)

Regarding scalability, a participant said:

"Scalability is another important thing, going for something that has huge growth potential and doesn't have too many major competitors is another thing that I look for. There are a lot of breweries that have crowdfunding campaigns but I do not invest in that

because the quality of the product is purely a matter of taste or market choice so you cannot influence which ones will succeed and which will not. I don't do breweries. I have done a few restaurants because I like the team and what they have done before and how they have things grown up." (PC11)

Another said:

"Within that addressable market, I think about it, (…), it is just the domestic market, or the international (…) or global. And if it is global what would be needed to make it global. And part of that comes down to then the scalability of it and how is it used and deployed; so if it's technologically based and if it can be of software-as-a-service or remote access and that sort of thing then, I believe is immensely scalable and with obviously compliance issues and the potential is there, as opposed to something that is a corner shop in London or a single restaurant or whatever." (PC13)

Scalability is important because a part of the expected return on investment is financial, as confirmed by some investors. The rationale is linked to the fact that a company which can scale is a company which can maintain or increase it performance or its efficiency with impact on the financial returns for the investor.

For some of the participants, financial returns remain one of the main motivations to invest:

"At least I look at gaining some return, I am looking what kind of return I can expect in four, five years." (PC12)

However, this does not represent the only type of return prospective crowdinvestors are looking for, as confirmed by this prospective crowdinvestor:

"So, I was less interested in the returns, which would be nice, but I was interested in just following that story it is an interesting sector to be in." (PC11)

And by this one:

"I'm always prepared to have much lower expectations when it comes to a financial return but hope you're doing a social good. An example that would be like a company on Crowdcube (…) which is actually about bees and keeping of bees and education of students and putting rooftop gardens on public buildings or that sort of thing to encourage the keeping of bees as we have a worldwide issue in the decline of bees. I am more inclined to be biased towards things that have a social and environmental dimension." (PC13)

All in all, it can be argued that in this phase of the investing decisional process, the main focus is on the Idea/Market fit, which can be interpreted, in view of the main research question, as the third step toward the final decision, as indicated here:

Discovery	Evaluation	Evaluation
Information gathering	Soft Due Diligence	Soft Due Diligence
	Familiarisation	Idea/Market Fit

Tab. 12 Evaluation: Idea/Market fit. (Elaboration of the author)

To lower the level of uncertainty, that is, the belief of whether something can be successful or not, the prospective crowdinvestor assesses the fit of the idea with the market. Such an activity constitutes the third step of the process, one where the prospective crowdinvestor tries to match the viability of the idea in the real world, that is, the “marketisation of the idea”, as one participant of the study defined it. This is a very complex process within the investing decision-making process. Through it, attention is paid to the viability of the solution proposed by the entrepreneur vis-à-vis the market need. This includes the analysis of competitors and the subsequent positioning the entrepreneur seeks to reach in the market through the project. This helps to assess the capability of the entrepreneur to generate traction, that is, the capability to create a first community of interest around the project and so a first customer base, thus the possibility to generate enough demand for the project to scale up. These elements would help the prospective crowdinvestor answer the question of how the project could be effective in financial (ROI and exit) and nonfinancial terms (impact). This part of the evaluation activity could be mapped as follows:

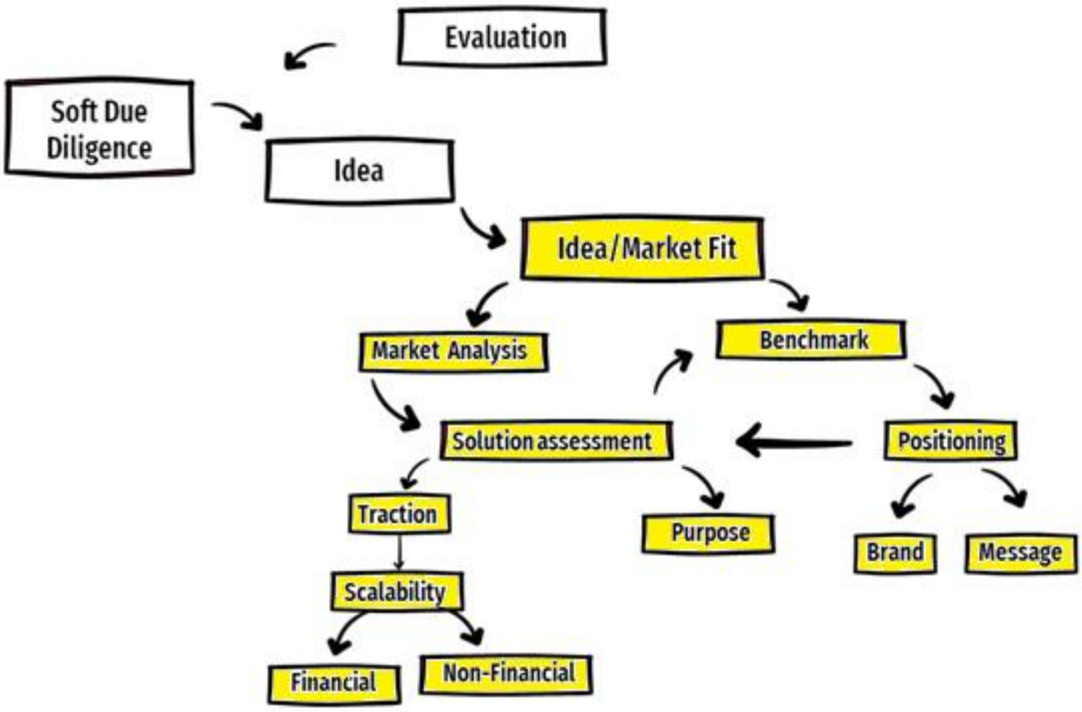


Fig. 22 Idea/Market fit at a glance. (Elaboration of the author)

However, the company should be able to deliver, to execute so as to satisfy the demand. People within the company play a great part in that. In other words, the entrepreneur and their team have to deliver on their promise.

Attention will be now directed to exploring the role of the team in the prospective crowdinvestor's decisional process.

5.2.2.1.3 Sub-sub-theme 3: People

As we have seen so far in the evaluation phase, the prospective crowdinvestor tends to figure out more about the idea and its fit with the market.

"Then I am likely to go to the next level which is then looking at the founder and the team and trying to read more about it." (PC13)

Indeed, the capacity of the people behind and around the business to make a difference by transforming the idea and its potential into a reality through its execution is critical, as the analysis of codes suggests. People emerge at this point as the pivotal variable to shed light on.

A prospective crowdinvestor said:

"We always invest in team." (PC4)

More in particular, what emerges to be of interest is:

"the composition of the management team," (PC15)

hopefully driven by passion and ambition, that is:

"if they are driven to grow and to succeed" (PC7)

and with some sort of technical expertise, like for example:

"a good understanding of the financials." (PC15)

This suggests prospective crowdinvestors look for some technical expertise, which in turn depends on some sort of experience:

"Obviously, if someone has a good track record it gives you confidence in putting your investments alongside everybody else," (PC5)

as well as on the variety of competencies within the team, as to deliver on their promise:

"They have to seem like a good team and that they have complementary skillset," (PC10)

In other words, prospective crowdinvestors look for some sort of know-how, useful for them to gain the confidence needed to invest. This is better explained by one prospective crowdinvestor, who said:

"Ideally they should have worked for a similar company in the past. So for instance a start-up within the same as the market segment (...). It is important that you have knowledge of the business." (PC7)

Of course, one prospective crowdinvestor pointed out, sometimes it is not possible to find entrepreneurial projects developed by people with previous experience in the same field, so it is important that other people around the company have it. As one prospective crowdinvestor explained:

"I would say, I am not going to say that it is not the whole thing because there are some great ideas and great projects from people who have never done anything in this sector before but it helps when you have somebody you can talk to and has expertise that you actually see on the team advising, you don't necessarily need to have a CEO or CFO, that kind of position, but if they are on the advisory board it helps." (PC3)

This aspect also helps to explain why some prospective crowdinvestors do not invest in solopreneurs:

"I have been burnt in the past by one man who I find myself was running the show and they don't have a real team. They have an idea but they didn't have material support behind (...) if it is too centred around one individual then I'm very wary about it". (PC13)

The author saturated the data to find out more about this, and the prospective crowdinvestor went deeper in order to share the personal experience:

"I think there are some entrepreneurs and start-up people that believe that they are God and that they are the only person that counts (...). They are not at all good in ensuring the discipline of either the governance of the board, but it can be a loose board as it doesn't necessarily have to be a paid board, and then the team of advisors that the person has or people they can turn to but who is actually on the board." (PC13)

Probing more, the participant provided an example on why it is so important not to rely, from the prospective crowdinvestor's perspective, on solo entrepreneurs. Further adding that if there is not a team supporting them, there should be some governance in place, and if not a proper governing team some sort of consulting team, that is, experts, to refer to in order to deliver on the promise.

"A very good example was (a company[10]) which I thought was a great idea. I really liked brewery and the guy was quite charismatic and then they turn out to be a complete one man show and it was all about him and he just thought he was the 'bees' knees' and then he appointed his wife as the other director who he didn't utilise and it folded and everyone lost all their money on it. What really struck me was that when these investors got together and formed an investor group of people that communicated regularly, in the hope of saving something, I realised that the depth of talent that there was amongst the investors was phenomenal, spanning from legal to M&A work, international and all sorts of areas

[10] For privacy reasons, the author omits the name of the company.

and this guy just didn't want to listen and had never listened to the community of early investors he had." (PC13)

More in general, the prospective crowdinvestor thinks that this is something wider related to the crowdfunding industry:

"It is something that has really surprised me that they don't hack into that (...) I think that it is a huge under exploited component of crowdfunded operations and I think for governance you should have an investor director on the board." (PC13)

In the end, it could be argued it is a matter of stability. That is, you need somebody reliable in place to lead the operations either with a team in place or with some specific governance in place, or if neither are possible then with external experts or, as a last resort, one of the investors directly involved in the project.

All in all, it can be argued that the most important thing is having in place a band of people able to deal with the future issues the business will encounter during its journey from start-up to something bigger. At the end of the day, a prospective crowdinvestor investing in a new venture is basically betting on its future. And the future is made by challenges and risks that have to be managed. This is why the evaluation of the people behind and around the business idea and its market fit is of the uttermost importance. Especially in a context which, as analysed in the literature review, is hugely affected by high levels of information asymmetries. Prospective crowdinvestors need to be reassured that the people working on the business will be able to deliver on their promises. In other words, it seems like the prospective crowdinvestors ask the entrepreneur: are you and your team a reliable partner to deliver on your promise? In this regard the variety and experience of the team, the presence of a co-founder, of a governance body in being in place, as well as the presence of external consultants, are all signals reputed as reassuring by the prospective crowdinvestor to pledge. In other words, they need to trust the people within the venture to gain the necessary confidence to pledge. This part of the evaluation activity could be mapped as follows:

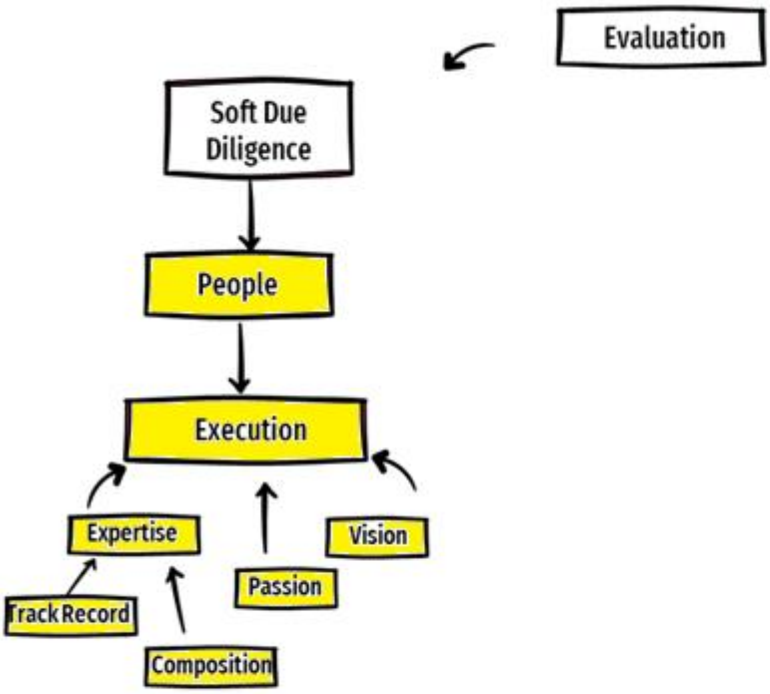


Fig. 23 People evaluation. (Evaluation of the author)

As such, with regard to the main question, a further step can be added as follows:

Discovery	Evaluation	Evaluation	Evaluation
Information gathering	Soft Due Diligence	Soft Due Diligence	Soft Due Diligence
	Familiarisation	Idea/Market Fit	People

Tab. 13 Evaluation: People. (Elaboration of the author)

However, since we are in the realm of educated guesses as to the soft due diligence, to compensate this disequilibrium the prospective crowdinvestors adopt two additional tactics: the first is going through the hard facts of the company to then move forward through additional validation layers, as we will see later in the context of this section.

Attention is now given to the analysis of the hard facts, that is, financial and legal aspects.

5.2.2.2 Sub-theme 2: Hard due diligence

Sub-theme 1 articulates around two sub-themes, that is, the evaluation of legal aspects and financial aspects. Since they are taken into consideration by the crowdinvestor at the same time and with the same sort of light focus, the two are discussed as one, as follows.

5.2.2.2.1 Sub-sub-theme: Legal and financials

With regard to what it is called hard due diligence, some prospective crowdinvestors take legal and financial aspects of the project into consideration, as per the quotes below:

"(...) looking into the legal aspects and financial aspects," (PC14)

or

"(...) and of course, the financial side" (PC3)

and

"I always look at the company filings just to have an idea about key features like revenues." (PC7)

However, many others do not consider those aspects as reliable in a start-up investing environment. One prospective crowdinvestor posited:

"I ignore the financial numbers as I don't think they are worth the paper they are written on. I should probably be shot by my institute for saying that but having been involved in

some of them, I think I have learnt the hard way that actually they are just a shot in the dark." (PC13)

In other words, as one prospective crowdinvestors explained:

"I do not tend to focus so much on that because all forecasts are wrong anyway and one talking about investing or asking for our investments you are growing the numbers anyway. So that are likely to not come true." (PC11)

This view finds corroboration also from the view of another prospective crowdinvestor:

"The financial year of growth is a guess at most of these companies." (PC8)

Indeed, as another prospective crowdinvestor explained in a more technical vein:

"At this stage the evaluation is not so interesting as it is such a binary thing as on the one hand it can be such a high success they would have 10x, or 20x or it would be a total zero." (PC10)

All in all, this subtheme is confirmed to be of minor importance within the cluster of the research compared to the others, and quite controversial, with very polarised views.

With regard to the main research question, looking into financials and legal aspects is still a constituent part of the process (only one prospective crowdinvestor admits he ignores financials), but with different grades of intensity. This part of the evaluation activity could be mapped as follows:

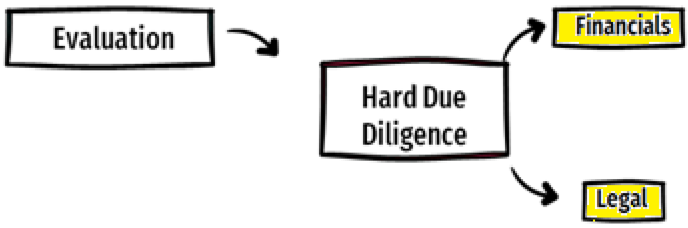


Fig. 24 Legal & Financials evaluation. (Elaboration of the author)

The table below wraps up the investing decisional process so far:

Discovery	Evaluation	Evaluation	Evaluation	Evaluation
Information gathering	Soft Due Diligence	Soft Due Diligence	Soft Due Diligence	Hard Due Diligence
	Familiarisation	Idea/Market Fit	People	Legal & Financials

Tab. 14 Evaluation: Legal & Financials. (Elaboration of the author)

Following the soft due diligence, prospective crowdinvestors go through an evaluation of what can be defined as the hard facts of the entrepreneurial project, including financials and legal aspects. As emerged from the analysis, this is quite a controversial step since for many at this stage those aspects are not reliable, being tantamount to guesswork. However, their evaluation is a constituent part of the process, albeit delivered through a light approach. The whole evaluation phase could be mapped as follows:

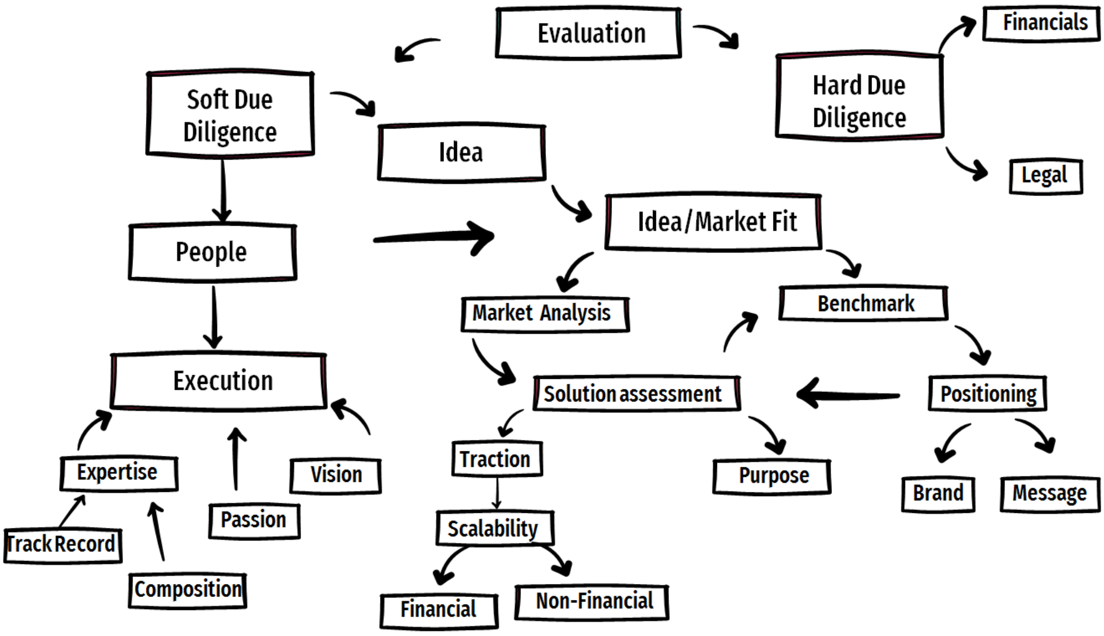


Fig. 25 Evaluation map. (Elaboration of the author)

This phase of the decisional process is preliminary to the final phase, that is, the moment of choice which passes through validation of their activity. The author focuses on this in detail in the following section.

5.2.3 Theme 3: Validation

To make a final investment decision, prospective crowdinvestors have to validate their evaluation. In other words, they have to decide if the business proposal advertised on the platform and evaluated so far is worth investing in or not.

With regard to the validation theme, from the coding activity and successive simplification to avoid duplications, the following codes have emerged:

- Matching criteria
- Confirmation of the market need
- Meeting with the founder/team
- Looking for third parties' validation

To simplify, the author grouped these into two main sub-themes: internal validation and external validation.

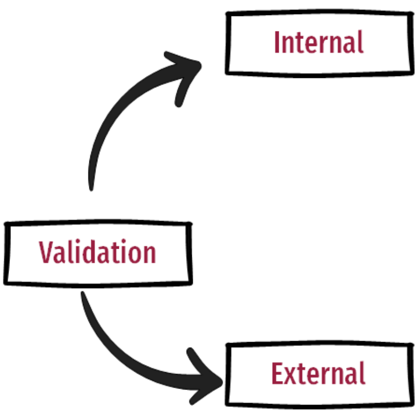


Fig.26 Internal and external validation. (Elaboration of the author)

5.2.3.1 Sub-theme 3: Internal validation

Concerning internal validation, it emerged from the analysis of data that when the investment opportunity matches the evaluation criteria developed by prospective crowdinvestors, they are committed to investing. For example:

“Then when the company has satisfied those criteria we decide to invest.” (PC4)

And:

“Once I’ve got a good picture of those, then I will decide if I’m investing or not.” (PC11)

Alternatively, without any specific evaluation grid, others rely on more personal reflections, like the prospective crowdinvestor below:

“The opportunity will just excite me, it really begins to excite me, and I can’t stop thinking about it, when an opportunity just sticks in your head, you just have to go for it. When you just can’t stop thinking about it and you think, wow, this is amazing, I want to be part of this, that’s when you go for it, even if it is not about calculations or models.” (PC3)

The internal validation activity could be mapped as follows:

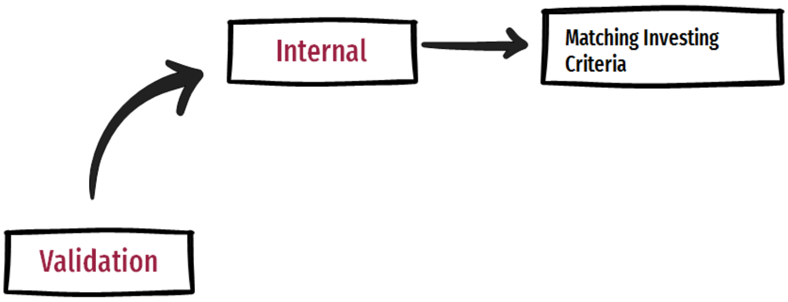


Fig. 27 Internal validation. (Elaboration of the author)

Attention is now given to external validation.

5.2.3.2 Sub-theme 4: External validation

However, more predominantly within the cluster of the present study, the prospective crowdinvestor looks for a kind of external validation. This can be a validation which comes from the market, like in the case of this prospective crowdinvestor committed to investing when:

"It seems there will be clearly a demand for that" and, of course, *"they have plans to exploit."* (PC5)

It can come from the presence of other investors. As one investor posited:

"*I have some sort of validation: the presence of other investors (...) the amount of fans they are raising, so then I basically analyse these community aspects. Then, of course, I look if I know everybody in the company within the team or the funder in order to talk to take an additional layer of validation and assume that others have done the same on mine."* (PC6)

The presence of other investors plays a particular role, that is:

"It's about trusting the validation that so many people have invested in that specific project," (PC6)

In other words, it is about popularity, and this is linked to the possibility of being successful in their fundraising attempt, a thing which is interpreted as a positive signal for future campaigns, as explained by the same prospective crowdinvestor:

"The next one is whether or not that funding round is very popular, which means basically that project is closing to its maximum closing target. This is a positive marker to analyse if the company is able to attract capital easily, which I think not many projects on the platform are able to do so this is for me another significant classifier." (PC6)

Such popularity seems to provide the prospective crowdinvestor with the necessary confidence to pledge. As explained by another participant of the research:

"The herd mentality is a helpful way to reduce your concern of investing and hide your sensation of if I don't do it, I will miss out." (PC8)

However, some prospective crowdinvestors think that the popularity of a project is not a guarantee of success:

"I think in the early days I have relied more on that. I would rely on people who invested as I felt more secure to invest than I would now. Now, I don't look at that so much unless

it's very low if a campaign I see 10% and not moving, then there is probably no point in going for it anyway. But I think looking at the additional presence of investors and the popularity of the project is not a guarantee of success on the product itself." (PC11)

Another prospective crowdinvestor, whilst agreeing on the fact relying on the judgment of other third parties investing is not the right way to go, makes a distinction between retail investors and institutional investors. Indeed, in the end, the participant argues that the presence of other investors plays a role in the mind of the prospective crowdinvestor as it is perceived as a signal of the quality of the project, especially if there is an institutional investor on board:

"I mean it shouldn't, but it does. For example, let's consider Monzo in the UK (...) and the presence of an institutional investor like Passion Capital which was the first investor so that was a great signal that something was happening there. So, from a financial perspective, I think that matters and they raised a fund specifically to funding Monzo (...) so the odds of them going bankrupt are lower because they have access to deeper pockets than other people." (PC10)

Also, another participant sees, in the presence of an institutional investor, a validation of the project:

"The presence of an institutional investor it's really important." (PC7)

Nevertheless, the presence of third parties in validating the project extends to more than just the presence itself. This is why a prospective crowdinvestor explained that getting in touch with the supporting community plays a crucial role in the process. This can happen for instance via the equity crowdfunding platform itself:

"I look into the community to what the past questions were in order for me to have an idea. So, if I see a very interesting question then I tend to ask for similar questions on top of that, but it's really rare." (PC7)

A more diffused strategy to validate the project comes in the form of trying to engage directly with the team. This can happen both via the platform:

"Talking to the team through the crowdfunding website" (PC7)

Or in person, for the idea to be:

"discussed with the founder." (PC14)

This usually happens via the events organised by the crowdfunding platform:

"I very rarely invest without meeting them first, so I normally go to equity crowdfunding events organised by Crowdcube or Seedrs and speak to the entrepreneurs face-to-face about what they are thinking and what their ambitions are; their background the vision for the product, what they have done so far, including any other questions that I didn't quite get from the pitch, and their exit strategy as well." (PC11)

The external validation activity could be mapped as follows:

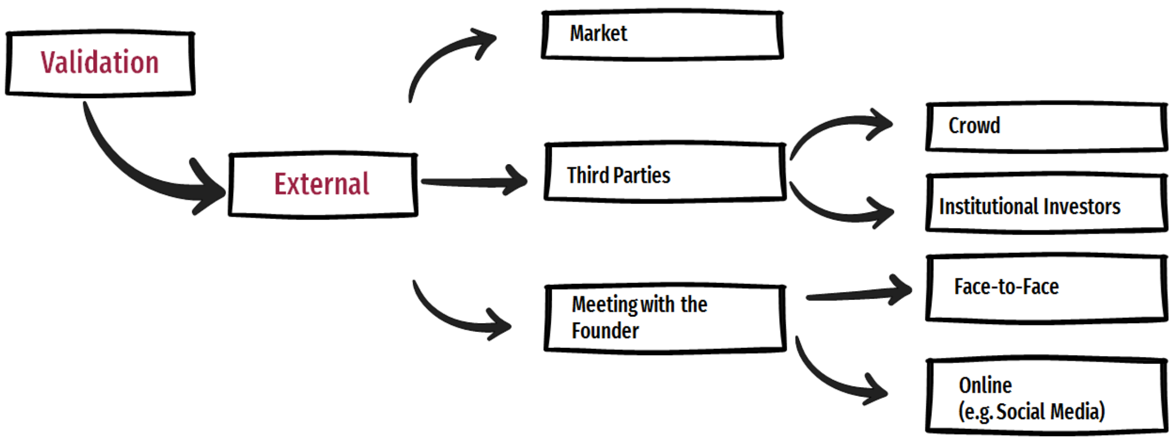


Fig. 28 External validation. (Elaboration of the author)

All in all, this latest point corroborates the final choice of the prospective crowdinvestor, that is, I am writing my cheque (or not), by finding consistency with their desiderata. This can take place alternatively by matching their personal criteria against the investment opportunity or by relying on third parties, including the crowd, institutional investors, or directly engaging with the entrepreneur and/or their teams in order to find any sort of confirmation to invest or go away. The validation stage could be mapped as follows:

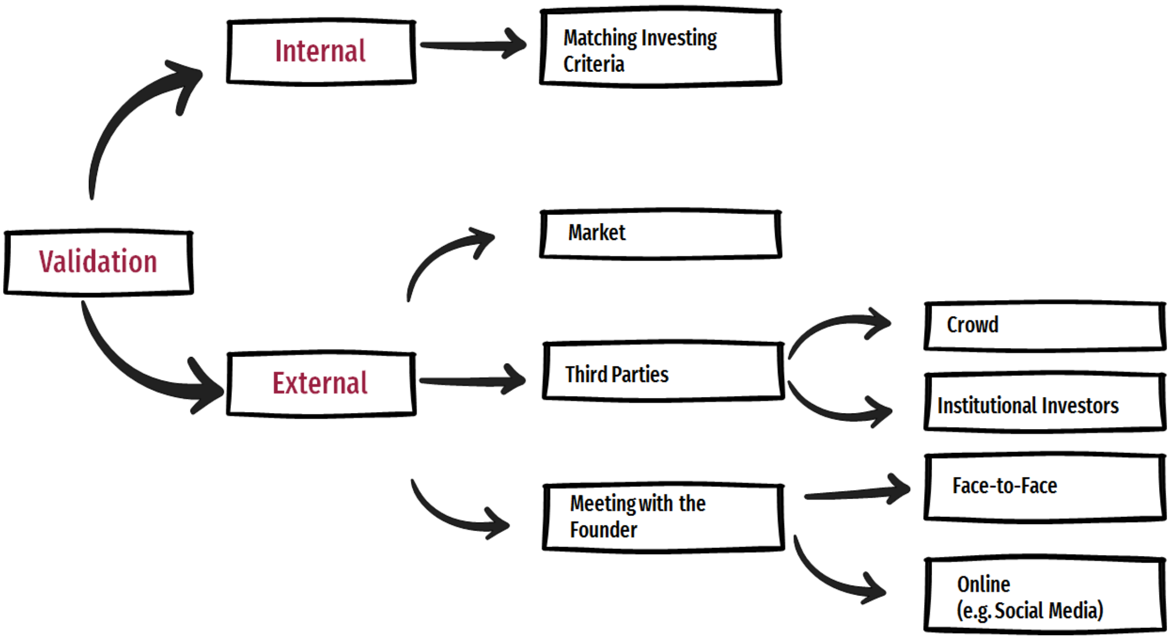


Fig. 29 Validation stage. (Elaboration of the author)

5.2.4 Presenting the investing decisional model of the crowdinvestor

During the first section of the present chapter, the author addressed the first research question to model the investing decisional process of the crowdinvestor in the context of equity crowdfunding.

To do that, the author went through the themes, sub-themes, and sub-sub-themes whose analysis helped to explore in detail the actions of the crowdinvestor. To provide a more immersive experience to the reader, the author also referred to the participant of the research as prospective crowdinvestors to accompany the research through the decisional process in the making.

3 main themes, 4 sub-themes, and 4 sub-sub-themes emerged from the analysis. To provide the reader with a neat picture of the process, the author provides the reader with a simplified picture of it, which represents a good approximation of what happens in practice.

<table>
<tr><td>Discovery</td><td colspan="4">Evaluation</td><td>Validation</td></tr>
<tr><td>Information gathering</td><td colspan="3">Soft Due Diligence</td><td>Hard Due Diligence</td><td>Internal vs. External</td></tr>
<tr><td></td><td>Familiarisation</td><td>Idea/Market Fit</td><td>People</td><td>Financials & Legal</td><td></td></tr>
</table>

Tab. 15 Investing decisional process of the crowdinvestor in the context of equity crowdfunding. (Elaboration of the author)

In a more simplified form, including as a matter of completeness the very final decision, which consists in making (or not) a payment on the investing platform, the process could be drawn as follows:

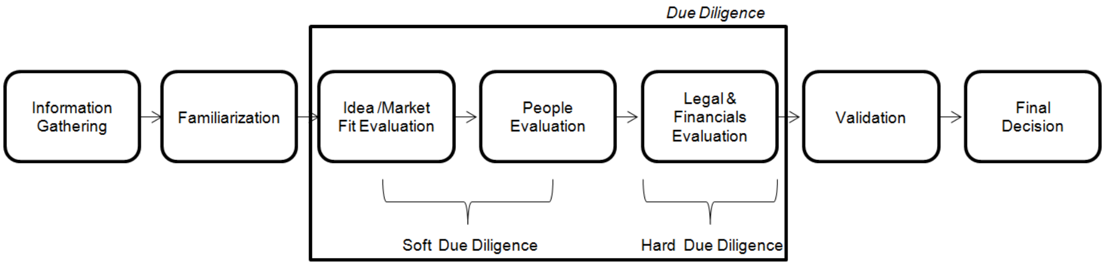


Fig. 30 The investing decisional process of the crowdinvestor in the context of equity crowdfunding. (Elaboration of the author)

The above investment decision making framework is a picture of how the crowdinvestor as a start-up investor tries to reduce the social distance with the entrepreneur as a means to lower the information asymmetries in such an investing space, a thing which constitutes one of the key focal points of the present investigations, as mentioned in the literature review.

Attention is now given to some conclusive notes on addressing research question 2, focussing on the needs underpinning their choices.

5.3 Research question 2

Having modelled the investment decision making of the crowdinvestor, the author now addresses the second research question, that is, *What are the needs that drive the investment decisional process?*

As mentioned in the data analysis section, codes were grouped into two themes: self-esteem and need of belonging. Attention is now given to self-esteem.

5.3.1 Theme 1: Self-esteem

From the analysis of data, it also emerges that the trigger to invest is related to a need to increase one's own self esteem. As stated by a crowdinvestor:

"Figuring out whether I get a positive value from something that I have invested into that suddenly becomes mainstream (...) yeah (...) this gives me a big ego boost (...) it is definitely not a lifestyle thing but more of an ego thing for me." (PC8)

This suggests that investing in a new venture through a collective practice like equity crowdfunding is part of a bigger strategy to build a social self, as suggested by the Self-

Determination Theory (par. 2.12); it seems to provide the prospective crowdinvestor with the feeling of competence.

5.3.2 Theme 2: Need of belonging

Another point to emerge from the analysis is that, along with need of feeling competent, the need of belonging is one of the main needs expressed by the prospective crowdinvestors to make an investment decision in the context of equity crowdfunding. As posed by one prospective crowdinvestor:

"I personally do value the fact you as a crowdfunding investor have that kind of access to senior people of that company. So, I guess that from that point of view being valued and belonging does matter." (PC5)

It seems that the need of belonging plays an important role in underpinning the willingness of prospective crowdinvestors to pledge to a company via equity crowdfunding platforms. This could be expressed in many ways. To better the investigation, the author created some sub-themes including:

- Need of belonging to an entrepreneurial community;
- Need of belonging to a better society;
- Need of belonging to the group of peers.

Attention is now given to the need of belonging to an entrepreneurial community.

5.3.2.1 Sub-theme 1: Need of belonging to an entrepreneurial community

The need of belonging to an entrepreneurial community could emerge as a form of emotional attachment to the entrepreneur and their projects. As one prospective crowdinvestor posited:

"It is not a community thing. It is more having one to one relationship with the business, with the people in the business." (PC5)

Indeed, from the analysis of the data, it has emerged that for crowdinvestors investing in start-ups via equity crowdfunding, it is much more than just making an investment for wealth maximisation purposes, as it also represents a strategy for the construction of the social self. In such a process, FOMO emerges as a trigger to join a community of interest because of the beneficial aspects associated to being part of an entrepreneurial project which is perceived as positive.

As one participant posited:

"There can be two trigger points to me (…) one more rational and one more emotional. It is a sort of FOMO. (…) The second trigger is a more emotional one, that is, I have followed this company and I have seen them grow or I know the founder, I like him/her and what they do so I want to be more involved in what they do, so I would like to be part of their success not from an economic point of view but from a very personal point of view in being part of that community." (PC1)

The prospective crowdinvestor expressed a willingness to be a part of the entrepreneurial community from a very personal point of view; the desire to be involved. This could possibly be linked to the need for affiliation, to feel valued in the way the investor values the entrepreneur in the first instance by identifying themselves with both the entrepreneur and the entrepreneurial project, then by following them, and finally by taking a monetary risk to support their project via an investing activity which is, in light of this, worth much more than just the sum of money pledged via the platform on the project being related to the need of balancing both psychological and social needs. As such, the entrepreneur's story, the entrepreneurial project, and the brand, all constitute an aspiration for the investor, as well as a gap between a present status and a desired one that has to be filled with the investment.

As one participant confirmed:

"I can be particularly fond of a brand, I can appreciate the approach of a founder, I can be interested in the impact a company could have, more than going through facts and figures of a company." (PC1)

Using the lens of the Self-Determination Theory, part of the creation of the social self is the need for self-relatedness, the need of having meaningful relations, is key to get to a balanced self.

In this perspective, FOMO emerges as a powerful belongingness facilitator supporting the crowdinvestor's self-determination strategies and thus their willingness to be part of a community. This can be extended to the society at large, as explained by the prospect crowdinvestor below.

5.3.2.2 Sub-theme 2: Need of belonging to a better society

Indeed, along with the need of belonging to an entrepreneurial community, is the need of being part of a better society:

"That's the thing. You are part of this to make something better." (PC3)

And:

"(...) this could be much more effective to contribute to society than just paying taxes." (PC3)

In other words, it can be the need to belong to a project which can foster society for the better to underpin the effort of making an investment decision. As confirmed by an investor:

"Fundamentally if those entrepreneurs reflect my personal values that produce value for society, I feel an obligation to support them." (PC4)

Another prospective crowdinvestor expressed the same concept:

"*I do like impact companies (…) Because I have become more and more sensitive over the years and you see they try to make an impact, to improve the planet somehow."* (PC15)

Generating impact on a society via an entrepreneurial project, as a way to contribute to the communities they belong to, is a common trait of many investors:

"I told you before it is all about impact. To give one example, it is like one is saying that I'm sustainable as I am using technology for good and the other one is saying we are getting big box crutching, for example. Then there's no doubt the impact, the values of the company, it really makes it for me. In principle, I wouldn't invest in a company that it's not playing a good role in the world." (PC12)

Saturating data, the prospective crowdinvestor added:

"The project has to be in line with my values. I would invest because I like the brand, the people behind it, more often because of their principles. I do this because I am vegan, for example, I really care about issues like feminism and sustainability obviously." (PC12)

Another posed:

"That's the thing, to be able to say that you are part of this, that is a huge part. To be able to say that this is something that helped move society forward, to help make something better, to reduce illnesses and to level the playing field. You don't really get that as much with taxes because sometimes you pay taxes and think 'where do my taxes go?' but you get more of that with the equity crowd funding in my experience." (PC3)

Saturating this perspective, the added value of equity crowdfunding emerges:

"I think in equity crowdfunding people are more on a level playing field. I know this is a touchy subject but many times you can see different races in a mixed-up start-up situation or genders. In my experience there have been difficulties for many people until recently, I mean, people who want to talk about their responsibilities in a post-racial society. We are all supposed to be human beings, but many people rely on stereotypes. So, equity crowdfunding has helped with that." (PC3)

This is confirmed also by another investor within the cluster:

"I think that the fun thing about equity crowdfunding is the possibility to see companies which have a positive impact on society (…) I'm looking at my portfolio and some of the companies within my portfolio would be, could be really beneficial on society especially companies are working in the healthcare industry if those companies will succeed they will have a positive impact on society." (PC6)

This view also extends, interestingly, in a charitable view of the things. In fact, equity crowdfunding is not a donation which fits the wealth redistribution model at the basis of charities. Yet, it activates such a view with the plus of acting for the common good in a more structured way when compared with other forms of donations:

“This is a charitable donation I'm going to get tax relief on it so I'm happy with (...) I think it will close gaps about social mobility and widening access (...) so if that's a charity donation in reality I'm happy with that value as well (as supporting entrepreneurs is) more interesting than just street donations.” (PC9)

Albeit perceived as a more structured way to donate to society, this approach can be observed in the comments of one prospective crowdinvestor, who stated they did not follow any particular process in making an investment decision, if:

“I just think it's interesting, I'd like to follow.” (PC9)

5.3.2.3 Sub-theme 3: Need of belonging to a group of peers

The need of belonging, however, can be expressed as the need of belonging to their group of peers, like in the case of prospective crowdinvestors investing in a group:

“Investing in groups, the trigger point is having the majority of votes.” (PC4)

But it can also be the willingness to support entrepreneurs who are in the personal inner circle of the prospective crowdinvestor, like in the case of this prospective crowdinvestor who, during all the rounds in which they took part, the main trait was this kind of link, as this exchange between the interviewer and the participant confirmed:

"Interviewer: It emerges a sort of I would say a dominant aspect common to all these rounds which is basically the fact that you need to (...) support people you trust (...). Is that right? Participant: Yes, that's a very good observation there was some kind of human contact in all of these. Yes." (PC2)

This was a prospective crowdinvestor who stated they do not follow any particular process in making an investment decision.

5.4 Conclusions

In the present chapter the author has presented and discussed the findings with regard to the research questions, that is, *How do crowdinvestors make an investment decision?* and *What are the needs that drive the investment decisional process?*

The next chapter shows how the aim and research questions were addressed, the theoretical contribution, the implications for practitioners, and the limitations and future research opportunities of the study to finally conclude with some reflective notes.

Chapter 6

Conclusions

6.1 Introduction

In the present chapter, the author draws a summary of the dissertation. To do that, the main findings of the research are first presented, focusing on how the aim was addressed by answering the research questions and establishing the theoretical contributions therein.

In relating findings to the real world, then, the author highlights the main implications for the community of practice, including entrepreneurs, platforms, and policymakers. Specific recommendations are provided to improve the effectiveness of entrepreneurial marketing strategies behind an equity crowdfunding campaign, as well as to aid platforms in terms of what they can do to improve the crowdinvestor experience, and to show how the findings can inform future policy making to increase the safety of the investor.

The chapter then considers possible areas for future research, starting from the analysis of the limitations of the current study. In highlighting the shortcomings of the current work, the author would like to contribute to the future work of the global alternative finance research community by providing some suggestions on specific segments which should be addressed in the future, along with the best methods to do that.

Having provided evidence of how the aim and research questions have been addressed, discussed the main implications for both the communities of practice and research and provided recommendations on how to foster the future investigation of the area, the author focuses on some concluding remarks provided in the wider context set at the beginning of the present work. The rationale being to provide the reader with a conscious reflection on this journey vis-à-vis the initial setting defined by the context of the research and the literature review.

Attention is now given to the research questions.

6.2 Addressing the research questions

The aim of the present study was to provide an understanding of how crowdinvestors make investment decisions and what factors influence their investment decisions. As such, it addressed the following research questions:

1. *How do crowdinvestors make an investment decision?*
2. *What are the needs that drive the investment decisional process?*

With regard to the first research question, by adopting a framework analysis method, the author analysed the data collected via semi-structured interviews with 15 prospective crowdinvestors in the context of equity crowdfunding. This helped to substantiate each step of the initial framework to get to a complete and final version of it. From the analysis of data emerged the finding that the crowdinvestor within the cluster of the research in the context of equity crowdfunding tends to follow what can be defined as a bounded-rationality process. To get to a final investment decision, the crowdinvestor goes through seven different steps by integrating rational and less rational elements.

At a broad level, the process starts with an information gathering activity through which prospective crowdinvestors acquire general information about the external environment, such as the business world at large or a market segment. Following this, the familiarisation with the entrepreneurial ideas that form the basis of the different proposals promoted on the equity crowdfunding platform begins. This activity is preliminary and to some extent validates the successive moments in the process constituted by the due diligence. In it, soft elements get the main attention of the prospective crowdinvestors, who usually focus on the potential fit of the idea with the market and on the team behind the proposal. Having completed this phase, they quickly look into financials and legal aspects, prior to proceeding through a validation point in which they evaluate both external factors (such as the presence of other investors) and internal factors (like consistency with the motivations to invest) to make a final decision, that is, pledging (or not) to the entrepreneurial project.

The main characteristic of this model is that it blends elements of rationality with emotions. In other words, the crowdinvestor within the cluster of the research, despite having an analytical approach, is neither purely rational nor totally irrational, but one which combines the two elements. The main reason for this is the lack of information needed to make a decision in a rational way. In this perspective the availability and the quality of information to make a decision become essential. However, since equity crowdfunding is an environment massively affected by information asymmetries, the crowdinvestor tends to combine different forms of analysis with an emphasis on soft elements (e.g., the brand, the positioning of the company, the business idea – market fit, the team) by making the most of their experience and interests whilst looking for social proofs which would allow, in their perspective, calculated risks. Minor attention is given to hard facts like financials as they are reputed to be little more than guesswork at this stage of the lifecycle of the company.

With regard to the second research question, it has emerged that investing in a new venture via equity crowdfunding involves much more than just looking for wealth maximisation. As mentioned elsewhere, one the most reputed players in the investing space, Bill Morrow, told the current author in an interview for his blog: “Rationalise it: if you just want to make money just invest in property” (Sabia, 2017). Indeed, equity crowdfunding seems to play a social role by means of helping the prospective crowdinvestor in building their own social identity. In other words, whilst for some investing via equity crowdfunding means to fuel their own ego, a thing which suggests a need for competence, that is, a need to feel competent about the external environment, the crowdinvestor seems to be mainly driven by the need of self-relatedness, that is a need to have meaningful relationships and interaction with other people expressed in various forms as the need of belonging to the group of peers, to an entrepreneurial community, or to a society at large. In both cases, the need of autonomy is a constant. That is, the prospective crowdinvestor looks for being in control of the external environment, that is, finding a new company which will become mainstream in the market or steering the desired change one would see in society because it is a more structured and a better way than just paying taxes.

As such, investing in equity crowdfunding seems to be not only an investing strategy, but also a more complex, multifaceted phenomenon, strictly intertwined with the logic of the digitalisation of the economy the author discussed in the literature review. In it, horizontality, sociality, and inclusiveness are all elements that help the entrepreneur make the most of the openness brought by the internet to lead the customer and allow people to take part in the entrepreneurial process as a means of value co-creation from both an economic perspective (the validation of a new business project) and a social perspective (the creation of brand communities).

In other words, equity crowdfunding as a digital-based form of entrepreneurial finance poses itself as an emerging form of entrepreneurial marketing for the entrepreneur to foster entrepreneurial commercialisation strategies. This highlights the key role of connectivity that an online platform would enhance and is where the social identity of the crowdinvestor shines.

This is in line with the characteristics of the cluster of the present research, as emerged from the Individual Entrepreneurial Orientation assessment, according to which the crowdinvestor shows a general willingness to anticipate future opportunities in the market by taking a collaborative approach, supporting other entrepreneurs to take the lead in a change process. This suggests the role equity crowdfunding plays as a mechanism meant to enforce in-group bonds by providing the investor with an identification mechanism. Put otherwise, the crowdinvestors who took part in the present research are entrepreneurial and therefore have the propensity to take calculated risks and seek businesses that also do the same.

6.3 Theoretical contributions

With regard to the first research question, this study represents one of the first international investigations into the behaviour of equity crowdfunding investors, in response to the call for research by Mochkabadi and Volkmann (2018), meant to enrich the investor perspective stream on research on equity crowdfunding by focusing on the investing decisional process of the crowdinvestor.

Also, as stated in the course of this work, the decisional process drawn here is a theoretical simplification of reality, that is, a tool to understand how things work. Moreover, being the first investigation of the process the prospective crowdinvestor goes through to make an investment decision on a start-up via an equity crowdfunding portal, such a simplification has effectively contributed to exploring the diversity of the cluster to come up with a simplification expressed by a framework. That said, the framework requires further studies to enhance its form and develop it further. The framework represents the first contribution of the study by addressing the call for research by Hoegen et al. (2018), who requested a focus on the end-to-end decision-making process of the investor from the discovery phase to the final decision.

Looking at the third contribution of the present work, in approaching their investment decision, prospect crowdinvestors combine rational and less rational elements to decide. More in general, though, the preference for a light approach, one which privileges soft elements to be considered, is established. This approach can be explained by referring to the features of the investment space, that is, the presence of high levels of information asymmetries. Another explanation for this could come from the fact that investing in equity crowdfunding is not considered a central activity. Finally, such a tendency can also be explained by looking at the particular nature of the object of the investment, that is, a start-up as a very risky asset on which to invest. All in all, it can be argued that the combination of rational and irrational is the result of the conjunction of uncertainty and ambiguity. Due to these characteristics, the decisional process as a whole can be defined as one of “bounded rationality”. In such circumstances, the crowdinvestors do not search for all the information they would need to make a rational and fully informed decision since the cost of acquiring additional information would be too high vis-à-vis the financial return, depending on the limited amount of money they are willing to lose. This trait helps the authors define a third way, in-between the strands of previous research which sees the crowdinvestor as irrational (Hoegen et al., 2018) and the other which sees the investor as rational (Nitani et al., 2019). This represents the third contribution of the study.

Moreover, with regard to decision-making under uncertainties, the study individuates also a third way between the Expected Utility Theory (von Neumann and Morgenstern, 1944) and the Prospect Theory (Kahneman and Tversky, 1979), analysed in the literature review. In particular, investors do not make their probabilistic calculation upon the value for one of several options multiplied by its probabilities to occur over a period of time in unknowable circumstances that could be, for example, on which start-up to invest in light of its probability to survive whilst ensuring a return to the prospect. Furthermore, they conduct a different form of analysis based on their personal experiences and interests, validated by their own set of values and beliefs and by others’ opinions (Baddeley, 2019, p. 45), a thing which helps to explain mechanisms like herding and signalling; social proof. The more trustworthy the social proof is, the more it seems there is an incentive to invest. It could be the presence of the crowd, the quality of the investing community, the presence of expert investors, and so on. All this is in line with the observation of Kahneman and Tversky (1979) who, furthermore, paid particular attention to the circumstances which could influence the final choice of the decision-maker. More in particular, framing could make a difference in the final decision and this emerges also in the context of this research, even though the focus is not always in terms of gains and losses. Indeed, the frame in which the business proposal is embedded seems to affect the mental image of the prospective investor and whether (or not) a match can be found with their desiderata, which can be financial or non-financial. However, in contrast with the Prospect Theory, it does not appear that any direct connection exists between the riskiness of the investment and the propensity of the prospect crowdinvestor in pledging to it, as it seems they only invest in a positive way, that is, where there is a good correspondence, given by the reflection made in the validation phase, between what they are looking for in the market and the promise made by the entrepreneur and their successive perspectives.

Fifth, comparing the investment decision-making framework developed by Kahneman and Tversky (1979) and the model developed here, there is correspondence between the two with regard to the centrality of the subjectivity of the prospective crowdinvestor as the decision maker, but it appears that the articulation of the process is more articulated and nuanced. The biggest difference between the two is that the model proposed by Kahneman and Tversky recalls a more funnelling approach based on the categories of gains and losses, while from this study emerges the notion that the evaluation is made by leveraging a 360° analysis of the project.

Looking at the second research question, the study advances research on the role of identity creation to maximise value for participants in the context of crowdsourcing (Fedorenko et al., 2017), of which equity crowdfunding is a subset. In this regard, it has emerged that equity crowdfunding is also a strategy for the crowdinvestor to define their social self. Through the lens of the Self-Determination Theory (par. 2.12), it has indeed emerged that investing in equity crowdfunding fulfils the three basic needs at the basis of self-determination, that is, autonomy, competence, and self-relatedness. In this particular vein, the role of FOMO has interestingly emerged, a typical phenomenon in the digital environment which expresses the need of people to be in the know, which emerges as a powerful belongingness facilitator as a means to support the crowdinvestor's self-determination strategies and, thus, their willingness to be part of a community of shared values and beliefs.

More in particular, in the context of equity crowdfunding, FOMO emerges as a tension which triggers crowdinvestors' investment decision to satisfy a need to belong through the appropriation of the symbolism expressed by the entrepreneurial project they are investing in, and through which they can communicate themselves as a member of that specific community. In this regard, crowdinvestors nurture both their social self and extended self, both as belongingness and status, which derive from being part of a specific community that gathers around an entrepreneurial project.

6.4 Implications for practitioners

The practical implications of the study, with a particular focus on the first research question, revolve around how to lower the level of information asymmetries so that adverse selection issues may be mitigated. Indeed, "since crowd-investors have neither the ability nor the incentive, due to the small size of the investments, to devote substantial resources to due diligence" (Audretsch et al., 2014, p. 7), knowing how crowdinvestors make their decisions would help entrepreneurs, platforms, and policymakers alike become their business partners in transferring the information needed to make effective choices.

6.4.1 The entrepreneur

In view of the above, entrepreneurs and their venture teams should increase the transparency of their communication (Lukkarinen et al., 2019), shifting their logic from a pitch-for-pitching-purpose, that is, a short-term view meant to raise the funds needed to win the campaign, towards a long-term orientation which would be based on shaping the entrepreneurial journey with the crowdinvestor as a business partner. Technology would be of the utmost importance in this perspective and particularly in creating a platform where the entrepreneur could not only share news from the company and its long-term plans on a regular basis, but also the crowdinvestor-as-a-business-partner could be involved in the aftermath of the campaign in the development of the company itself. This could take different forms, for instance, by allowing them the possibility to have their say in the case of strategic decisions to be made as well as in providing insights for pursuing new business opportunities.

This is particularly evident in the findings relating to the second research question, where one of the most innovative implications for the practitioner community would be how to implement the positive face of FOMO (Sabia, forthcoming), the expression of the need of belonging to a community which provides identification elements to the crowdinvestor to the create a long-lasting brand community. Indeed, dealing with FOMO, an entrepreneur running an equity crowdfunding campaign has generally two options: the first one is to favour the emergence of FOMO or, the second, to control it. In other words, on the one hand, they could act to generate a feeling of a possible deprivation to provoke a quick decision, on the other, they could act to prevent this from happening. The perspectives associated with these two approaches are different. In first case, the aim of the entrepreneur is to maximise the value in the short-term (money), while in the latter, the aim of the entrepreneur is to pave the way for a relationship in the long-term, looking more for a business partner than just a passive crowdinvestor. While one favours instinct, the other would favour a more rational approach. Whilst one would favour exclusion (e.g., an exclusive offer), the other favours inclusion. For example, the entrepreneur could pressure the prospective crowdinvestor by setting a strict timeline to make a decision, or alternatively, the entrepreneur could reach out and use communication tools to decrease the levels of FOMO by increasing the level of transparency and giving the crowdinvestor the time needed to make a more considered investment decision. How can the entrepreneur be supportive? In view of the above, an action plan is proposed to help the reader have a clear picture of how this could work in practice.

First of all, to implement the positive face of FOMO, the entrepreneur should work with a superior business model in mind. Building a new venture or growing an existing one is about value co-creation. In other words, the bottom-line of an equity crowdfunding campaign is not limited to raising the targeted amount of money but having a loyal community of believers eager to go on an adventure: “If a company can transition from simply delivering a product to building a community, it can unlock extraordinary competitive advantages and both create and support a superior business model” (Bussgang and Bacon, 2020).

In fact, one of the main lessons of behavioural economics and psychological research is that passionate members of a community help recruit new members. This leads to lower acquisition costs, thus activating a virtuous loop in which members are unwilling to leave the community, resulting in enhanced retention and thereby enhanced lifetime value.

Second, the entrepreneur should define a purpose. No matter how difficult and time consuming it is, an equity crowdfunding campaign is a codified activity with rules, a process to follow and activities to deliver on. The added value of it then, is not the ability to inform an anonymous plethora of prospective crowdinvestors and create a sense of urgency to close a sale in the shortest time span possible. This could work in the short term. However, it would provide an entrepreneur with a community whose commitment could rapidly dissipate, and this would inevitably impact the traction of the project and, in turn, its growth potential.

Equity crowdfunding is a great community building opportunity to create a loyal fan base which would advocate for a project provided that there is a deep link between the entrepreneur and its members. This is why it is all about defining the purpose of the project.

As such, entrepreneurs should give their communities a reason to believe and, with it, a sense of connectedness, belonging, mission, and meaning (Bussgang and Bacon, 2020). This would constitute the premise to implement the positive face of FOMO by means of a common platform to build a common identity, all elements of which would provide an entrepreneur with the quantum leap to safely navigate in the unchartered waters of an entrepreneurial journey.

Third, in this digital environment, it is not just about promotion. The key to success is communication and continuous engagement with the community. In this regard, the starting point is represented by the entrepreneur's brand, which is one of the most critical assets. It takes years to build, and it is something which is not the sole property of an entrepreneur: "Your brand is the collated gut instinct of the world at large towards your company and everything you do." (Watt, 2015, p.104). Yet, fast tracking their impact and making the most of a tight budget is pivotal to success. This is why an entrepreneur should live the idea from the very first moment and an equity crowdfunding campaign is a great opportunity to communicate this.

In other words, informing people that an entrepreneurial campaign is live is just the smallest part of the equation. Communicating and engaging, that is, being supportive and creating a closer connection with crowdinvestors, can promote success by implementing the positive face of FOMO. However, even if the marketing budget is limited, getting the vision across can be achieved through applying strategic marketing fundamentals, including the following:

a) Content is king. Having key messages in place is pivotal to maintain consistency over time and build a credible narrative. Whilst the latter would form the map, the former would constitute the roads that define it.

b) Whilst content is king, storytelling is its servant. An entrepreneur's goal is to make those roads attractive and then crowded with happy people to stay there long term. With the restrictions of a tight budget, digital marketing activities can be implemented to start involving prospective crowdinvestors. For example, social media platforms and blogs work well to share content about the entrepreneurial journey. In other words, there is more to explore than just sending over a press release hoping for media hype. The added value of marketing is strategically and harmoniously integrating all the activities with the unique voice of the entrepreneur in a long-term perspective.

c) An equity crowdfunding campaign is only a part of the more general journey. As such, it should have a dedicated presence in the marketing strategy. The entrepreneur could consider building a microsite to gather prospective crowdinvestors to share regular updates on the campaign, the latest news from the company, and the long-term strategy. Most importantly, that should represent, for the crowdinvestor, the first point of contact with the management to nurture a one-to-one relationship. In other words, while storytelling is useful to introduce the world of an entrepreneurial project, a dedicated hub would support entrepreneurs to help prospective crowdinvestors make a choice, as well as keep the existing ones engaged.

Finally, in view of the above, the entrepreneur should treat their customers as business partners. What often happens is that the crowdinvestors remain passive in the aftermath of a campaign. The opportunity provided by a fundraising activity like equity crowdfunding is much wider than that. Indeed, crowdinvestors could represent a source of invaluable insights for the entrepreneur as an entrepreneur could gather information on how to deliver a new product or on how to make the most a new business opportunity.

6.4.2 The platform

However, the above would represent only a part of the equation. Indeed, equity crowdfunding platforms should favour the entrepreneur/crowd relationship to develop by abandoning the nominee structure, according to which a nominee (platforms) holds and manages the shares on behalf of the entrepreneur (Walthoff-Borm et al., 2018b), to embrace a direct shareholder structure where the entrepreneur and their teams directly manage the crowd. Despite the literature on governance indicating a nominee structure as a preferred governance option, arguing better performance by the equity crowdfunded company linked to less agency conflicts and lower coordination costs, a direct shareholder model would provide a better feeling of belonging to the community of crowdinvestors, favouring their loyalty in the long term and a greater control of the entrepreneur over their firms. Moreover, from a technology transfer perspective, equity crowdfunded firms under a direct shareholder structure have been proven to be those which "focus more on patenting and have more international patent applications relative to their matches with nominee structures, which may be a consequence of selection but also the increased feeling of belonging of direct shareholders and thus their increased input in the innovation trajectory of firms." (Walthoff-Borm et al., 2018b, p. 27). In other words, they are the most cohesive and innovative projects. Therefore, since start-ups tend to fail in great numbers and equity crowdfunding platforms act as catalysts of innovation, what they should do is provide support to prospective crowdinvestors to make their investment decision in a more effective way. For example, looking at the findings of the present study, they should be focusing on improving the quality of their offer by providing diligence-as-a-service solutions, focusing more on their screening activities, than on managing the crowd. Indeed, many platforms do not carry out complete due diligence processes, and this is possibly linked to cost reasons. Furthermore, some platforms ask entrepreneurs to carry out their own due diligence prior to submitting their proposal to the platform itself. Whilst this approach could be affected by conflicts of interest and thus a lack of effectiveness, a solution could be in partnership with experts from third parties (due diligence experts) to deliver full and up-to-date due diligence of each project proposed to the platform. The process could be concluded by providing the prospective crowdinvestor with labels associated to the quality of the project promoted on the platform.

6.4.3 The policymaker

In turn, this would help policymakers to integrate their regulations by means of focusing on the entrepreneurial project. From the regulatory side, indeed, the policymaker should broaden their scope of work, as mentioned above, to favour equity crowdfunding to grow whilst protecting the investor by keeping their focus high on the entrepreneurial project. Indeed, promoting an entrepreneurial project on an online platform should be considered as a form of advertising. As such, the financial regulator should partner with other bodies that focus on consumer protection. For example, whilst the new rules adopted by the European Commission in 2020 promise to set the ground for an easier provision of, and access to, crowdfunding services across European countries, the investor protection issues need to be further developed. For example, still focusing on the European current regulatory framework, being entrepreneurial projects advertised on equity crowdfunding platforms, alongside the disclosure of default rates, a credit risk assessment of non-sophisticated investors and the issue of a risk warning in particular conditions currently, it would be pivotal to keep informing the European Consumer Agenda to strengthen consumer policies with regard to the marketing of financial services, especially in the post-Covid era where the consumer will play a pivotal role in boosting a new economic renaissance. In particular, it would be of the utmost importance to keep tackling consumer scams, unfair marketing practices, and fraud (EU, 2017). In this regard, for example, it would be critical to support the European Commission in making the pre-contractual disclosure requirements fit for the digital world by making the most of the interaction and the engagement provided by online platforms, to enhance the consumers' understanding of financial products. This is of particular importance, considering that the European Union has so far focused only on the reputation of the platform, on the basis of their track record, and on the familiarity of the crowdinvestor with such an investing environment. Indeed, with regard to the former, platforms are requested to provide transparent information by, for instance, disclosing the default rates of the equity crowdfunding campaigns hosted over the last 3 years; with regard to the latter, platforms are requested to issue risk warnings based on the experience of the crowdinvestors. This approach, whilst trying to create a safer investing environment, appears to be retroactively restrictive and discriminatory because it risks creating an entry barrier for casual investors. Put simply, while the existing regulation can be useful by helping lower the risks of market failures, it may also prevent many new investors and entrepreneurs from coming together and getting the ball rolling. Since the spirit of equity crowdfunding is democratisation of finance, platforms should be requested to directly support the investor in their decisional process by helping them in evaluating the quality of the projects promoted on the platform, that is, providing effective due diligence support. With the everyday investor in mind, introducing the obligation for a labelling system which could signal the quality of a specific project to the prospect crowdinvestor could represent added value for both the prospective crowdinvestor to make their investment decision and the reputation of the platform. In other words, the regulatory effort should focus on how to preserve and nurture the grassroots and democratic nature of equity crowdfunding, not on creating a new circle of wealthy investors. In the end, while the WEB 2.0 allowed people to make the most of new information technology opportunities by lowering the barriers to entry, it is also true that new issues in using this technological innovation have emerged and need to be properly managed to avoid future market failures from which, quite paradoxically, these innovations emerged (the 2008 financial crisis and the following credit crunch).

6.5 Limitations of the study and further research opportunities

As with any piece of research, the present study carries limitations. However, in light of those limitations, new future research opportunities emerge. The following discussion is not exhaustive but is one which may help the reader in making the most of new research opportunities by developing new research questions.

With regard to the limitations of the present study, as has been said, to the best of the author’s knowledge, this constitutes one of the first explorations of its genre in the nascent equity crowdfunding literature. As such, it has been mostly exploratory and descriptive in nature, meaning the findings are less generalisable.

First, it would be of interest to extend the scope of the research by conducting a quantitative investigation of the investing decisional process of crowdinvestors in the context of equity crowdfunding. This could be informed by the findings of the present research and would help to validate its findings through a generalisation support. This would therefore help to lay the ground for further examinations of the crowdinvestor in the context of equity crowdfunding.

Moreover, the author used the concept of the crowdinvestor to mean people differentiated by institutional investors like venture capitalists. In this regard, it would be of interest to further differentiate the sample by segmenting the audience that constitutes the crowdinvestor arena. For instance, focusing on the real crowd, the common people, sophisticated investors, and family and friends. This would help enrich the diversity of findings in a qualitative environment support the generalisability of the findings in the context of a quantitative investigation.

Third, in addressing the research questions of this study, the cluster of participants was characterised by the predominance of male investors. This, the author argues, has prevented a more diverse set of perspectives from enriching the data. For example, it would be of interest to explore the role of women in peer-to-peer microfunding. Indeed, while equity crowdfunding is considered to be a male-investor dominated field, it would be of interest to explore why female investors are less attracted to such an investing environment and, whether or not there are gender differences in the investing decisional process. This would help to enrich the investor perspective research stream in equity crowdfunding, with a specific perspective whose implication would be of interest for entrepreneurs to perfect their campaigns. It would be useful to further the discussion of the issues around diversity and the need in the future to explore issues around gender and cultural divides.

Fourth, during the data collection phase, the author did not study the amount invested by the participants. Indeed, on claiming they were willing to invest the amount of money they were willing to lose, the researcher did not delve deeply as this was considered not to be a central matter to addressing the research questions. Moreover, along with the investigation of the implications of investing only the amount they were willing to lose, the author did not focus on whether (or not) this could have affected the decisional process. An additional research route would be exploring the correlation, if any, between the investing decisional process and the amount of money generally invested by the crowdinvestor to discover if, for example, a higher pledge amount corresponds to a less emotional approach, and what the requests or desires of the investor would be to pursue their investment activities. This could also be enriched by investigating the correlation between the number of investments made and over what period. This would help to explore more the role of emotional factors in the decision-making process.

Fifth, there is an issue related to the investing experience of the crowdinvestor. While the author asked all the participants about their previous experience, the process they followed to reach an investing decision vis-à-vis other investing experience was not investigated. For instance, perhaps this experience came from public markets. In this regard, the author did not investigate whether (or not) the investors within the cluster took part in IPOs (Initial Public Offerings) which share conceptual similarities with the action of raising funds via private markets such as equity crowdfunding platforms. In this regard, it would be of interest, for example, to establish the degree (or not) of correlation between the two different investing decisional processes. This could highlight similarities and differences to appreciate, for example, how specific regulatory requirements affect the decisional investing process as countries around the world share different investing environments and different regulatory frameworks for both public and private markets. This would help to enrich the institutional perspective in equity crowdfunding, starting from the concrete action of the investor with the implication for the regulator to cross pollinate the existing frameworks by adapting the best practices in terms, for instance, of transparency and investor protection, to the local context.

A further limitation is that the author could have aimed for more cultural diversity in the sample. This would have maximised the potential of qualitative analysis, which ended up, with a few exceptions, focussing mainly on similar cultural backgrounds and a limited geographical space, covering mainly Western countries like the US, Canada, the UK, and Europe countries in Southern Europe and the Nordics. Actually, equity crowdfunding as a driver of entrepreneurship is taking off in many developing countries. For example, in Malaysia 70% of new-born ventures depend on equity crowdfunding (CCAF, 2020). Therefore, it would be of interest to replicate the present research by targeting crowdinvestors in those countries. This would further enrich the investor perspective stream of research of equity crowdfunding, bringing further diversity to the table while helping regulators, for instance, design new promotional activities to help prospective investors familiarise themselves with such a context and thus support new entrepreneurial projects to take off. For example, how do demographic, cultural and ethnic factors influence decision making in equity crowdfunding?

With regard to the second research question, this paper provides one of the first explorations into the influence of FOMO on investment in equity crowdfunding. The findings and recommendations should have transferability and bring potential value to entrepreneurs seeking investment in a range of contexts. For example, further research could provide a broader picture of the phenomenon of FOMO in different digital finance contexts. Moreover, since equity crowdfunding is a global and diverse phenomenon, it would be of interest to explore how these dynamics take place in different cultural environments.

Furthermore, given the present study did not segment the cluster of crowdinvestors, it would be of interest to explore whether or not such a phenomenon presents differences, and to what extent these occur within different categories of investors (such as non-sophisticated investors v. sophisticated investors), as well as via different crowdfunding platforms.

Moreover, it would be of interest to further investigate how FOMO affects the investing decisional process in the presence of different levels of needs of belonging (low need of belonging v. high need of belonging) expressed by the crowdinvestor in the context of equity crowdfunding. In a similar vein it would be or interest to investigate such need of belongingness through the lens provided by the Social Identity Theory as to expand the analysis to the field of the social psychology and well round the present study.

Also, since equity crowdfunding is a diverse, global phenomenon, it would be of interest to explore how FOMO takes place in different cultural environments. It would also be of interest to explore how FOMO takes place within non-sophisticated investors and sophisticated investors.

It would be of interest to explore instances in which FOMO led to bad decisions, and whether (or not) that had an impact on the future investing activity of the crowdinvestor in the context of equity crowdfunding. The other way around it would be of interest to dive deeper into how entrepreneurs and platforms alike make the most of FOMO to push crowdinvestors towards investing decisions and the risks connected to such a practice.

All the above possible new research avenues could be enriched by additional questions including: do the outcomes of this research i.e., how crowdinvestors make decisions, match with what entrepreneurs think about how investors make their decisions? Are there discrepancies between what entrepreneurs believe about how investment decisions are made and how investors believe decisions are made? Also, to what extent is the emotional a factor across the board? How do demographic, cultural and ethnic factors which may influence decision making?

Last but not least, a useful exercise could be delivered in order to scope future research vis-à-vis the future market scenarios. In this regard, and consistently with the research, the author intersected the regulatory dimension with the entry barriers posed by some new emerging regulation developing the following framework:

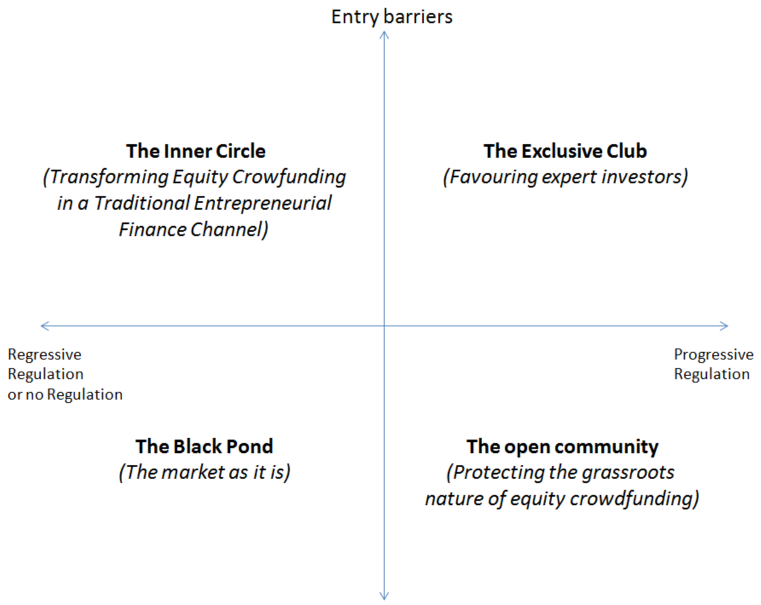


Fig. 31 Equity Crowdfunding possible future market scenarios. (Elaboration of the author)

In absence of regulatory frameworks with low entry barrier the risk is to be in presence on a black pond, that is an investing context characterized by high levels of information asymmetries and so high risk for the investor. In presence of light regulation aimed at keeping the openness of the market, as indicated above in the thesis, we would be in presence of what we have defined as an open community, that is, protecting the grassroots nature of equity crowdfunding. Increasing the barriers to invest, for example favouring a type of investment context where expert and expert investors are privileged the market would become a sort of exclusive club. Finally, in presence of a regressive form of regulation where the only people allowed to invest are expert who use equity crowdfunding as a way to diversify their investment portfolio, we would be in presence of an inner circle capital market, like the one equity crowdfunding tried to challenge in the aftermath of the financial crisis in 2008.

The author provides a framework of some of the emerging future research avenues emerged so far below:

Decision-making in Information Asymmetries	Generalization of findings	1. Generalize findings of the present research via a quantitative research
	Women crowdinvestors	2. Consider the decisional investment process within different investors segments (e.g., women investors in the context of equity crowdfunding).
	The role of the emotions	3. The interplay between amount to invest and its influence on emotions in the decisional process.
		4. How do previous investment affect future investment decision making?
	Influence of demographic, cultural and ethnic factors	5. How do demographic, cultural and ethnic factors influence decision making?
FOMO and Belonginess	FOMO in digital finance	6. What is the role of FOMO in digital finance?
		7. What are the manifestations of FOMO within different digital finance categories?
		8. Does FOMO affect future investing activity of the crowdinvestor in the context of equity crowdfunding.
		9. How do entrepreneurs and platforms alike make the most of FOMO to push crowdinvestors towards investing decisions? What the risks connected to such a practice?
	FOMO and identity	10. How does FOMO affect the investing decisional process in the presence of different levels of needs of belonging?
		11. What is the role of identification in the investing decision making

		in the context of equity crowdfunding?
		12. How does FOMO take place in different cultural contexts?
General	Investors-Entrepreneurs Communication	13. What entrepreneurs think about how crowdinvestors make their decisions?
		14. Are there discrepancies between what entrepreneurs believe about how investment decisions are made and how investors believe decisions are made?
	Market development	15. Exploring different future market scenarios vis-à-vis regulatory changes

Tab. 16 Some of the possible future research avenues. (Elaboration of the author)

6.6 Reflective notes

In the present section of the thesis, having addressed the research questions, discussed the main implications of the study, highlighted the limitations of the present study, and put forward some future research opportunities, the author shares some concluding remarks which function as a reflective note in view of the scenario highlighted at the very beginning of the study.

The main questions at the end of the present work are: what are the main takeaways? What have we learned about the behaviour of the crowdinvestor? The answers are relevant in pushing the discourse of equity crowdfunding beyond the specific entrepreneurial finance and marketing strategy perspectives towards a more political one.

That is, what the role such fundraising tool could play in economic development dynamics.

Generally speaking, to foster their entrepreneurial activity, entrepreneurs have to overcome two burdens: money and people (in the form of human resources and customers). Entrepreneurial finance plays a strategic role in this, especially considering the openness provided by the digitalisation of the economy. In other words, the access platforms provide allows capital providers to join the entrepreneurial process as both shareholders and customers; money and people.

Indeed, as highlighted in the literature review, equity crowdfunding (and more in general digital forms of fundraising for business purposes) has posed itself as a viable alternative finance tool for entrepreneurs. It has emerged in the aftermath of the 2008 financial crisis as a strategy to cope with the lack of resources following the credit crunch. But we also know, from theory, that equity crowdfunding suffers from many pitfalls which could be detrimental in the long term to promoting the entrepreneurial discourse as well as to accommodating the request for change from society.

This is of particular relevance, in view of the fact that entrepreneurship is in itself a valid tool to empower people and communities. Through entrepreneurship, people can take responsibility for their future and try to design a better state of things by accommodating what does not work in society. Entrepreneurship is also a driver to create jobs, not only for wealth creation (even though the debate in this respect remains ambiguous as we have seen in the literature review), but because by creating jobs even though those who are not qualified can take part in the economic process, which is pivotal for democracies to keep working.

In this, equity crowdfunding occupies a fundamental role. There are several reasons for this. For example, as part of a broader entrepreneurial ecosystem, it allows entrepreneurs who lack a track record or collateral to access the financial markets and start up. In so doing, equity crowdfunding fills a specific gap in the capital markets, a priority for governments around the world, such as the European Union with their Capital Markets Union project.

Moreover, equity crowdfunding allows people to take part in the entrepreneurial process, as pointed out in the present project. This is relevant for many reasons; the most important is the activation of different types of capital, including social (relationships, networks), symbolic (status, recognition, achievement), human (skills, understanding), and cultural (traditions, weltanschauung).

In a systemic approach, societies define themselves in the interplay of all these different forms of capital. This constitutes one of the main points of interest in the delineated context. Indeed, in addressing societal issues to foster socio-economic growth by the means of entrepreneurship, the empowerment of community and their people is a key variable to be managed by all the parties involved in the process.

This is why it is so important for the sustainability of this form of finance to focus on the behaviour of the prospective shareholder/customer of a company within a specific community of interest. This is important not only because it represents the opportunity for the entrepreneur to grow traction. It is important because to get to that point, that is, scaling the business, the lack of proximity in online communities between the entrepreneur and the investors poses the need to understand how investors behave in order to maximise the value of the above-mentioned forms of capital.

Indeed, the erosion of these forms of capital due to misconduct by the entrepreneur would cause a risk of default for the whole system, starting with platforms and spreading to the whole entrepreneurial ecosystem as well as, in turn, the opportunity to support the change in society via a logic of collective creation of value.

Yet, this depends on how all the elements which have emerged from the present study can be leveraged to avoid this and make equity crowdfunding a sustainable investing environment. For example, being a form of social anxiety, FOMO could also be leveraged in a positive way by the entrepreneur by taking it into consideration as a powerful belongingness facilitator, a means to support a crowdinvestor's self-determination strategies and thus their willingness to be part of a community with which to share the same values and beliefs. More in particular, since FOMO emerges as a tension which triggers crowdinvestors' investment decision to satisfy a specific need to belong through the appropriation of the symbolism expressed by the entrepreneurial project, entrepreneurs should be aware that crowdinvestors are investing into their projects because it is through them that they can communicate themselves as a member of that specific community. This would mean fostering inclusion by means of entrepreneurship, as through such an activity crowdinvestors nurture both their social self and extended self, both as belongingness and status which derive from being part of a specific community that gather around an entrepreneurial project. Therefore, while FOMO has been used so far in a negative sense, the findings suggest that it could be leveraged by entrepreneurs in a positive way. Indeed, entrepreneurs committed to building a new venture, and therefore engaging with a community to build a brand, could make the most of current social, cultural, and political trends which are of the greatest interest of crowdinvestors to have the highest opportunity to succeed in their fundraising effort. For example, in the current Covid-19 pandemic climate which fosters a huge sense of urgency, if the entrepreneur manages to position themself as an agent of positive change within their community, that is, a source of inspiration for delivering a positive impact on society, then FOMO could become a moderator of the urgency expressed by people for building a more inclusive, sustainable, and resilient society. In this, the societal role of entrepreneurship in helping communities to accommodate change would be fulfilled.

Indeed, entrepreneurship is “a social force and not simply an economic instrument,” (Daskalaki et al., 2015, p. 420) through which the entrepreneur helps society adapt to change (Etzioni, 1987, p. 176). It follows that in such a perspective, people could alleviate their own anxieties regarding their need to be part of a fairer society by feeling part of a crusade to change the world for the better, that is, being part of both the value creation and appropriation processes. In such a guise, equity crowdfunding (and more in general all the emerging digital forms of finance) could become a laboratory of change. One where the entrepreneurial opportunity can be exploited in the interest of all the parties involved, where the prospective customer/shareholder could become a partner of the entrepreneurs as their activity would not be just limited to the supply of capital and future consumption of the products/services delivered by the new venture, but also to the contribution in building the entrepreneurial project as a part of a great social innovation.

In this regard, activities like the creation of private groups for discussion on social media platforms, due to the overlapping nature of brand communities and social media (Habibi et al., 2014), could both help the entrepreneur nurture a community of future loyal fans and allow crowdinvestors to actively take part in the entrepreneurial process. The use of third-party endorsements, as well as partnering with influencers and micro-influencers within their own market segment, would at that point constitute an added value activity to attract new crowdinvestors who share the same values and beliefs of that community, in a context where the distance with the entrepreneur would be shortened so that everybody could be made accountable to each other for the success of the whole project. Indeed, organisations that can deepen their relationships with the actors within their networks are in the position of profiting from a mutually beneficial relationship by creating collective goals and interdependencies. In so doing, they co-create value in a win-win situation in which information asymmetries would diminish. However, there is a need for organisations to move swiftly through the stages of crowdfunding, as such campaigns can lead to the proliferation of competitors copying concepts and bringing them to market whilst the organisation funds its idea (Cowden & Young, 2020).

From the above, it appears evident that equity crowdfunding is a multifaceted phenomenon. It is an entrepreneurial finance strategy to raise the funds needed to start up via a digital platform. It is an entrepreneurial marketing strategy including the possibility to build and nurture loyal communities as a means to develop the business (brand building, commercialisation strategies, and so on). Moreover, it is also a powerful community development strategy due its grassroots nature as it helps to satisfy the crowdinvestor’s need to affiliate with a project towards which there appears to be an emotional investment. In other words, there is much more than simply ownership. This constitutes one of the most interesting findings of this work in view of the study’s perspective. Among crowdinvestors, an emotional urgency to feel connected to society has emerged, spanning from the crowdinvestor being eager to help a friend, to those supporting projects because they constitute an opportunity to build a fairer society, passing from the crowdinvestor who seeks better solutions for themselves and society at large, equity crowdfunding is a way to work side by side with the entrepreneur. In this regard, for example, it has also emerged that some investors have nurtured their relationship with the entrepreneur in the aftermath of a campaign by inviting them to dinner, for example, with the only purpose being to know more about the future projects of the entrepreneur and to offer their support, if needed, to further the new ventures. For others, this sentiment goes beyond this as crowdinvestors offer their mentoring support. In other words, equity crowdfunding is a strategy to reinforce a community texture. Therefore, the dialogue between the entrepreneur and the crowd assumes particular relevance because it constitutes the basis upon which to build a new form of society by addressing the request for change mentioned in the first part of the present work. In this, transparency and trust play a pivotal role as people are the added value of equity crowdfunding.

This raises a challenge of an ethical nature, and therefore a perspective in which to frame the broader issue; if in the light of what has been said here, equity crowdfunding can be considered, in addition to a form of equity finance complementary to other forms of equity finance, a tool to simulate sustainable change. Here, before focusing on the type of companies, it is necessary to take a step back, because in a context strongly influenced by information asymmetries it is necessary to focus on the need for entrepreneurs, platforms, and regulators to have an approach devoted to open transparency as it emerges an issue of social contracting.

The frontier of the knowledge in the field is provided by Shneor and Torjesen (2020), who recently wrote the first conceptual essay on this point of topical importance for the future of the industry. They point out that there is a growing concern vis-à-vis the ethical aspects of crowdfunding practice due to the presence of misconduct, such as fraud. This is of great importance in a digital context, where accountability of the entrepreneur is not limited by geography; campaigns can find investors from different countries, even from different continents. In this regard, Donaldson and Dunfee (1994) suggest the possibility – which can be applied to equity crowdfunding as well, according to Shneor and Torjesen (2020) – of deploying a macro and a micro contract. This solution would help to set general principles (macro) whilst driving the action of entrepreneurs in their action (micro), such as for instance adhering to the expectations of the 'local' community in which they operate. More in general though, the suggestion is to create a culture whereby people from the crowd would raise their hand to speak up against things they do not agree with in the deployment of the project. Such a culture would indeed maximise the intrinsic value of crowdfunding.

