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*Making Sense of Rewards-Based Crowdfunding: Understanding the Lived Experience of Nascent Entrepreneurs*

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Making Sense of Rewards-Based Crowdfunding: Understanding  
the Lived Experience of Nascent Entrepreneurs

Emma Claire Green

A thesis submitted in partial fulfilment of the requirements of  
Sheffield Hallam University  
for the degree of Doctor of Philosophy

August 2019

## Candidate Declaration

I hereby declare that:

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2. None of the material contained in the thesis has been used in any other submission for an academic award.
3. I am aware of and understand the University's policy on plagiarism and certify that this thesis is my own work. The use of all published or other sources of material consulted have been properly and fully acknowledged.
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Award	Doctor of Philosophy
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## Abstract

Rewards-Based Crowdfunding has recently received increasing academic attention. It has been conceptualised as a source of finance that has reshaped the funding cycle. However, little is known about the lived experience of entrepreneurs using it to start a venture. In comparison to other, more traditional sources of finance, the monetary values raised are relatively small, and successful campaigns rely on a wide network of contacts on social media, who act co-creatively. Moreover, empirical research has largely used data collected by online platforms, resulting in a narrow focus on campaign success, rather than insights into enactment of the phenomenon. Therefore, research on the lived experience of entrepreneurs engaged in this phenomenon can contribute strongly to the advancement of the field. Drawing on six cases in the UK, this thesis employs an interpretivist, hermeneutic approach, adopting a sensemaking lens. Utilising in-depth interviews, online archival research and combined with the hermeneutic preunderstandings of the researcher, the study sought to gain rich insights into the phenomenon.

The findings identify insights in three specific themes; (1) multi-dimensional aspirations, (2) complementary resourcing and (3) the practice of 'entrepreneurship'. Further, from the hermeneutic consideration of the whole phenomenon, three approaches of seeking; (1) alignment, (2) sufficiency, and (3) flexibility, comprise key influencers in enacting their ventures using the phenomenon. The entrepreneurs have leveraged Rewards-Based Crowdfunding to acquire patient cashflow, market-traction and "marketing potential of persuasion" capital resources, hybrid activities which complement financial resources. Further, the findings show that the entrepreneurs leveraged alignment to increase the speed of tie formation and their ties are complex and dynamic. The identification of such approaches are significant theoretical contributions the thesis makes to resource theory, network tie theory and the broader Rewards-Based Crowdfunding literature. Furthermore, the study makes a general contribution to the study of the lived experience of entrepreneurial venture enactment. Future research should build on the insights, taking a contextual approach.

## Acknowledgments

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## List of Abbreviations

AHF – Architectural Heritage Fund

CFP – Crowdfunding Platform

RBCF – Rewards-Based Crowdfunding

SME – Small and Medium-sized Enterprises

SNS – Social Networking Sites

VC – Venture Capital

VC-Backed – Venture Capital Backed

## Chapter 1 Introduction

### 1.1 Rationale for the research

Crowdfunding Online is a new phenomenon that is said to be changing the landscape of access to finance for new entrepreneurial ventures (Belleflamme, Lambert, & Schwienbacher, 2014). The amounts being raised are growing significantly. Predictions by the World Bank for 2025 suggest a market potential of US\$93Billion, 1.8 times the total 2012 global venture capital figure (World Bank, 2013) and so may become an important part of the market for finance in the future. Some business models used for Crowdfunding include those based on existing modes of finance such as equity and debt. An emerging business model is Rewards-Based Crowdfunding, where pledges are rewarded with a product or service. This model links the backer directly with the project owner, and so potentially providing more value than money. There has been a growing volume of research seeking to understand how to create a successful crowdfunding campaign, why entrepreneurs are motivated to use crowdfunding and how to manage the campaign (Macht & Weatherson, 2015). The most common factor researched by far is campaign success, followed by industry factors, using secondary data, in most cases collected from platform websites (Green, Sukumar, & Pandya, 2017). There is a gap in crowdfunding research from the context of the lived experience of the entrepreneur creating a venture and how new ties give access to resources to mitigate the liabilities of smallness and newness. Literature on firms aiming at a stock market listing is more common, although the occurrence is exceptional. Literature about the much more representative and typical low growth small firm is scarce (Kolvereid, 1992; McKelvie & Wiklund, 2010). This research seeks to contribute to the literature on rewards-based crowdfunding by understanding the lived experience of the entrepreneur using rewards-based crowdfunding in the context of the micro-foundations of nascent ventures. It seeks to understand their ambitions and how the entrepreneurs make sense of the process of creating the campaign and obtaining network ties. It seeks to understand the sensemaking of resources available from family, friends, and the network, through creating a rewards-based crowdfunding campaign. This exploratory research interviewed six participants and drew data from their rewards-based

funding campaign. These people who had modest ambitions were at the micro-foundations of venturing and were using crowdfunding in that process. They raised several issues not considered in previous research.

## 1.2 Growth of Crowdfunding since Global Financial Crisis

Crowdfunding has grown rapidly in the last decade in the aftermath of the global financial crisis (Harrison & Baldock, 2015; Short, Ketchen, McKenny, Allison, & Ireland, 2017). In 2008 there were only 13 platforms in Europe but by 2014 there were 539 and 1250 worldwide (Dushnitsky, Guerini, Piva, & Rossi-Lamastra, 2016). The World Bank suggests that crowdfunding could exceed \$300 billion in cumulative transactions by 2025 (Short et al., 2017). Factors driving the growth include the rise of Web 2.0 technology, providing global accessibility and community development goals (Beaulieu, Sarker, & Sarker, 2015; Block, Colombo, Cumming, & Vismara, 2018; Bruton, Khavul, Siegel, & Wright, 2015). However, national boundaries are significantly influencing the development of the phenomenon (Dushnitsky et al., 2016), so it is, therefore, important to study the phenomenon within geographic contexts.

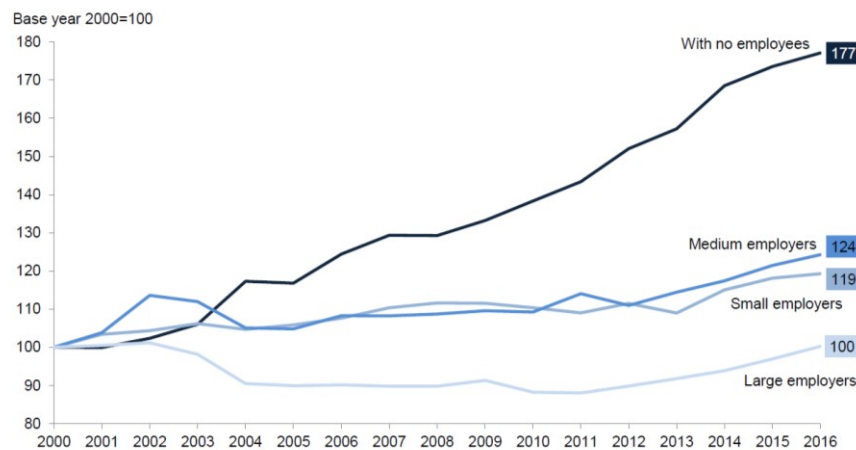
Many scholars refer to crowdfunding as providing alternatives for providing seed capital for entrepreneurship (Belleflamme et al., 2014; Bruton et al., 2015), yet the crowdfunding phenomenon incorporates existing forms of finance such as equity (Bruton et al., 2015) which are heavily regulated and are both difficult and, for many reasons, are undesirable forms of finance for many businesses (Fraser, Bhaumik, & Wright, 2015). The different models of finance included under the phenomenon of crowdfunding are equity, debt, rewards and donation and each represents a different form of exchange (Beaulieu et al., 2015). These models are briefly reviewed before considering the various aspects of rewards-based crowdfunding.

## 1.3 Importance of new and small firms in the UK

Despite the concentration of research on high-growth firms (Coad, Daunfeldt, Hölzl, Johansson, & Nightingale, 2014; Neergaard & Ulhøi, 2007, p. 26) and on the exceptions that survive (Aldrich & Martinez, 2001), in 2016 in the UK 99% of firms were small and 76% were sole-traders (Department for Business Energy

and Industrial Strategy, 2016). The population of private firms in the UK has grown from 3.5 million in 2000 to 5.5 million in 2016, (see Figure 1-1) with the proportion of small firms remaining at over 99% throughout that period (Department for Business Energy and Industrial Strategy, 2016).

*Figure 1-1 Growth in the number of UK private sector businesses by size band 2000 to 2016*



Source: Department for Business, Energy and Industrial Strategy, 2016

Further to this, according to a UK Government report, self-employment is at an all-time high at 4.6 million, with people proactively choosing this route for work/life balance reasons (Deane, 2016). Given these demographics, it means that a very high proportion of firms remain small, with only 3% of firms growing beyond 100 employees (Aldrich & Martinez, 2001; Wright, Roper, Hart, & Carter, 2015).

The transition from 'nascent entrepreneur' to 'fledgling firm' is a complex and chaotic journey, those 'fledglings' being small and short lived (Aldrich & Martinez, 2001); only around half of founders successfully create organisations that appear in public records (P. S. Johnson, Parker, & Wijbenga, 2006), and more recent research shows that around 75%–80% of new firms will close within ten years (Wright et al., 2015). This has been accredited to inability to overcome the liability of newness and smallness (Anderson & Ullah, 2014; Stinchcombe, 1965).

Some scholars argue that encouraging poor performing, “dead-weight necessity entrepreneurs” is bad policy as they are net destructors of jobs (R. Brown & Mason, 2017; Shane, 2009). Yet other research highlights that when the



statistical evidence is broken down, some micro businesses perform better than sector averages in certain service related industries such as human health-activities, education and social work (Dellot, 2015). Other research from the US suggests that small businesses are critical to local communities providing bespoke products and services, attractive to tourists, revitalise high streets and provide role models to future entrepreneurs (Roberts & Wortham, 2018).

Research into entrepreneurial finance often assumes the goal of entrepreneurs is to go public through an Initial Public Offering (IPO) or selling out to a large corporation (Bellavitis, Filatotchev, Kamuriwo, & Vanacker, 2017). Yet whilst many studies are devoted to the issues of financing these high growth firms, through sources such as Venture Capital (VC), often looking at supply side issues and predominantly focussing on American firms, there are few studies that consider the early stages of those with alternative growth patterns (Fraser et al., 2015; Paré, Rédis, & Sahut, 2009). Abdulsaleh and Worthington (2013) argue that SMEs differ significantly from large firms in terms of their financial decisions and behaviour. Bellavitis et al. (2017) point out that that research findings on both large and small firms cannot simply be generalised to new firms. Amounts invested in each high growth firm may be perceived as significant and so worthy of academic interest, yet the overall number of new firms is significant. Research by the Global Entrepreneurship Monitor (GEM) suggests that worldwide Venture Capital finance represents \$21.2 billion invested in 2,514 firms, compared to \$1,078 billion of informal investment in millions of newly created companies (Paré et al., 2009).

Given the demographics of firms in the UK showing that over 99% remain small, it is not clear why the taken-for-granted assumption is a goal of public ownership. Research suggests that few achieve the hyperbole of the hero entrepreneur (Jones, Macpherson, & Jayawarna, 2014; Watson, 2013) and most firms are not innovative but are replications of the familiar (Shaver, 2005, p. 361). Some proactively eschew the dominant goals of profit maximising and growth in favour of being “Small Giants” with great products and services and connection to communities (Feldman, 2014) or proactively choosing lifestyle or social roles (Bredvold & Skálén, 2016; Stokes & Wilson, 2010, p. 225). Schwenbacher (2007) categorizes entrepreneurs into three types - lifestyle, serial, and pure profit maximizing - and finds the category of entrepreneur

affects the source of financing pursued. Yet beyond this, little is known about the initial stages of ventures, how they make their financial choices and how that contributes to survival (Abdulsaleh & Worthington, 2013). Aldrich and Yang (2014) argue what is needed to understand the survival of emergent ventures is process orientated studies from the very earliest days.

A further key aspect for new firms is their desire to acquire knowledge to support the establishment of the firm, through intangible resources provided by experienced individuals. Few early stage entrepreneurs have knowledge in all aspects needed to scale their business to a stable point and the current availability of new sources such as accelerators and incubators, with their combined offer of funding and a mentor, has extended the perceived options available (Bellavitis et al., 2017). Research by NESTA (Dee, Livesey, Gill, & Minshall, 2011) shows that access to accelerators is attractive. Entrepreneurs using these facilities access them partly for the funding available, but mainly for the mentoring and connections, the quality of which was difficult to replicate outside the accelerator (Dee et al., 2011; McDonald, Ching Gan, Fraser, Oke, & Anderson, 2015). Similarly, business angels are acknowledged to play a vital role in the development and growth of new ventures, in terms of both the financial capital they invest as well as offering their business skills and personal networks they have acquired throughout their professional lives (Politis, 2008). Further, in popular culture, the popularity of TV shows such as 'Dragons Den', whilst somewhat distorting the everyday entrepreneurial practices, serve to raise awareness of the skills of successful entrepreneurs (Swail, Down, & Kautonen, 2014), building perceptions of the added value of these skills. However, access to these added value services, from accelerators or angels, is restricted to specific sectors, often technology, or to high growth firms with exit opportunities for financial return (Bellavitis et al., 2017; Dee et al., 2011; McDonald et al., 2015; White & Dumay, 2017).

Thus, the growth and contribution of new and small firms to the UK economy is significant, yet there is limited understanding of how they mobilise their finance and resource needs during the initial stages. Given the potential alternative growth trajectories and the influence this may have on their access to finance, it is important to understand these contextual aspects relating to new firms that

are seeking finance from RBCF. These issues are explored further as part of the literature review.

## 1.4 An overview of Rewards-Based Crowdfunding

In rewards-based crowdfunding (RBCF), money is exchanged for products or services, but it is the model of exchange that has brought innovative features. For instance, the largest existing provider is 'Kickstarter', based in the United States. Projects are presented on the website for a limited number of days, and pledges are made for a range of rewards such as a finished product, merchandise or participation at an event (Colombo, Franzoni, & Rossi-Lamastra, 2015). Average amounts raised are relatively small at around \$8,800 (Hauge & Chimahusky, 2016). Evidence from the Kickstarter platform shows that 56% of successful projects raise between \$1000 and \$10,000 (Kickstarter, 2019). This is raised from a large number of backers each contributing small values (Colombo et al., 2015; Hobbs, Grigore, & Molesworth, 2016). For instance, for campaigns for Filmmaking, the most common reward tier chosen is \$25 (Hobbs et al., 2016). Project creators can communicate with backers through forums on the RBCF websites and use social networking sites (SNS) (Smith, Smith, & Shaw, 2017) to create a sense of community (Beaulieu et al., 2015). The dynamics of RBCF combined with the use of SNS mean that beyond the financial aspect, having a large number of backers is valuable for their constructive feedback, providing product validation and for their active participation as evangelists for the project on SNS, which keeps marketing costs down (Belleflamme & Lambert, 2014; Mollick, 2014; Stanko & Henard, 2017). Given these innovative features of small value, large numbers of backers that are in direct communication with project funders, RBCF has the potential to provide an on-going, beneficial source of social capital, an element of added-value over the money being obtained, although the direct relationship can, in some circumstances, be detrimental (Colombo et al., 2015; Lehner, Grabmann, & Ennsgraber, 2015). This is in sharp contrast to the institutional debt suppliers, who now rely on data from credit scoring and evidence of collateral to assess lending in order to reduce costs of due diligence (Baldock & Mason, 2015; van der Schans, 2015). What is referred to as 'Relationship lending' by banks, for SMEs, amounts to the supply of reports at arms-length

rather than a personal relationship (Hernández-Cánovas & Martínez-Solano, 2010).

Therefore, the relatively small amounts of funding obtained from multiple backers in RBCF are perceived as difficult for institutional lenders to supply due to the costs of due diligence. There is some added-value from the relational aspects of RBCF, perhaps with more business benefits than that from family and friends but perhaps not the quality that would be expected from an accelerator or a business angel. Therefore, it warrants research into how entrepreneurs make sense of the value they believe they would obtain from RBCF compared to other sources of finance and how it does or does not meet their needs.

## 1.5 Preunderstanding

This research draws on contemporary hermeneutics to develop an understanding of the phenomenon in question. A full discussion of the reasons for using this methodology is covered within the methodology chapter. However, a critical aspect of the approach is engagement with pre-understanding. Specifically, this research draws on Heidegger's perspective on preunderstanding. For Heidegger, everything is encountered, and made sense of, through the lens of our pre-understanding derived from our personal experiences (Lavery, 2003). As such, we are not able to step aside from these preunderstandings. In order to better comprehend these preunderstandings, contemporary hermeneutics is associated with a deeply critical reflexive turn, requiring examination of existing knowledge, beliefs and values (Prasad, 2002). What is notable when considering preunderstanding is that it is referred to as 'bias' and 'prejudice', words that evoke a negative connotation. In her research, Spence (2017) argued that preunderstanding could both constrain and enable understanding. Research is replete with examples of constraining bias, such as cultural misunderstandings. In contrast, an example of where understanding may be enabled is when research participants use technical language, jargon or business terminology in ways that suggest further probing for meaning would highlight interesting insights. Another might be building rapport with participants through knowledge of cultural codes of conduct. For this research, I believed that my lived experience gave some preunderstandings that might both enable

and constrain the interpretation and understanding. These pre-understandings are grounded in practice as opposed to academic lived experience. This analytical approach was supported as viable in this context through conference feedback (Green, Pandya, & Couch, 2018).

I have only minimal experience directly of using RBCF as a funder of projects. This study is concerned with the experience of those that use RBCF to raise funding during the start-up phase of their business. That said, as discussed in the literature review, the interest is in RBCF as an alternative to other forms of financial resource acquisition and how it relates to the participant's experience of starting their venture. In this sense I have extensive lived experience. A challenge I found in approaching the practice of reflexivity is that my own lived experience covers decades and a variety of situations. To explain the relevance of my lived experience I had considered a life history approach, yet this seems unnecessarily indulgent and implies an approach that is criticised for being self-absorbed. Thus, my approach to reflexion in relation to the topic is focussed specifically on and presented within the findings. This is to keep the reflexions directly relevant to the issues raised by the participants. Further, I have chosen to use some 'critical incidents' from my lived experience to try and illustrate my preunderstanding. The reflections are also guided by Spence (2017), who encourages reflexive engagement with personal knowledge and own assumptions through the following questions;

- How did you become interested in this topic?
- What is your experience of the phenomenon? Can you recall a story that stands out for you?

*My interest in this topic*

In 2011 I become involved with a campaign group that was seeking to prevent a grade II\* listed building from being converted to rented flats. The building had a continuous history of light manufacturing or 'Little Mesters'<sup>1</sup>. from its construction in 1877. A planning application was successfully challenged by the group, who then set about creating a business that could purchase and restore the building and provide a facility for continued use by craftspeople. A

---

<sup>1</sup> Local dialect for Master Craftsmen and associated with the cutlery industry.

'Community Benefit Society' was formed to achieve this aim. This is a form of business structure that had its roots in UK legislation from the 1960's and had recently been revised<sup>2</sup>. This structure allows money to be raised in the form of shares but has various legal restrictions that seek to create democratic governance and community benefit. The group used this structure to raise part of the finance needed for the purchase of the building, from nearly 500 local people, one of the largest in the UK at the time. The promotion of the share issue included extensive online activity. My role in all this included financial modelling of the business plan, extensive research into the legislation and creation of the share issue process. I also supported the negotiations with the 'Architectural Heritage Fund' (AHF) for a loan on special terms. What fascinated me about the project was the relationships with the people who became shareholders, many of whom become either directly or indirectly involved in activities. Activities included visiting on open days to be shown around, volunteering for restoration projects, joining the managing committee and organising events and fundraisers. The kind of sentiments that I heard repeatedly from these people were pride, excitement, and passion.

I had become involved because of an enduring interest in the cooperative sector of business and extensive work experience in senior positions in a variety of organisations. My qualifications and long-term experience were as a practising accountant with knowledge of cooperative structures. My previous work experience had encompassed public, private and third sectors and had been predominantly in finance roles but with project, governance, and strategy responsibilities. Beyond work I have, since childhood, always volunteered in many capacities, often for community activities. My interest is in communitarianism, drawn from the work of Putnam (2000), Etzioni (1996), and Sennett (2012) which emphasises the connection between community and society. My involvement in this project was a curiosity as to why the cooperative sector was limited in size and a keenness to learn from an inside perspective, how such a business could be set up.

My emphasis is on curiosity and interest rather than passion. This is because my experience before this project and indeed during this project found that

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<sup>2</sup> Cooperative and Community Benefit Societies Act 2014  
[www.legislation.gov.uk/ukpga/2014/14/contents](http://www.legislation.gov.uk/ukpga/2014/14/contents) Accessed 20 November 2017.

despite the passion for the principles of the project, people held differing beliefs and commitments as to how the precious small financial resources could or should be deployed. This occasionally created tension and division, even though a guiding value was about working cooperatively for the community and sometimes involved me directly. From this experience and others along similar lines, I have learnt many things. One that strikes me as relevant in this study is that some things are difficult to achieve but in dealing with that challenge I place value on what is achieved.

The connection from this project to crowdfunding is partly in the activities involved in promoting the shares to an audience using online social networking sites (SNS) (Smith et al., 2017). It is also partly in my involvement in negotiation with the AHF for the loan. The promotion activities were a significant challenge to the whole group, not least because using SNS for this purpose was new to all of us. Also, the concept of community shares had only been used by a few other projects in the UK at the time, so there was little to draw from. Crowdfunding, in its most recent form, also has connections to the use of SNS, creating challenges in understanding how to use it to promote a crowdfunding campaign.

The AHF loan negotiation became a challenge, not because of our project but due to experience the AHF had with other community-based organisations. They had in the past lent money and were at the time undergoing difficult times themselves as the community-based groups had, after several years run into financial difficulties and were struggling to repay loans. The AHF believed that the competence of the people running these organisations was now questionable, and so were seeking assurances from our project that we understood the long-term obligations and were preparing for them. The AHF is a charity set up to support “*vibrant and well-managed architectural heritage*”<sup>3</sup>, and interestingly have a picture of our project on their mission webpage (which now makes me feel quite proud of my role in influencing that perception). From this and again, several other situations with a similar story, I believe that there are many challenges in persuading others to commit their resources over a long period of time, that are not simply about attributes but a complex process of

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<sup>3</sup> Mission of Architectural Heritage Fund as stated on the website <http://ahfund.org.uk/mission/> accessed 27 September 2018.

presentation. This presentation included understanding the mission of the AHF and showing how our project was able to meet that mission.

This lived experience leads me to my first preunderstanding in this study. This preunderstanding is to do with the idea that who you are and what you are planning to do matters, when you want to communicate with and get cooperation from others who can help you. Because of their mission, the AHF was prepared to offer special terms for loans to community-based projects to assist the start-up process i.e. no repayment for a year. But also, the shareholders were providing their financial resources on terms that are unusual compared to traditional finance. There is something about the relationship between the parties that makes the transaction possible, in comparison to other more traditional providers of finance. My hunch is that it has something to do with the nature of the project and the future growth you envisage and not all motives are purely driven by economic outcomes.

It also has something to do with the nature of the relationships being created. From the start the project was promoted as community-based and working on a cooperative model. It was promoted not just as a heritage project but one that would involve education and the revival of a base for craftspeople. An extensive business plan that projected the vision was made publicly available. The aim was to attract shareholders that would provide finance but would be prepared to accept the impact that the vision had on the finances. As discussed above, many shareholders self-selected and took on a dual role as financiers and providers of professional skills and time. This behaviour was welcomed and emulates that seen in Business Angels who not only invest but also provide a range of other knowledge, skills and connections. Further to this there had been a campaign to reject the planning application and by the time the shares were launched there was a substantial following on SNS and many people visiting on open days. My second hunch is that seeking more pro-active involvement was attractive but that providing a transparent plan for the future was also important as was community engagement in advance, in attracting shareholders.

When looking into crowdfunding a further aspect I noted was the suggestion that the crowd becomes involved in the project. My experience of sourcing help comes from numerous situations but in summary has been influenced by my



## *Chapter 1 Introduction; Preunderstanding*

financial practices and working in organisations that are heavily influenced by public sector procurement practices. These involve rational economic evaluation when procuring services, involving cost-benefit analysis which is quite extensive, yet also ambiguity in choices that is inevitable. Within the above project the group identified a lack of promotion skills and a process to procure these services was put in place. But for the purpose of reflecting on my experience a better illustrative example I draw from is the procurement of IT services at a small charity I worked for previously. When I joined the organisation, they had been relying on a single employee to manage the IT infrastructure and he had left. I spent some time reviewing the situation and finally procured the services of an external organisation able to provide much more extensive skills and knowledge, round the clock, for less cost than employing one person with limited skills. Further that role would be managed by me despite having less skill in IT, so it was a relief to have a service with access to a more extensive knowledge base. I proactively searched for (using networking activities to build background information) and negotiated the service. This illustrates how, even within a small organisation the value of an experienced person can procure suitable services at an acceptable cost. Yet also can narrow the focus on specific previously identified costs and benefits and the wider value of extensive knowledge was not easily costed. Yet when starting a venture that is not community-based, access to such experience may be beyond the scope of the existing resources. My hunch is that in crowdfunding the entrepreneur is using the crowd as a partial substitute for the skills and experience needed by the new venture, thus providing more than money, yet the process of how that relationship is created is important.

### *Hunches from my Preunderstanding*

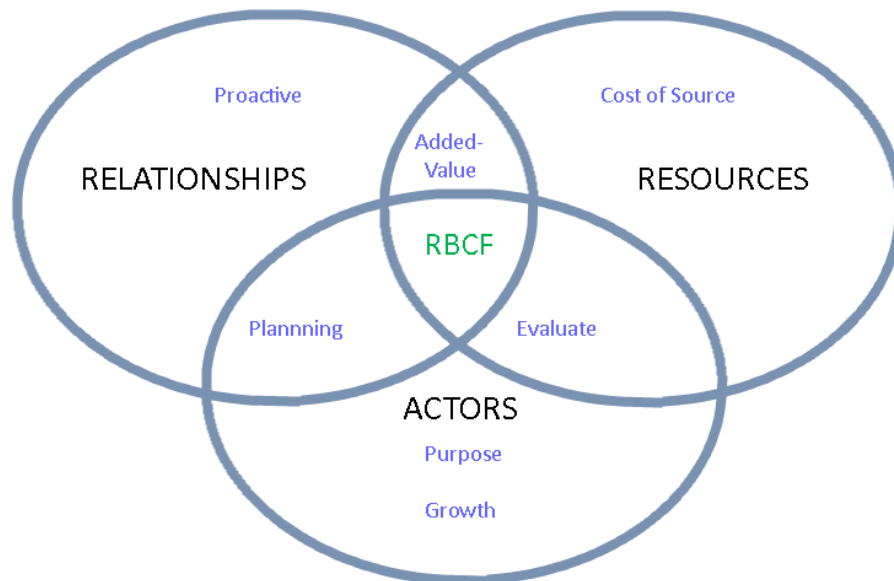
Overall RBCF is an alternative to traditional forms of finance for start-ups that are not high-growth. In summary, the hunches emerging from my preunderstandings are as follows;

- 1) There is a need to understand the envisioned nature of the ventures that are seeking to use RBCF;
- 2) New ventures appear to be able to access more resources than just money from RBCF, yet it is not clear what they are seeking and why;

- 3) There is a need to understand the relational aspects of RBCF, and what processes attract suitable backers. There is a need to understand the role of a pre-existing community.

The Figure 1-2 below illustrates the interaction of the hunches and this illustration is developed further in the next chapter in light of the pre-existing literature.

Figure 1-2 Diagram of Three Hunches



Source: Authors own design

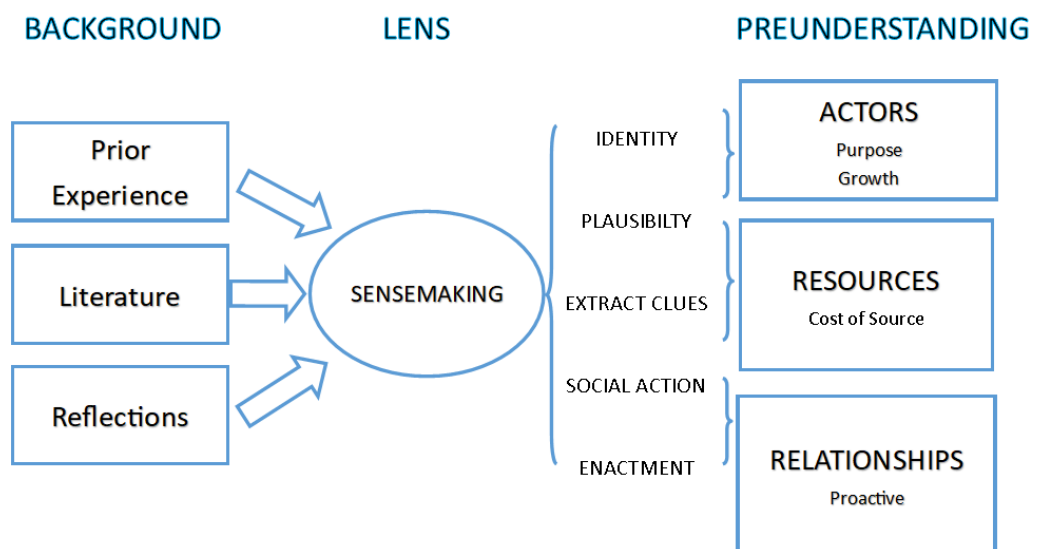
## 1.6 Aims of this research

This study is exploring rewards-based crowdfunding (RBCF), a phenomenon that has existed since 2008. The aim is to explore the lived experience of entrepreneurs, using RBCF for acquiring resources to create nascent ventures, whose intended business trajectory is not high growth. This will be achieved by examining the sense-making of actors involved before and soon after the RBCF campaign. The focus of this research is concerned with understanding firstly who uses RBCF in the UK to establish a business, and secondly, the interaction of their relationship and finance approaches in the context of developing and running a RBCF campaign. Taking a socio-economic perspective and through exploring the sense-making of participants, the study aims to understand how

nascent entrepreneurs perceive plausible ways for using RBCF toward creating potentially viable ventures.

This study utilises hermeneutics (Laverty, 2003) and sensemaking (Weick, Sutcliffe, & Obstfeld, 2005) to enrich the exploration of the phenomenon. The study will draw from literature, prior experience, and reflections of the author (See Figure 1-3). The literature streams are on entrepreneurship, network ties and entrepreneurial finance to bring together a nexus of preunderstanding to explore with the study participants.

Figure 1-3 Process of developing preunderstandings



Source: Authors own design

This study explores both the emerging relationships and approach to finance during a RBCF campaign through a sensemaking lens at this micro-foundational stage of start-ups. This exploration seeks to understand what trade-offs, preferences and choices are made along with the process and effort entailed in the journey to becoming an established business. By combining concepts from networks, entrepreneurship and resources to create a nexus, it is considered that a more in-depth understanding of the experience of entrepreneurs using RBCF will be reached.

## 1.7 Research Questions

The following exploratory research questions were developed through the process described above and are presented here in summary;

**RQ1:** (a) Who uses RBCF and;  
(b) how is the use of RBCF relevant to the venture ambitions of actors?

**RQ2:** How are RBCF resources understood and valued in the sensemaking of actors?

**RQ3:** (a) How is RBCF enacted and;  
(b) how do they negotiate the process of seeking ties with resources?

## 1.8 Structure of the thesis

Chapter 1 presented the rationale behind choosing the research field. The hermeneutic preunderstanding with hunches is discussed followed by the objectives of this study and research questions.

Chapter 2 reviews and synthesises the previous literature on the key topics of the entrepreneurs' ambitions, what resources they seek and their network tie formation. It also reviews and synthesises the literature on entrepreneurial finance and explores what has been researched on RBCF.

Chapter 3 explains the research philosophy and design. It justifies the adoption of the hermeneutic approach and the use of in-depth interviews, and online RBCF campaign material. The selection of participants and the analysis technique are discussed. The chapter concludes with an evaluation of the research.

*Chapter 1 Introduction; Structure of the thesis*

Chapter 4 presents the findings under three themes related to the aspirations of the participants, the resources they sought and how they practice entrepreneuring.

Chapter 5 discusses the findings relating back to the literature and drawing on new literature on the issues raised by the participants not considered previously. Further the findings are related back to the author's hermeneutic preunderstanding and hunches. Finally, the themes are interpreted together in a hermeneutic whole.

Chapter 6 concludes this study presenting a review of insights related to the research questions and key contributions to knowledge. Finally, the limitations and recommendations for future research are discussed followed by reflections on the research process.

## Chapter 2 Literature Review

### 2.1 Introduction

This chapter provides a review of the literature relevant to the study of the lived experience of those using RBCF. This is a hermeneutic study and the purpose of a literature review in hermeneutic research is to provoke thinking. Literature is not treated here as an objective truth to be sourced with keywords in a linear process, categorised and critiqued but is about depth of thought and questioning taken-for-granted meanings (Smythe & Spence, 2012). This study is exploratory and, therefore, in reviewing this literature I am following Blumer's notion of "sensitizing concepts". This distinguishes "definitive concepts" that provide prescriptions of where to look and can be tested, with "sensitizing concepts" which merely suggest directions along which to look and enable concepts to be refined over time (Blumer, 1954).

The lived experience of those using RBCF has not been researched before. However, there is extensive literature on entrepreneurs and new ventures, their need for resources and the networks they use to access those resources. This is a narrative synthesis of the literature with a focus on identifying and illuminating the connections between the existing literature, the phenomenon of RBCF and the potential implications for the lived experience of that phenomenon. Diagrams have been used within this study with the intention of focussing on the core questions and insights gained throughout the study rather than suggesting frameworks or testable theories.

As discussed further in Chapter 3 (see Section 3.5) I use the term "entrepreneur" heuristically to refer to those undertaking a RBCF campaign. I see these actors as not as having pre-existing stable traits but are in a process of becoming entrepreneurial and applying the activity of 'entrepreneurial' to achieve their dreams. Section 2.2 explores the entrepreneurial process not merely as an economic one but a social process where the entrepreneur, venture and network co-evolve interactively with purpose (Jayasinghe, Thomas, & Wickramasinghe, 2008; Lamine, Jack, Fayolle, & Chabaud, 2015). The motive for growth is explored and the alternative concept of market-traction is defined to distinguish the context from growth.

Section 2.3 considers what resources are valuable for entrepreneurs starting new ventures, where they source those resources from. Both family, friends and networks sources are considered. In Section 2.5 the key issue of creating ties is explored from the perspective of the ability of the entrepreneur and how the internet is influencing the process. Section 2.6 explores the challenges that entrepreneurs face in the availability of finance and Section 2.7 explores the new phenomenon of RBCF. Section 2.8 considers what the literature identifies as strategies for obtaining finance. Finally, Section 2.8 summarises the research approaches that have been taken to research RBCF prior to this study.

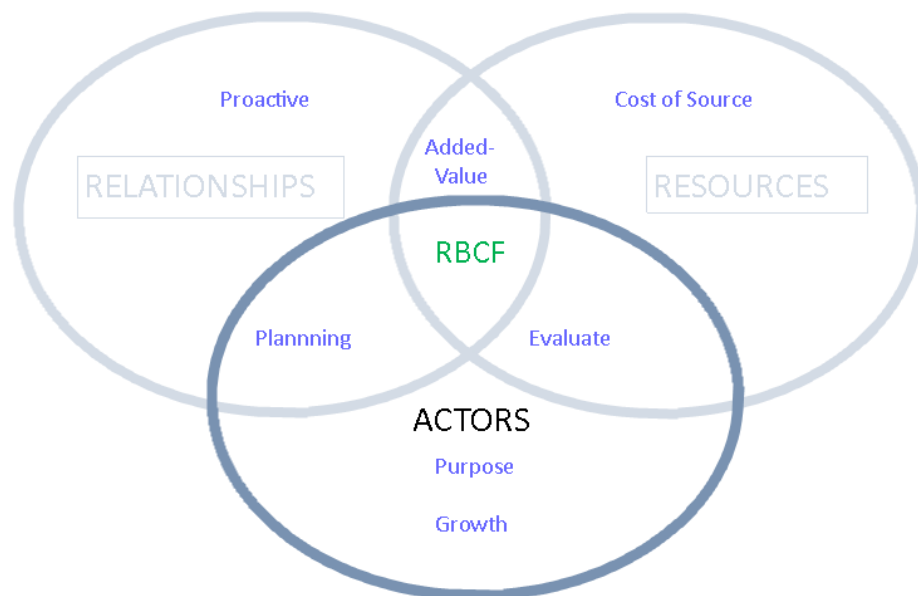
## 2.2 New Ventures, liabilities, and dreams

New and small ventures are assumed to face a variety of obstacles in their endeavours to survive, become established and realise their dreams. The first hunch was that there is a need to understand the envisioned nature of the venture. This is illustrated in Figure 2-1 below. The obstacles are referred to as the “liability of newness” and the “liability of smallness”, which presume the risk of failure as higher for small and new ventures (Aldrich & Auster, 1986; Stinchcombe, 1965). The liability of newness stems from a lack of operating histories, or “track record”, for example, potential customers will not know of their existence, so there is a lack of visibility in the market place, and providers of finance feel they lack information to judge the viability. The judgement of the legitimacy of the venture by external stakeholders is necessary for resource exchange (G. Fisher, Kotha, & Lahiri, 2016; Überbacher, 2014). The liability of smallness stems from the lack of access to resources, such as knowledge, skills or finance, and this is presumed to constrain the development of the venture (Aldrich & Auster, 1986; Stinchcombe, 1965). The combination of being new and small means that the challenge for the founder is complex. Operating in this context of uncertainty (Engel, Kaandorp, & Elfring, 2017) they need to perceive what resources they require, then find appropriate resource holders. The intentions of the founder matters, as choosing to meet either lifestyle or maximise profit can influence source of finance pursued (Schwienbacher, 2007). Then they need to convince the resource holders of the legitimacy of the

venture by both presenting a persuasive case for their product and its future. Then they need the skills to negotiate and effect the transfer of those resources.

Yet, it is argued here that the dreams and intentions of entrepreneurs are not a simple desire for economic wealth creation but a more complex mix of personal and wealth motives, purpose for the venture and growth expectations. The combination of these intentions may be strongly held, yet may be adapted (Gruber & MacMillan, 2017) in an on-going process of sensemaking and sensegiving (Maitlis & Christianson, 2014) with external resource providers, over each parties' legitimacy. Both parties in a relationship will make choices about whether to concede to the other's approach or try to influence the others approach to change their direction (Ford & Mouzas, 2010, p. 958). This process could be straightforward or could be challenging. If they find resource holders with similar goals, the problem of legitimacy may be reduced, and resource exchange may prove less challenging (Navis & Glynn, 2011). Whereas, if there are misaligned goals, the founder may have to compromise on their initial dreams for their venture (G. Fisher et al., 2016; Navis & Glynn, 2011; O'Neil & Ucbasaran, 2016).

Figure 2-1 Diagram of Three Hunches – Review of Actors



Source: Author's own design



## 2.2.1 Entrepreneurial Dreams

Of what do entrepreneurs dream? Reading much of the academic literature, one could assume the only dream of entrepreneurs is for wealth maximisation (Achtenhagen, Naldi, & Melin, 2010; Lindgren & Packendorff, 2009). Yet research on human motivation recognises that many people pursue occupational goals not simply for economic return. People seek meaning, pursuing some occupations for 'noble' reasons, yet there is also meaning-in-labour, in that work with no purpose is alienating (Ariely, Kamenica, & Prelec, 2008).

### *Beyond economic rational models of business*

Whilst the volume of literature on entrepreneurs and new venture creation has grown significantly over the last 25 years, there is little consensus over the concepts within the domain (Audretsch, Kuratko, & Link, 2015; Moroz & Hindle, 2012; Shepherd, 2015). There have been several attempts to draw the field together in a coherent way (e.g. Carlsson et al., 2013; Kuratko, Morris, & Schindehutte, 2015) and yet important underlying assumptions within the research on the phenomenon is that it is built on a Western moral perspective (Lindgren & Packendorff, 2009; Obrecht, 2011), the discourse of the heroic entrepreneur (Downing, 2005, p. 195; Welter, 2011) and assumes the actors are rationalist, homo-economicus, seeking to maximise their utility (Granovetter, 1985; Jayasinghe et al., 2008, p. 243; Lindgren & Packendorff, 2009).

Theories of the firm have been criticised for being rooted in economic theory which only accounts for the monetary and materialistic intentions, whereas intentions other than profit maximisation are marginalised (Hjorth, Jones, & Gartner, 2008; Rawhouser, Villanueva, & Newbert, 2017; Wiklund & Shepherd, 2003). The economic approach overlooks the possibility that economic activity is embedded within a network of social relationships (Hite, 2005; Jack & Anderson, 2002). Much research focuses on the macro-economic outcomes, implications for economic growth (Carlsson et al., 2013, p. 926) yet there is little account taken of the form the venture may take in relation to strategy, finances, operational and marketing (Zimmerman, 2009, p. 73) or the outcomes for the individuals. Current research based on economic theory has a tendency to tacitly devalue non-economic aspiration which does not meet the grand

ambitions of Schumpeterian entrepreneurs (Bhidé, 2000, p. 110), despite emerging research showing, for instance, independence being valued more highly than money (Cassar, 2007). The non-economic aspiration of entrepreneurial activity may take account of human welfare (Carlsson et al., 2013; Nightingale & Coad, 2014); self-actualisation (N. Carter, Gartner, Shaver, & Gatewood, 2003; Hitt, Ireland, Sirmon, & Trahms, 2011), strengthening and sustaining families (Marcketti, Niehm, & Fuloria, 2006) or satisficing lifestyle goals (Bredvold & Skålén, 2016; Gigerenzer, 2010). The tendency is to disregard that people are heterogeneous and may have multiple goals (Bredvold & Skålén, 2016; R. Fisher, Maritz, & Lobo, 2014; Jaouen & Lasch, 2015) that maybe pursued in moderation, as maximisation may only be feasible in well-defined situations (Gigerenzer, 2010). It therefore seems important to incorporate a more rounded understanding of the phenomenon of entrepreneurship and new venture creation. This may help begin to explain the long tail of apparently 'poor performing' firms that Nightingale and Coad (2014, p. 130) refer to as 'marginal undersized poor performance enterprises', or 'muppet' firms, that exist in all economies

Whilst the current state of literature is disjointed and appears to marginalise non-economic intentions, there are reviews of the literature that take a view that the phenomenon of entrepreneurship is rich and complex and would benefit from research from a multiplicity of perspectives. Shepherd's (2015) review draws more attention to the heterogeneous nature of people's motivations and how their actions can generate both gains and losses for the entrepreneur, whilst also preserving and/or destroying the natural environment, the culture of communities and value for society. Nevertheless, despite the broader range of suggested unexplored aspects of entrepreneurship, even in this review there are examples of activity that are not considered.

Examples of situations not considered within these frameworks and reviews include freelancers, micro, fractional entrepreneurs and home-based (Delmar & Davidsson, 2000; Paoloni & Dumay, 2015; Vinturella & Erickson, 2004, p. 6; Welter, 2011) which are often not treated as entrepreneurs in the Schumpeterian sense (Carland, Hoy, Boulton, & Carland, 1984). Other examples are women, unemployed, minorities or older entrepreneurs who may have non-economic motives for their actions, such as integration between

professional and personal life (Callanan & Zimmerman, 2016; N. Carter et al., 2003; Paoloni & Dumay, 2015). Some entrepreneurs have a localist and place-based or community focus (Elaydi & McLaughlin, 2012; Obrecht, 2011, p. 131) and others are proactive in creating transformative effects on their local communities (Feldman, 2014). A new role of 'working consumer' has developed with the rise in technology and outsourcing by corporates of functions as 'microjobs' to non-employees in return for financial compensation, for example through Amazon Mechanical Turk (Chandra & Coviello, 2010; Kleemann & Voß, 2008), these actors remain 'organisation-less' as tasks are distributed (Chandra & Coviello, 2010). All of these examples demonstrate there are people with a multi-focus in terms of combining both economic and non-economic intentions (Hitt et al., 2011), and their performance, evaluated in purely economic terms, may appear marginal as described by Nightingale and Coad (2014). So whilst the field lacks coherence it also marginalises a substantial range of activity that from a multiplicity of perspectives could be described as entrepreneurial in nature and cannot be evaluated from an economic perspective.

#### *Purpose orientation*

Thus, a missing element from the framing of entrepreneurship appears to be centred on non-economic aspirations which, for the purposes of discussion, I will frame as the "Purpose Orientation" for the venture. The notion of the "purpose" is the reason for which the venture is created and may have a single or multiple motivations or intentions simultaneously economic and non-economic. The notion of the "Orientation" is based on the Oxford English Dictionary, which offers two definitions for the term orientation. Firstly, it is defined as the action of orienting someone or something relative to the points of a compass or other specified position. Secondly, it is defined as a person's basic attitude, beliefs, or feelings in relation to a particular subject or issue.

The notion of Purpose Orientation draws from Strategic Choice Theory, in that the "*power-holders within the organisation decide upon a strategic course of action*" (Child, 1997). However, it is adapted in the sense that the "Purpose" may be more balanced between rational choice and emotional heuristics or as Simon (1947) referred to 'bounded rationality'. This notion draws attention to

the variety of intentions for the initial creation of ventures. For example, family firms emphasise socio-emotional wealth rather than profit orientated objectives (Zahra, Wright, & Abdelgawad, 2014). Lifestyle ventures emphasise creating a desired way of life and social ventures emphasise human welfare (Zimmerman, 2009), a recent study by the UK Government suggests that for self-employed people work/life balance is important (Deane, 2016). For some, entrepreneurship is not purpose orientated as it is accidental or spontaneous (Hjorth et al., 2008; Shepherd, 2015). Even some large Multi-National corporations, at the start, were not envisaged by their founders as large corporations. For instance, The Body Shop was started by Anita Roddick with the aim of making an income for herself and her children (Chell, 2008, p. 224; Roddick, 1991); Patagonia, the outdoor clothing brand, is now a B-Corporation with an environmental mission, which in 2015 surpassed \$600 million turnover with over 2,000 employees. Yet for the first 6 years the founder was living at subsistence level, using portable tools out of the back of a van to make 'climbing pitons', using the funds to go rock climbing (O'Rourke & Strand, 2017). Others aim from the outset to combine economic growth with commitment to employees, for instance Springfield Remanufacturing Corp, generates \$450 million turnover with 1200 employees. From the start its founder and current CEO Jack Stack, insisted on creating an Employee-Owned Company, educates all staff in financial and business literacy, has a strategy of high commitment to staff particularly in hard economic times (Street, Street, Weer, & Shipper, 2014). Bhidé (2000, p. 22,34) points out that in his study of founders, many of who became household names, more than 80% bootstrapped, did not write business plans and had mundane, imitation products at the start. From these examples we can see that not all firms are started with the single intention of maximising economic success, the purpose and direction maybe proactive or reactive and vary between firms and over time. All these ventures need to generate economic surpluses in order to survive in hard times, as without that they may not survive, yet generating economic surplus is not necessarily the main or only purpose.

The purpose orientation is overlooked as studies, such as those reviewed above, concentrate on founders with a single purpose. They study them once the firm is established, rather than considering that they may potentially emerge from similar foundations or circumstances. Studies looking at a range of

entrepreneurs at early founding stages have been conducted, but predominantly use Panel data from telephone surveys and so do not gain an understanding of why the purpose orientation has been chosen (for example, see Newbert, 2005). This study seeks to understand the purpose orientation of the entrepreneurs using RBCF and why they have made that choice.

### *Motivation for Growth*

The concept of firm growth has been suggested as an important concern when starting new ventures, in order to overcome the liability of newness and smallness, which may hold implications for survival (Anderson & Ullah, 2014; Gilbert, McDougall, & Audretsch, 2006; Stinchcombe, 1965). Yet growth might be deliberately limited and this may hold implications for other choices for the firm, such as finance sought, and relationships pursued (Wright et al., 2015).

The link between entrepreneurship and economic growth, particularly by 18<sup>th</sup> Century economist Jean Baptist Say and 20<sup>th</sup> Century economist Joseph Schumpeter, has been a tradition (Kuratko & Audretsch, 2009). Current models of entrepreneurship and new venture creation, therefore, assume growth in itself is a desirable intention (Wright & Stigliani, 2013) and so only consider why some grow more than others (Gilbert et al., 2006). What is rarely acknowledged is that growth can be a “wicked problem” where certain behaviours can perpetuate the condition (Anderson & Ullah, 2014).

Although high growth firms are exceptional (McKelvie & Wiklund, 2010), rare (Levie & Lichtenstein, 2010) and not necessarily associated with profitability (Nason & Wiklund, 2018, p. 52), paradoxically, there is a dearth of literature about the much more representative and typical low growth small firm or those “born to stay small” (Kolvereid, 1992). Although models of substantial and aggressive growth (Morris, Neumeyer, Jang, & Kuratko, 2018) to a size that can achieve a stock-market listing, are used widely (See A. N. Berger & Udell, 1998; Vinturella & Erickson, 2004, p. 2), substantial growth is not inevitable. This is because the market may not support growth (Bhidé, 2000, p. 110) or alternative strategies such as a network-logic are followed (Wincent, 2005). Growth may be perceived as inconvenient (Dobbs & Hamilton, 2007) or hold liabilities related to being large (Aldrich & Auster, 1986). Further still, the notion of growth has many meanings attached which are socially constructed (Leitch, Hill, &

Neergaard, 2010). Growth does not inevitably follow a stages model as conceived of by Berger and Udall (1998). Storey (1994) argues that growth does not follow stages but is influenced by multiple factors. Growth is more dynamic (Dobbs & Hamilton, 2007) and can alternatively be considered an optimal state between the contextual environment, the industry, the business model and the preferences of the entrepreneur (Levie & Lichtenstein, 2010; Storey, 1994). Yet also temporally, all these aspects may evolve and change in nature (Ford & Mouzas, 2010), for instance, the entrepreneur's preferences may change in the future as learning progresses (Berends & Antonacopoulou, 2014).

Within this research study the interest is not in the *act of growth*, but in the *initial aspiration for growth*. This is because the average size of a RBCF campaign is relatively low value in financial terms. There is a stream of research that considers the concept of firm growth (McKelvie & Wiklund, 2010) which although external and internal limitations to growth are studied, it has not considered that there may be an option to proactively self-impose limits to growth. This may possibly be because, as discussed earlier, economic theory assumes growth is a desirable intention, whereas this may not always be the case. For instance, emerging technology and online environments make the time to build market knowledge shorter and costs of entry lower, thus making liabilities of newness and smallness less relevant (Chandra & Coviello, 2010; L. Harris & Rae, 2009). This has fostered the creation of e-entrepreneurship, where entrepreneurs operate in virtual-teams and individuals create businesses serving global markets (L. Harris & Rae, 2009; Matlay & Westhead, 2005). Yet growth is mostly studied using established firms (for example, see Wiklund, Patzelt, & Shepherd, 2009).

Growth has been conceptualised as a multidimensional, heterogeneous and complex construct and entrepreneurs have to make sense of uncertainty and ambiguity to realise it (Baum, Locke, & Smith, 2001; Wright & Stigliani, 2013). Research has so far not provided a good understanding of the micro-foundations of growth or what growth means to entrepreneurs or how they chose a growth pattern (Achtenhagen et al., 2010; Wright & Stigliani, 2013). It is acknowledged that for some firms growth is not an objective (Dobbs & Hamilton, 2007), and whilst firms may grow to a "minimally efficient scale" the

motivations are mostly about avoidance of further growth perceiving it to involve loss of control, risks and inconveniences (Dobbs & Hamilton, 2007) but also about constraints in certain contexts for example, women entrepreneurs in post-soviet rural contexts (Welter, 2011). A number of studies have found reactive reluctance for growth, driven by a desire not to take the size beyond that which is perceived to be controllable (Anderson & Ullah, 2014; Fielden, Davidson, & Makin, 2000; Gilbert et al., 2006; Jaouen & Lasch, 2015; McKelvie & Wiklund, 2010; Wright et al., 2015). Achtenhagen et al.(2010) observed that scholars and entrepreneurs view growth differently. Their research found that scholars have viewed growth as an outcome, whereas entrepreneurs view growth as a dynamic process that changes over time (Achtenhagen et al., 2010). As shown by the earlier examples of The Body Shop and Patagonia, initial intentions may not include a high growth aspiration, yet over time the purpose and growth orientation changed.

In contrast to reactive reluctance to grow, some research shows there are more proactively made choices for growth, for instance, starting another firm rather than growth of an existing one (Achtenhagen et al., 2010), in order to manage the risk. Yet other possible drivers of proactive choice are under-researched and are based on prosocial motives (Shepherd, 2015), such as environmental issues e.g. choosing to supply local organic food, or a community focus e.g. only employing from within a local community, and growth may not be the main focus. Drawing on the concept of Bounded rationality (Simon, 1947) for this research process, I will refer to the 'proactive choice' to remain at a restricted size, 'Bounded Growth'. This is not to say the bounded nature may not change but will influence the choices for a period of time. Nor is it about unconscious reaction to external forces. Also, whether or not growth is achievable or achieved, or how it is achieved, is beyond this current research. However, the concept of 'bounded growth' does draw attention to the desirability or otherwise, by entrepreneurs for growth (Cassar, 2007) and particularly for high growth, which is perceived by policy makers as critical for economic development (R. Brown & Mason, 2017). Job creation is used as a measure of growth by policy-makers and scholars (Dobbs & Hamilton, 2007), in contrast, entrepreneurs perceive employing staff as both difficult and risky (Achtenhagen et al., 2010; Fielden et al., 2000) which also may influence growth choices in certain contexts. Yet as time progresses, contexts change, and opportunities arise,

steady organic growth is perceived by some entrepreneurs as more desirable than fast growth (Fielden et al., 2000). Studies that effectively take 'snapshots' of data, have tended to be the prevailing approach (McDonald et al., 2015) yet they overlook the erratic nature of growth (McKelvie & Wiklund, 2010), alternative models of growth and other contextual influences (Nason & Wiklund, 2018, p. 54). Similarly, changes in perceptions of growth and the rate of growth as a desirable orientation are overlooked; those starting in business may begin with bounded growth aspirations and modify these as time moves on and contexts vary. As stated earlier, this research is not concerned with the *act of growth*, but in the *initial aspiration for growth*. However, the assumption being made in this study is that whatever the initial aspirations are, they are not a static attribute. A problem that alternative concepts of growth raises for new ventures is that ambitious growth is a norm for access to finance from sources such as Business Angels (Burke, Fraser, & Greene, 2010). This problem is discussed further below.

#### *Defining Market-Traction*

In this study, the participants are at the earliest stages of their venture journey. Much of the literature on growth implicitly assumes that growth is a phenomenon that follows after the business has become 'established' (McKelvie & Wiklund, 2010; Smallbone & Wyer, 2012, p. 405). G. Fisher et al.(2016) consider the lifecycle stages of technology ventures and associate growth with post-commercialisation, and post venture capital, when financial resources are being sought from institutional investors on the stock market. Yet new ventures transition through a process from having zero sales transactions to consistent and regular sales transactions. In innovative companies this process is referred to as commercialisation. Commercialisation is a term not defined, but used within studies of technology ventures to denote the transition from product research and development to making it available to the market (Baldock & Mason, 2015; Chell & Allman, 2003; G. Fisher et al., 2016). Marketing literature terms the initial customers of product "early adopters" (Pedersen, 2005; Van Oorschot, Hofman, & Halman, 2018; Wozniak, 1987). This study does not focus specifically on high-growth, high-technology firms, therefore utilises the term "market-traction" to denote the process of achieving the initial "early-adopters" and increase in sales transactions and distinguish



from “growth”. Professional investors assess funding opportunities through multiple ratings one of which is ‘validation of the market’ through evidence of marketplace acceptance (“customers will easily adopt this product”) (G. Fisher et al., 2016, p. 390; Maxwell, Jeffrey, & Lévesque, 2011). The Oxford English Dictionary defines “traction” as “the extent to which an idea or a product becomes popular or gains support. Combining this with “market” to denote the buying and selling of goods, allows for the discussion of the increasing of sales transactions without the implications attached to the term “growth” and is terminology used by practitioners (Zwilling, 2016). The term thus also refers to deriving a source of product legitimacy provided by consumer-buyers (G. Fisher et al., 2016).

### *Legitimacy of the venture*

With traditional finance, ambitions that fail to align with the growth expectations of resources holders may struggle to access those resources. Navis and Glynn (2011, p. 482) argue that “who we are and what we do” serves as a benchmark for investor judgements and decisions about whether the venture achieves a threshold of legitimacy. They suggest that entrepreneurs need to achieve investors legitimacy thresholds through creating an identity narrative that balances institutional norms and entrepreneurial norms (Navis & Glynn, 2011). Weick (1995) refers to organisations being ‘talked’ into existence, yet entrepreneurs need to also develop reflexivity to skilfully negotiate this misalignment and adapt their ventures to achieve a balance between the requirements of resource-holders and the envisioned futures (O’Neil & Ucbasaran, 2016). Yet some entrepreneurs start out with strongly held identities which influence their behaviour, although adaption may occur if they are open to changing that identity during firm creation (Gruber & MacMillan, 2017). Gruber and Macmillan (2017) argue that identities are complex and derived from a combination of role identity (inventor, founder, and developer) and social identity (Darwinian, Communitarian, or Missionary). These combinations influence a variety of behaviours making understanding the influences on the entrepreneurial process multifaceted. Adapting to the requirements of a variety of external resources holders all with differing motives makes the process complicated suggesting achieving legitimacy is not a single act but an on-going process of sensemaking and sensegiving with a variety of

stages (G. Fisher et al., 2016; Maitlis & Christianson, 2014; Weick, 1995).

Entrepreneurs and resource holders both have choices about how to respond to each other. They can defer to their counterparts' approach or attempt to influence the counterpart to change (Ford & Mouzas, 2010) and the process will likely involve reflective adaption of their practice (Keating, Geiger, & Mcloughlin, 2014). As discussed above, the norms of growth and purpose that exist within traditional sourcing of finance may not operate within RBCF. Therefore, this study seeks to gain an understanding of the perceptions of how the entrepreneurs are attempting to gain legitimacy in this new context.

### 2.2.2 Section summary

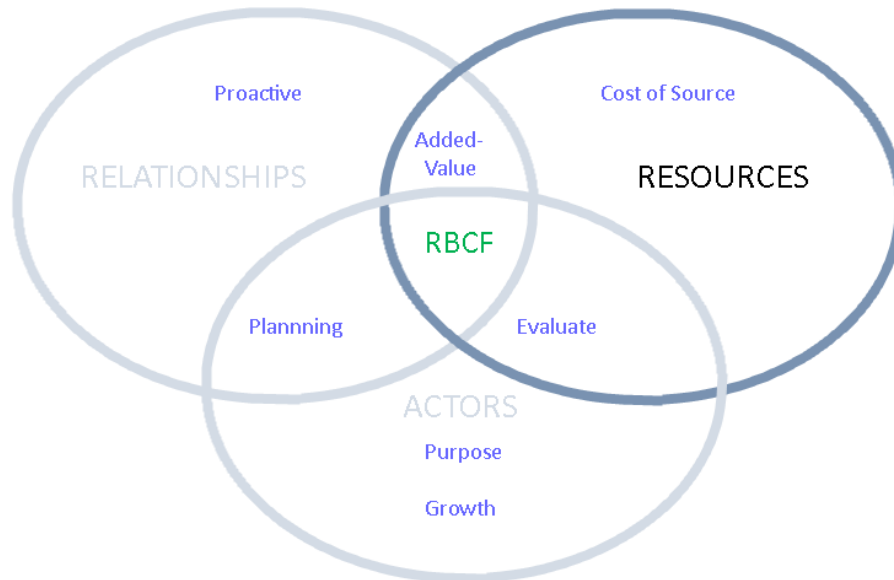
Purpose, growth orientation and market-traction are part of the complexity of creating new ventures; nevertheless, have not yet been studied at the founding stages. The literature on entrepreneurs tends to marginalise those who seek purpose beyond economic outcomes. As shown by the studies on numbers of firms within the UK, there is persistence over the last two decades of micro and small firms, and it is a rarity to achieve growth to medium and large size. Economic growth is of interest to scholars and policy makers alike, particularly high growth, yet there are a range of growth orientations pursued by entrepreneurs, some of which may not coincide with the interests of many scholars and policymakers. As the evidence on RBCF shows funding values achieved are low yet finance providers are interested in ambitious entrepreneurs so there may be challenges in legitimising the project. To distinguish the context from that within the growth literature the term market-traction is conceptualised. This study is seeking to explore this interaction between purpose, growth or market-traction and gaining financial resources.

## 2.3 Valuable Resources

As discussed above, new ventures are resource constrained. Yet for the venture to grow the founders need to seek resources that are valuable because they provide competitive advantage and facilitate growth (Barney, Wright, & Ketchen, 2001; Penrose, 1959). In my second hunch I noted that there seems to be access to more resources than just money from RBCF, yet it is not clear what they are seeking and why. This part of the review is illustrated in Figure

2-2 below. Most resources lie beyond the boundaries of a new venture whilst it remains small and so access to resources is obtained through the network. These issues are discussed in the following section.

Figure 2-2 Diagram of Three Hunches – Review of Resources



Source: Author's own design

### 2.3.1 Nature of valuable resources

#### *Resources are valuable perspective*

The Resource-Based View of the firm, as proposed by Barney (1991), argues that resources are the basis of competitive advantage. The Resource-Based View states that organizing and combining a set of complementary resources and capabilities may lead to value creation. These acquired resources are seen to be heterogeneous within an industry, scarce, durable, not easily traded, and difficult to imitate. This unique bundle of resources is valuable as they lead to creating competitive advantage for the firm (Barney, 1991). Research suggests that specialist knowledge or technical capabilities are connected to entry into new markets and possession of unique resources increase growth opportunities (Nason & Wiklund, 2018). From a different more subjective approach, Penrose (1959) argues that the value in resources is not of itself but the service it provides and the variety of novel combinations (Penrose, 1959), although the novelty depends on entrepreneurial imagination (Foss, Klein, Kor, & Mahoney,

2008). In this perspective engaging in social resourcing as a practice, shapes the environment and resources simultaneously, enabling adaption and opens up new opportunities for resource exchange (Keating et al., 2014). This versatility increases the variety of strategic actions available to the founder and in comparison to inimitable resources is associated with the ability to grow (Nason & Wiklund, 2018, p. 52).

*Resources are valuable but lie outside the boundaries*

The Strategic Network Theory has developed the concept of Resource-Based View further, using Burt's (1992) ideas in arguing that critical resources may extend beyond the boundaries of the firm (J. H. Dyer & Singh, 1998). However, when creating new ventures, founders possess only partial knowledge of how to assemble the resources. Yet, they do not operate in a vacuum. Rather they consult and are influenced by actors beyond the boundaries of the firm (Taylor & Thorpe, 2004). Research on a new venture in the automobile industry suggests that critical resources always lie outside of the boundaries of the organisation since external actors control those resources (Ciabuschi, Perna, & Snehota, 2012). The access process involves extensive adaption and interaction with stakeholders to enact feasible exchanges and combinations of resources. Thus, it is necessary to build relationships to access the resources, and the whole process makes creating the venture more complex (Ciabuschi et al., 2012). One study suggests it takes 12 years before firms are perceived as legitimate and viable risk for providers of finance (Rutherford, Tocher, Pollack, & Coombes, 2016). Therefore, throughout this time, resource constrained entrepreneurs who wish to develop their ventures, depend on the network to provide the necessary resources.

*What resources are valuable to new ventures*

Weick (1995) observes that enactment of environments occurs through perceptions, attention and plausibility rather than objective facts. Similarly, Mckelvie and Wiklund (2010) argue that action is limited by what managers see and are willing to act upon. Therefore, their perception of what is most salient or valuable is important for focusing attention. Some scholars suggest that intangible resources (knowledge, expertise, relationships and decision-making) are more 'salient' for start-up businesses than tangible resources including

finance (Lichtenstein & Brush, 2001). Some resources such as the process of searching for and distinguishing resources is as important as the possession of a pre-existing asset (Macpherson & Holt, 2007). For example, a study on UK small businesses considered how they evaluated between 'hard' advice, on specific problems solving, and 'soft' advice on managerial-change processes. This study found that they assessed the soft advice as more valuable (Ramsden & Bennett, 2005). Accessing knowledge can enable a small firm to respond appropriately to external factors. For instance, Fuller & Lewis (2002) interviewed 50 small-business owner managers in firms in the North-East of England, who had been established at least 3 years. They found that 'effective relationships are the medium for recognising and responding to environmental change' (Fuller & Lewis, 2002, p. 332). Whilst knowledge and information are important resources, they may not be easily transferred. Explicit or codified knowledge on theories, processes or procedures are easily communicated whereas tacit knowledge is highly personalised and context specific due to its origination in experiences, which makes it difficult to communicate (Anderson, Park, & Jack, 2007).

### 2.3.2 Locating resources

#### *Time constraints and added-value resources*

Penrose (1959) argued that entrepreneurs themselves were the main constraint to growth in terms of their knowledge and skills. If we assume that the knowledge and skills can be acquired yet personal time remains a constraint (Newbert & Tornikoski, 2013), I argue that efficient use of that time is critical at the initial stages of creating a venture. In my pre-understanding I raised the issue of added-value. Therefore, seeking out resource holders who can provide the widest variety of resources would make the best use of that time.

Resources that have multiple purposes and connections occurring across several spheres (personal or business) have been referred to as resource multiplexity (Newbert & Tornikoski, 2013) or added-value (Collewaert & Manigart, 2016). Research has considered the creation of networks on founders in US who had been working on their venture for less than 24 months. This suggests that nascent entrepreneurs place value on connections that

## *Chapter 2 Literature Review; Valuable Resources*

provide multiplex resources with both real and anticipated benefits (Grossman, Yli-Renko, & Janakiraman, 2012).

### *Resources from family and friends*

Support for new ventures is assumed to start with family and friends. They provide both initial advice (Hanlon & Saunders, 2007) and initial financial support (Bruton et al., 2015, p. 13). Some find that family provide support by aiding business decisions and providing labour for production and administrative processes, emotional support and contributing to the quality of life (Hanlon & Saunders, 2007; Jack, Dodd, & Anderson, 2004; Marcketti et al., 2006), but also that the quality of the advice from family may be lower than paid for advice (Hanlon & Saunders, 2007). Others point out that family firms are less likely to become bankrupt (Zahra et al., 2014, p. 493). Yet other scholars suggest that family and friends are unlikely to have useful networks or reputation or suitable knowledge and are unlikely to provide follow on capital (Riding, 2008) and being overly embedded in strong family ties can reduce survival chances and constrain growth (Aldrich & Martinez, 2001, p. 15). Overall, there is disagreement over the contribution of family and friends to new ventures. Yet all these studies implicitly assume that family and friends are a homogenous group of actors and do not consider their skills or professional experience.

### *Resources from networks*

Where there is substantial agreement is that resources barriers can be overcome by accessing external networks. According to Burt (1992), networks are the 'final arbiter of competitive success' for businesses. Resources that are valuable for success that have been identified in networks include key competitive information, potential customers, management expertise, professional advice, accounting services, assets and services that add value such as marketing and technical credibility, financial resources, emotional support and political influence (Anderson et al., 2007; Steier & Greenwood, 2000). Knowledge and information are important resources that can be provided by networks. Macpherson and Holt (2007) review the literature on knowledge, learning and small firm growth and identify many actors within networks that are able to provide resources or make connections to resource

## *Chapter 2 Literature Review; Valuable Resources*

providers including business service providers, universities, venture capitalists, government agencies and industry clusters. Trading organisations have been shown to be sources of additional information, advice and support to a high proportion of owner-managers. Owner-managers form weak ties with formal institutions, such as Chambers of Commerce, government support agencies and professional and trade associations being used by about a third of owner-managers to access help with recruitment (Chell & Baines, 2000). Networks' links into Government Departments have enabled small firms to gain access to valuable contacts on a National level (E. Baker, