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Crowdfunding - On the way to more Diversity

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CROWDFUNDING- ON THE WAY TO MORE DIVERSITY

ABSTRACT

This thesis investigates the various effects and drivers of reward based crowdfunding success. Special attention on how future entrepreneurs and crowdfunding platforms can adjust their initiatives to be more sustainable in the future is given. It provides theoretical contributions, practical implications as well as future research opportunities. The developed research model outlines (1) If teams have a more social as well as ecologic mindset and outcome in crowdfunding and (2) What other factors potentially influence backers towards more funding involvement. To test the proposed model and prove the derived hypotheses, Data of 1,000 projects was collected via a Web Crawler on the crowdfunding website “Indiegogo”. Results suggest that Crowdfunding platforms and entrepreneurs, if wanting to be sustainable, should pay more attention to working in teams. In addition, in order to be successful in general they should gather solid crowdfunding experience and additionally invest time and effort into prototype development.

Keywords: sustainability; crowdfunding, entrepreneur(s); experience; product stage

1 INTRODUCTION

The need for further investigation into team diversity and entrepreneurial action, combined with the coherent practices regarding contributing factors of crowdfunding success, that simultaneously reflect an ecologic and sustainable outcome, has become inalienable throughout the years (Belleflamme, Lambert, & Schwienbacher, 2013; Horwitz & Horwitz, 2007). In order to perform, innovate and establish new ideas within the market, teams have tended to become more diverse and adaptive to new surroundings (Bolo, Muchemi, & Ogutu, 2011). Unfortunately the necessary definitions, theories and terms needed to gain a broader understanding of the topics have not been clearly defined since the literature regarding crowdfunding, either in teams or as individuals is still rudimentary (Belleflamme et al., 2013).

What is known that over the bygone years, crowdfunding has served the purpose of an enhancement towards more research and development in green technology as well as in committing to sustainable-oriented firms and innovations. Also crowdfunding has begun to provide a platform aimed on finding solutions on renewable and sustainable projects (Caputo, Schiocchet, & Troise, 2022; Lam & Law, 2016). With regards to the aspect of sustainability and the necessity of future research it is therefore inalienable to investigate which reasons, motivations or factors are responsible for the increased attentiveness on the one hand, and the possible underlying reasons and correlations for the (sustainable) success in crowdfunding, on the other hand.

Within this thesis, this is to be evaluated based on known scientific standards, theories and later through the derivation of enlightening hypotheses. The previously existing analyses

are additionally intended to support and serve as a solid basis for this work. From these references and the later to be explained approach, the following central topic of the thesis arises: *Crowdfunding- on the way to more Diversity*.

The aim is to draw a scientific analysis of what role diversity (team or not, experience as well as state of development) plays within the framework of crowdfunding (with regards to the overall success), and what impact it has on sustainability. By linking and analyzing different theories as well as existing research and hypotheses, a more detailed, literature proven overview emerges at the end of the thesis. This will then be serviceable when working out possible solutions for the further enhancement of diversity within crowdfunding projects. Additionally, it will support future entrepreneurs and crowdfunding platforms on their way to being more sustainable (in terms of their outcome) by identifying patterns, coherences and researched contexts. Above all, the following questions are to be researched and answered using analytical methods:

- Research Question 1 (RQ1): Do teams have a more social as well as ecologic mindset and outcome in crowdfunding ideas?
- Research Question 2 (RQ2): What other factors influence backers towards more involvement within crowdfunding?

The methodology of quantitative research will be used, as well as the analysis and derivations of existing articles. Furthermore, an evaluation of the concept of crowdfunding will be part of this thesis. The data set will consist of journal articles as well as a collected data set of 1,000 projects placed on a crowdfunding platform. The goal of the thesis, on one hand, is to find reasons for the sustainability success (of teams and individuals) in general, whilst on the other hand give an outlook on which other factors have an influence on the willingness of people to support a project on a crowdfunding platform.

The structure at hand is as follows:

To identify relevant concepts and developments, the current state of research is first presented in the context of a theoretical background. Terms and topics of papers containing key words such as *team*, *diversity*, *crowdfunding*, *sustainability*, or meanings of major crowdfunding platforms such as *Kickstarter*, *Indiegogo* or *GoFundMe* are explained. A special focus is placed on ensuring that the papers researched had a timeline of not being older than 10-15 years. This will enable the reader to fully understand the topic, specialties and definitions that relate to that. Also, this section compares and critically evaluates the approaches and theories that different researchers have proposed so far. A selection of important articles and literature that underpin the topicality and importance as well as encourage further research on the subject is found in the listed Table A1 of the appendix.

Section three is set towards the derivation of hypotheses that emerged due to lack of current research but is also devoted to linking existing assumptions and trying to underline them. These are formed based on the previously acquired knowledge and are divided into sustainability success and the motivation of backers donating to ensure structure within.

The following methods section in part four explains the data collection and analysis techniques adopted within this research process. The coding procedure, for the data that is to be used for the scientific evaluation is also explained. In a subsequent point, the analysis of the data is then considered more closely. The dependent and independent variables are assigned as well as explained why they are suitable for answering the hypotheses in the appropriate manner. Regarding the used coding method and procedure, the papers of Chandy and Tellis (2000,1998) were used as a guideline and ensured as a scientific funded process. Additionally, the analysis

part is set on ensuring the transparency and clarity of the data, as well as its evaluation and the steps taken to get there.

The resulting outcome of the performed hypotheses is presented in part five. In this, the descriptive part states the various features and attributes that the dataset provided and narrows it down to the most relevant information. The corresponding regression results are aimed to fully answer the derived hypotheses in a statistical and scientific funded manner. The closing robustness check ensures, that the made conclusions stay the same even though the assumptions might change. This will then demonstrate once again, if the main analysis is suitable or not and if the hypotheses can be proven seamlessly.

In part six, which is an underlying discussion, the gained findings are summarized and evaluated. Furthermore, the results are confirmed and strengthened with the help of existing literature. In addition, this part enables the reader to give implications for the application in real world scenarios. Also, it provides opportunities for future entrepreneurs if they intend on contributing a social or ecologic sustainable product to the existing world. For crowdfunding platforms, this serves as a guideline if they want to expand their project portfolio and attract and host more sustainable projects. In part 6.4, the limitations of this thesis are presented and possible further research approaches are given.

The thesis ends with a short conclusion combining the findings and providing a full answer towards the stated topic.

7 CONCLUSION

The thesis examined (RQ1) the special role of diversity, particularly in relation to working teams as well as their sustainability (outcome), and (RQ2) the motivation of backers in relation to the reasons for their financial support on reward-based-crowdfunding platforms. The conducted research strengthens the notion that when working in a team it supports long term success, especially in ecologic sustainability. Furthermore, the future entrepreneurs should be keener on gaining experience as well as putting thorough research into their product idea, so that a (working) prototype is constructed.

While an in-depth examination of the effects that team composition and the sustainability output have on crowdfunding lies beyond the scope of this thesis, it is highly encouraged that future researchers as well as crowdfunding platforms take up the initial findings to further examine the various influencing factors. Especially for discussing the type of projects, ranging from social and ecologic contribution (also considering the outcome) in sustainability-oriented campaigns on their way to more diversity.