As pointed out in the course of the present work, equity crowdfunding opens access to financial resources to entrepreneurs and allows people to participate in an entrepreneurial process by providing different forms of capital. In such a perspective, it can be a strategy to reduce inequalities in society in the long term, if all the parts in the system would act in a transparent way. All this can be seen as what has been defined as a diffused consumer empowerment which emerges from the collaboration with others, that is, “consumers collectively create to become empowered, to achieve their social and environmental objectives, and to bring about social change.” (Papaoikonomou and Alarcón, 2015, p. 40). In other words, the added value of equity crowdfunding derives from its nature as social aggregator, which has to be preserved for this tool to constitute an opportunity to promote entrepreneurship and inclusive and sustainable economic growth in society.

This, however, could not suffice. Indeed, the other way around, as emerged from some interviews delivered in the course of the present research, equity crowdfunding has to face up to what has been defined as the wisdom of the crowd, or, alternatively, as the madness of the crowd, the tyranny of the majority. As seen in the course of the present study, in a context massively influenced by information asymmetries, crowdinvestors who are less financially literate are more exposed to the need for signals (information cascades and herding) from other investors reputed as more expert. This is why, in the context of equity crowdfunding, non-experts follow the majority. This poses a problem of inclusion as the minority groups could be potentially less represented. This would constitute an interesting road to continue this journey.

To wrap up, the capability of equity crowdfunding as a social medium to foster inclusion by way of entrepreneurship in the end relies upon the use the concerned parties will make of it. And this stems from an awareness of the limitations of such a tool in view of both the positive and negative sides, including risks which have to be managed and opportunities which can be exploited. However, since there is no magic formula, the hardest thing about equity crowdfunding is whether or not all the parties which constitute such a promising ecosystem are willing to make this successful in the long term, thus abandoning the short-term view which lead to the crisis of 2008 that the Covid-19 pandemic has further compounded.

Whilst the author is concluding this work, the world is in the midst of huge turmoil: growing protests around racial discrimination, the further deterioration of the political centre, the pressure coming from climate change, the Covid-19 pandemic with the loss of millions of jobs, the vaccine nationalism that has been destabilising the former geopolitical settings, with the perspective of leaving this behind by the end of 2022 in a completely new world. All this suggests the opportunity to build a new long-term oriented narrative and to find new gravitational centres to try to effectively accommodate this change.

This is where the opportunity of equity crowdfunding as a form of digital social innovation comes in, along with other forms of collaboration; of course, it would be naïve to look at it as a panacea. Yet, equity crowdfunding could make its contribution by allowing people to plan the future they want together and share risk to build that future.

However, this could not work on its own without a specific focus, which could be provided by specific missions (Mazzucato, 2021, p. 159) around which a public-private partnership could be activated. The state could set the ground for new markets to emerge and the entrepreneurial communities could help societies at large to adapt to change. To this end, the use, for example, of the framework set by the United Nations - the Sustainable Development Goals, which includes 17 areas of focus designed to be a “blueprint to achieve a better and more sustainable future for all” (UN, no date) could be of great help.

This kind of approach would find the favour of crowdinvestors, as shown by the findings of the present work, as it emerged that one of the needs underpinning making an investing decision in entrepreneurial projects via equity crowdfunding is the need to belong to a better and more inclusive form of society. A thing which, in turn, could lay the ground for a more comprehensive and structured approach to change capitalism as we have experienced it so far.

The biggest hurdle to success in such an attempt is overcoming the preservation of the status quo, and this is why an entrepreneurial approach, with its constant challenge, could represent a winning proposition. At the very least, it could help to set a platform for a new kind of conversation to develop a new social narrative.

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APPENDIXES

Appendix 1

Interview Guide

PHASE 1: INTRODUCTION

STEP 1 – The Researcher Intro

The researcher introduces himself and thank the interviewee for taking part in the research

“Hello, thank you for having accepted the invitation to take part in this research. My name is Luca Sabia. I am PhD student in Entrepreneurship at University of Worcester and will be carrying out this interview as part of the research process.”

STEP 2 - Verbal Consent

I am now going to switch on the recording device and explain to you about this research interview. **[From this point on the interview is recorded]**

Main aim of the present research project is to explore how Millennials, within the retail investors' cluster, make investment decisions in the context of equity crowdfunding. In particular, how they find their path to reduce information asymmetries which affect such an investing space generating agency problems that threaten their protection as investors as well as the sustainability of the industry itself.

The results will be disseminated in a number of ways including research reports, a thesis / dissertation, conference papers, journal articles.

This phase is an audio interview which will be recorded, this recording will be anonymous, is that ok? **[If they do not agree then stop the interview and recording]**

The data collected will be only accessible to the research team. Once the research is completed the data will be stored for the required length of time on secure servers (as required by the University's' ethics framework). No names will be used in any publications or shared with others. All researchers who have access to these data must agree to preserve the confidentiality of the data and agree to the terms specified in this form.

By starting this interview you voluntarily agree to participate in the project, is this ok? **[If they do not agree then stop the interview and the recording]**

Verbal consent WAS/~~WAS NOT~~ obtained by the participant.

Ok, great thanks for that.

PHASE 2: PROFILING THE INTERVIEWEE

STEP 3 - General Information about the interviewee[11]

Gender: M / F

[11] Data anonymised for privacy reasons.

Age: Number

Location: Number

STEP 4 – Investor Background information

- Invite the participant to briefly tell about his/her career. MARKETING EXPERT/INVESTMENT MANAGER
- Invite the participant to briefly tell about his/her investing activity:
    - How many investment rounds have you taken part in so far? 4
    - If you should say, how has been your experience in terms of ROI? NONE

STEP 5 – Evaluating the Individual Entrepreneurial Orientation (IEO) of the investor[12]

		Evaluation				
Dimension	**Statement**	**Strongly Agree**	**Agree**	**Not Agree / Not Disagree**	**Disagree**	**Strongly Disagree**
		5	4	3	2	1
Risk	I like to take bold action by venturing into the unknown		X			
Risk	I am willing to invest a lot of time and/or money on something that might yield a high return		X			
Risk	I tend to act "boldly" in situations where risk is involved			X		
Innovation	I often like to try new and unusual activities that are not typical but not necessarily risky			X		
Innovation	In general, I prefer a strong emphasis in projects on unique, one-of-a-kind approaches rather than revisiting tried and true approaches used before		X			
Innovation	I prefer to try my own unique way when learning new things rather than doing it like everyone else does				X	

[12] Developed on the basis of Bolton D. L. and Lane, M. D. (2012) 'Individual Entrepreneurial Orientation: Development of a Measurement Instrument' in *Education + Training*, 54(2/3), pp. 219-233.

Innovation	I favour experimentation and original approaches to problem solving rather than using methods others generally used for solving their problems				X	
Proactiveness	I usually act in anticipation of future problems, needs or changes	X				
Proactiveness	I tend to plan ahead on projects	X				
Proactiveness	I prefer to "step-up" and get things going on projects rather than sit and wait for someone else to do it		X			

PHASE 3: THE INTERVIEW

STEP 6 –The Semi-Structured Interview[13]

INTRODUCTORY QUESTION: *"Could you please synthesise, in the form of successive steps, the process you follow to make an investment choice with regard to your investments in the context of equity crowdfunding?"*

- Phase 1 – Editing
  - A. Coding
    - Main Question: *Looking at your latest investment round, how did you **classify** investment opportunities in terms of gains and losses? Why?*
    - Probes:
      - How much time did you spent on the platform? Why?
      - How much important was the information provided by the platform? Why?
      - How important was for you the entrepreneur reputation? Why?
      - How important was for you the presence of additional investors? Why?
      - How important was for you the reputation of the platform? Why?

[13] Developed on the basis of Kahneman, D. and Tversky A. (1979) 'Prospect Theory: An Analysis of Decision Under Risk' in *Econometrica*, 47(2), pp. 263 – 291.

        - How did you integrate the information provided with additional sources of information? Why?
  - B. Combination
    - Main Question: *Looking at your last investment round, how did you* ***deal with*** *investment opportunities with the potentially the same outcome in terms of gains/losses? Why?*
    - Probes:
      - How much time did you spent on the platform? Why?
      - How much important was the information provided by the platform? Why?
      - How important was for you the entrepreneur reputation? Why?
      - How important was for you the presence of additional investors? Why?
      - How important was for you the reputation of the platform? Why?
      - How did you integrate the information provided with additional sources of information? Why?
  - C. Cancelation
    - Main Question: *Looking at your last investment round, how did your* ***remove*** *investment options presenting the same outcome probability? Why?*
    - Probes:
      - How much time did you spent on the platform? Why?
      - How much important was the information provided by the platform? Why?
      - How important was for you the entrepreneur reputation? Why?
      - How important was for you the **presence of additional investors**? Why?
      - How important was for you the reputation of the platform? Why?
      - How did you integrate the information provided with additional sources of information? Why?
- Phase 2: Evaluation
  - A. Evaluation
    - Main Question: *Looking at your last investment round, how did you* ***assess*** *remaining options? Why?*
    - Probes:
      - How much time did you spent on the platform? Why?
      - How much important was the information provided by the platform? Why?
      - How important was for you the entrepreneur reputation? Why?
      - How important was for you the presence of additional investors? Why?
      - How important was for you the reputation of the platform? Why?
      - How did you integrate the information provided with additional sources of information? Why?
  - B. Selection
    - Main Question: *Looking at your last investment round, how did you make your final decision? Why?*
    - Probes:
      - How much time did you spent on the platform? Why?

- How much important was the information provided by the platform? Why?
- How important was for you the entrepreneur reputation? Why?
- How important was for you the presence of additional investors? Why?
- How important was for you the reputation of the platform? Why?
- How did you integrate the information provided with additional sources of information? Why?

Appendix 2

Example of an interview transcription

Author (A): I have to tell you that I need to record the interview, everything will be anonomyised and I will be sending over a consent form for you to sign and return along with the project information sheet with all the information about the project. The interview will last approximately half an hour, that depends on you and what you want to disclose about your experience. There are 3 sections. The first one is about background information I need from you. I need to ask you something about your entrepreneurial orientation because there is a correlation between the investing activity and the entrepreneurial orientation of someone something and then there are other general interview questions and then we can explore more about your process. So I'm starting recording right now. First of all I need to ask you some information, what is your age?

Participant (P): 65.

A: Then location where are you based?

P: I alternate between London and Italy about 40 % of my time in London and about 60% of my time in Italy but I am a UK resident.

A: Just for your information I am Italian (laughs)… Regarding your career basically what's your career, what you do?

P: I am a chartered accountant by training I worked for KPMG and Peat Marwick (formerly KPMG) I qualified and then I worked in a series of industries around the world for most of my life. I have lived and worked in Iran, Japan, Hong Kong, Australia, Malaysia, USA and Italy and most of it has been in the logistics related work but I also did 6 years with the horse breeding and racing industry for Sheik Mohammed in Dubai and so it's quite an eclectic career. I have worked for Italian companies for about 18 years but not in Italy, apart from one year.

A: thinking about your experience in equity crowdfunding what has been your experience so far?

P: In total I have been involved in about 100 investments, ranging to very small amounts to larger amounts.

A: What has been the return on your investments so far?

P: In some cases it is too early to say but on the Seedrs platform based on the evaluations that they show you, I will have made about 30% on the portfolio. On Crowdcube, I have no idea as they don't give you evaluations but they claim that it is about 20% and on another platform that I used in the early days, I lost most of it but having said that most of it has been mitigated by tax relief.

A: Moving onto your individual entrepreneurial orientation. I will read you a few sentences and then you can tell me if you agree, strongly agree, not agree nor disagree, disagree or strongly disagree. If you like you can use numbers so 5 4 3 2 1, so 5 is for strongly agree and 0 for strongly agree. The first statement is; I like to take bold action by venturing into the unknown.

P: 4.

A:Ok, then I'm willing to invest a lot of time and money on something that might yield a high .

P: 5.

A: I tend to act boldly in situations where a risk is involved?

P: Well, I would almost have said by the nature- I would probably say 4.

A: Focusing on your innovation propensity, I also like to try new and unusual activities that are not typical but not necessary risky.

P: I like to try them, 4.

A: In general, I prefer a strong emphasis in project on unique, one of a kind of approach rather than repeating tried and true approaches used before?

P: 4. Actually I need to add a caveat to that , it depends on the market segment, for example, I have invested in some breweries , these micro breweries and for those there is nothing new on the planet about brewing but there are some other industries where it's just a different way of doing things and so that, one at one end and at the other end, I might invest in small robotic companies and recycling technologies , they are innovative and have never been done before and so it is a leap into the unknown and so it's, if you have a portfolio approach and you're going to have some where they're not innovative at all , it’s just a different addressable market or emphasising one particular idea but the basic industry is not different but for others they are completely new industries and just starting and there is no precedent, no history, so it is completely different , so I am not sure how that fits in with the question you have asked.

A: Basically there is not such a strong link with a market segment it is just a general picture, I need to take, in order to take to orientate analysis of the data. I prefer to find my own unique way when learning, rather than doing like everyone else does?

P: 2.

A: I favour experimentation and original approaches to problem solving rather than using other methods generally used for solving problems?

P: 2.

A: In terms of proactiveness and in order to plan ahead. I usually act in anticipation of future problems, needs or changes?

P: In what regard?

A: That is a good question. Generally speaking, in terms of in your life?

P: In my life, probably 5.

A: I tend to plan ahead on projects.

P: Generally speaking? 5.

A: I prefer to step up and get things going rather than wait for someone else to do it?

P: 5.I say that because on quite a few occasions, the companies I have invested in I haven't spent a lot of time talking to the owners but when ideas have come up and questions, I have been proactive in contacting them and putting them in touch with other people, where they could collaborate. I try to be proactive and anticipate, probably more opportunities rather than problems, where I see that there are opportunities that people should be pursuing either through an idea or through a particular contact.

A: It emerges from this profile that you are really entrepreneurial. Can you please describe the form of successive steps the process you go through in order to make your investing decision on equity crowd funding platforms.

P: First of all, I think that I have to be grabbed by the idea and what is the problem that it is trying to solve or the things that they are trying to alleviate. I have to believe in the idea and a lot of it is about faith and belief, first of all in the idea and also the founder and the team. I then, in a non-quantitative way, think what the addressable market is. I am unlikely to have the data for this and to be able to analyse what the addressable market is and a gut feel for what it is; for the beer market just moving away from the mega suppliers to more craft beer . Total market size is probably not going to vary hugely, whereas other things particularly on the green and social end, recycling and that sort of thing, solar power, wind power and that sort of thing, there is a huge growth and a very large addressable market. Within that addressable market, I think about it, I don't spend a huge amount of time actually analysing it so again, it's about what I believe in it just the domestic market, or the international but in the sense of the Anglo-Saxon markets of essentially in English, UK, USA, Australia, New Zealand ,Singapore, these sort of places, South Africa, or is it global and if it is global what would be needed to make it global and part of that comes down to then the scalability of it and how is it used and deployed; so if it's technologically based and if it can be of software as a service or remote access and that sort of thing then, I believe, it is immensely scalable and with obviously compliance issues and the potential is there, as opposed to something that is a corner shop in London or a single restaurant or whatever. That depends on the idea, if someone wants to be a local restaurant that is clear from the outset as opposed to someone, even if they don't start with international global aspirations, it is solving a global need. One of the companies I invest in is called Health Connected which is looking at how to improve the lives for people with Alzheimer's and from the perspective of the person who's being looked after, their family and / or carers, so that is a global issue and global problem, If you have got the right software then there's no reason why I it couldn't be deployed globally. The next thing is, as part of this is what problem and issue and is there a social and environmental aspect to it that, I believe in or agree with and where I'm always prepared to have much lower expectations when it comes to a financial return but hope you're doing a social good. An example that would be like a company on Crowdcube, called Plan B, which is actually about bees and keeping of bees and education of students and putting rooftop gardens on public buildings or that sort of thing to encourage the keeping of bees as we have a worldwide issue in the decline of bees. I am more inclined to be biased towards things that have a social and environmental dimension. I can’t say that I am totally philanthropic about it but much less concerned.

A: How much time do you spend on the platform in order to gain, let’s suppose that you navigate through the platform, let’s say Crowdcube and then there are a number of investment opportunities. How do you classify initially those investment opportunities’, what is the key driver in looking into value, into the market opportunity?

P: It has normally been stimulated by receiving an email, stating that they are now on the platform and then it is looking at the idea, the addressable market, the scalability, and then if it ticks those boxes and maybe the social and environmental ones then I am likely to go to the next level which is then looking at the founder and the team and trying to read more about it. In some cases, I then ask for the restricted documents, an additional level. I don’t tend to spend a huge amount of time and despite my background which is on finance and accounting, group finance director; basically I would almost say I ignore the financial numbers as I don’t think they are worth the paper they are written on. I should probably be shot by my institute for saying that but having been involved in some of them, I think I have learnt the hard way that actually they are just a shot in the dark. They are aspirational documents, they are not really analytical documents based on real substance.

A: The reason why I'm really interested in exploring you're right you know psychological driver the process you follow this is the reason why I'm really happy that you found it out because you're the first one in doing that.

P: I am probably stupid but it comes into that I am only investing in a platform and what I believe I can afford to lose.

A: No you are not (laughs).

P: So that if everything went to hell in a handbag wouldn't, wouldn't actually change my life ok. I've actually enjoyed the intellectual stimulation in the approach to t retirement I just following and I think I've learnt quite a lot about fintech and things that I wouldn’t have ever done had I not been following these sort of companies so it’s a way of keeping intellectually not challenged but just stimulated.

A: I have to assume the information provided by the platform is important in the way that it has to activate the trigger in your mind ok and so the trigger passes from the idea, market accessibility but there is something additional at the beginning to say, I like this idea, even from a gut instinct point of view.

P: It is precisely that, I think if it’s a great idea because it is addressing a need or a problem or that it is a better way of doing something that is already out there and it think in the fintech sector that is probably the case and it is about better ways of doing things, rather than banking is banking but it is the user experience can be better through fintech. The advantage of a start-up that it doesn’t have legacy systems, you go through coffee italiano and if everything is run on an AS400 and with that background and front end screens and that sort of and when you actually go into a post office then can fire up the black screen with cream text on it you think that this is still running stuff in RPG code and how are they going to maintain it when all these guys have retired or died?

A: That is a good question. How important is looking into the next level? You told me that the founder and the team have a very important in your decision making. How important is the reputation of the entrepreneur behind the project?

P: I think reputation is really difficult because it is a double edged sword. I don’t think that I have invested in many where the founder is a serial entrepreneur because the serial entrepreneurs then tend to come in on the board of start-ups because the expertise they can bring, so most of the founders and the team and normally don't have much reputation in start-ups but they have they have a background so it's more about the background of the person and the team.

A: How important is it? Looking into the background, what you look for?

P: I think an understanding of the market from their profiles and background and I think the composition of the team and do they have a good product. I've been burnt in the past by one man outfits which I find myself running the show and they don't have a real team they have an idea but they don't have material support behind the most balanced team and it is looking at the founders plus and if it is too centred around one individual then I'm very wary about it and then that begs the issue of which is one of the concerns.

A: Can you tell me more about that please?

P: Well, I think there are some entrepreneurs and start-up people that believe that they are God and that they are the only person that counts and that platforms have a lot to answer for here as well. They are not at all good in insuring the discipline of either the governance of the board but it can be a loose board, as it doesn't necessarily have to be a paid board and then the team of advisors that the person has or people they can turn to but who are actually on the board. A very good example was Hop Stuff Brewery which I thought was a great idea I really liked brewery and the guy was quite charismatic and then they turn out to be a complete one manshow and it was all about him and he just thought he was the 'bees knees' and then he appointed his wife as the other director and he and he didn't utilise, and it folded and everyone lost all their money on it. What really struck me was that when these investors got together and formed an investor group of people that communicated regularly, in the hope of salvaging something and I have realised that the depth of talent that there was amongst the investors was phenomenal, spanning legal and M&A work, international and all sorts of areas and this guy just didn't want to listen and had never listened to the community of early investors he had. I think that's one of the biggest frustrations are found but having started companies and maybe because they don't have the time and they try to get things going but then founders underestimate the goodwill that is out there from people that have invested and it's something that absolutely is not exploited and in my experience is not exploited in the way that it could and should be done just by asking for input and it could be in all sorts of ways; its contacts, its promoting the company, its user experience testing on site development or just legal advice, financial, whatever, in all sorts of areas invested if the founders reached out to them to ask then and I think they would find that there are a lot of people out there who would devote some not necessarily a huge amount of time but in some cases, quite a lot of time to help them if they just ask. It is something that has really surprised me that they don't hack into that but it is a combination of governance and skills and I think that is a huge under exploited component of crowdfunded operations and I think for governance you should have an investor director on the board.

A: I think it is a contradiction in a way in terms because they tap into the crowd and then they do not use the crowd basically, in they do not exploit the potential of the crowd absolutely, so this is a limitation. Focusing on the presence of additional investors, do the presence of additional investors play a role in your mind when you make a decision?

P: No.

A: Ok.

P: When you say additional investors as in what type of additional investors?

A: This is one of the most interesting things to explore in the investment decision-making process is trying to find out how non-professional investors tend to lower the level of information asymmetries which is a characteristic of this kind of environment online *investing; so for many the presence of additional investors signal the quality as a proxy if you like.*

P: No. I will rephrase that as I had misinterpreted your question. I rarely invest in the first round, it would be very rare for me to invest until late on in the round because I tend to be, whether it is the herd or the crowd or the actual group think or if a lot of other people believe it and if it goes into figures into under funding so if the stimulus if others have already gone into it I think, what have I missed or am I missing out on something, is this the next big thing or whatever, so I think it increases my level of curiosity on the assumption that I already have and that I like the idea and it is an addressable market, then if it already has got traction, then I think my level of interest is higher than if it is just not getting traction. There are lots of ways that they do that of course, they can on follow-on rounds they often try and stack the pack by doing pre-emption rights for existing investors so when it actually hits the platform for a second time they've already at 70% funded or whatever. And then they go into open funding and it looks good from the outset because it has only been on the market for a day and its 70%. What they don’t say is that it's actually been out on pre-emption of 10 days or whatever. Even on pre-emption I am unlikely to do it until late at the very end of the pre- emption, but if I do it depends on the quantum as well, I would definitely wait a long time or as late as I could if it was a substantial amount, or if it is a clean -up spend I may be more gung-ho about it, not really be overly worried about it, again if I still think it is a good idea and seems to have done reasonably well so far and I understand why they are coming to market for a second time. In that case, it has to be more about growth, rather than just covering early stage losses. A good example there might be something like Blanconino, which is an Irish company and I can’t remember if it was on Seeders or Crowdcube and a guy called Phil Martin was the founder of that and I had lots of chats with him and he is someone who has now expanded and the products are actually produced in Ireland and he used the UK marked to raise money through a UK holding company that went on to do the operations in Ireland, he has gone back for additional funding but that is about growth in new markets and building a brand, product expansion and market extension.

A: It is a completely different matter.

P: Yes as opposed to being, our idea has taken off and we need cash to stay alive essentially to cover losses.

A: Actually you are starting to use in my research a second layer which is interesting and I think I have to do some follow-ups with a number of investors because the differentiation between the first stage and the growth stage because in what ways you can have a decision investment process and you will have very different stories. Very different outcomes in terms of decision making. How do you integrate information provided by the platform with additional sources of information? A number of investors look at the teams, on Linkedin or by asking friends.

P: I tend not to do it with friends and former colleagues, I would say that it is very much personal but I do use Linkedin a lot to find out about the people and I quite often try to talk to the founders directly and not just before investing but even more so after investing.

A: After investing, if you do that it is more likely that you have a business single approach in this.

P: Invariably, it ends up being a non-paid job but I would rather see something that I am investing well rather than flounder. An interesting example, a small one that I have done at very early stages is called My Barrister, I think it is on Seeders but it may have been on Crowdcube. Nothing had really happened at all for 5 years and then out of the blue I got this letter saying this company was part of another company owned by the same guy and was going to buy out the shares and it was a bit of a 'Hobsons Choice', you either sell out or if you only have a minority of .01 % or something you wouldn't have any effective interest and it is much better to sell out but I was curious so I sent off a stroppy email to the founder and he called me and we had an amazing conversation for a long time and then when he next came to London, he actually took me out to dinner because the ideas I put to him about what to do and how to do it and the branding has gone from My Barrister to My Lawyer, My Arbitrator, My Mediator all using the same platform but the guy hadn't thought about the extensions of the project. All this happened and I got a fabulous dinner in London so sometimes even if one is not paid for it, in this case the trigger was that I was fed up as I had not heard anything for 5 years and then getting this information saying you are going to have to sell out, its better if you sell out but I didn't understand why that there had been 5 years of silence and the reasons had never been communicated and that is why I come back to the investor community , it is such an under exploited resource and if you reach my age and are thinking about finishing work then you try and reinvent yourself actually being a business angel is not such a bad thing whether you are paid or not. If someone is willing to pay you then fine but if they are not then just enjoy doing this, I find this satisfying and good fun.

A: I think this is a no brainer for you with your background and the passion of what you do in terms of supporting your business and mentoring because you are stretching in the under exploitation of the investing community – all the elements you have provided me with data that I have to reflect upon and one thing I would like to do, if you like, sometime in the near future I would like to ask a few additional questions.

Appendix 3

Individual Entrepreneurial Orientation

5							
	Risk	Innovation	Proactiveness	EO	I	R	P
I1	3,00	4,25	3,30	0,70	0,85	0,60	0,66
		3,52					
I2	3,60	4,25	4,00	0,79	0,85	0,72	0,80
		3,95					
I3	3,30	2,25	4,00	0,64	0,45	0,66	0,80
		3,18					
I4	4,00	4,00	4,60	0,84	0,80	0,80	0,92
		4,20					
I5	4,60	4,50	5,00	0,94	0,90	0,92	1,00
		4,70					
I6	4,30	3,50	5,00	0,85	0,70	0,86	1,00
		4,27					
I7	3,30	3,50	4,60	0,76	0,70	0,66	0,92
		3,80					
I8	4,00	3,75	4,00	0,78	0,75	0,80	0,80
		3,92					
I9	4,60	4,25	4,30	0,88	0,85	0,92	0,86
		4,38					
I10	4,00	4,00	3,30	0,75	0,80	0,80	0,66
		3,77					
I11	4,00	4,25	3,30	0,77	0,85	0,80	0,66
		3,85					
I12	3,60	2,75	4,60	0,73	0,55	0,72	0,92
		3,65					
I13	4,30	4,25	4,60	0,88	0,85	0,86	0,92
		4,38					
I14	4,00	4,25	3,30	0,77	0,85	0,80	0,66
		3,85					
I15	4,30	4,00	5,00	0,89	0,80	0,86	1,00
		4,43					
AVERAGE				0,80	0,77	0,79	0,84
MODE				0,77	0,85	0,80	0,66
MEDIAN				0,79	0,80	0,80	0,85
SD				0,08	0,13	0,10	0,13
VARIANCE				0,01	0,02	0,01	0,02
RANGE			MIN	0,64	0,45	0,60	0,66
			MAX	0,94	0,90	0,92	1,00

Focusing on investing in entrepreneurial projects, a questionnaire on the individual entrepreneurial orientation of the participants to the research was used as an icebreaker to help the author build rapport with the interview to then access more genuine data. Indeed, talking about someone's private investment is a sensible topic because it is perceived as a very personal and intimate activity. This is moreover true in a context that on the one hand has proven to be difficult maximise someone's monetary gains due to the illiquidity of the market and, on the other, focuses on a very risky asset class like startups. Moreover, having this moment to investigate on someone's entrepreneurial orientation also helped the participant to start reflecting about themselves thus paving the way for the following phase of the interview whose focus was about their personal investing experience. Last but not least, collected data were useful to get a kind of big picture to make very general inferences without any statistical use of collected data. For example, it appears that all the crowdinvestors share a high Individual Entrepreneurial Orientation, a thing that made the author think about the consistency between some traits of the participants to the study and the focus of the research.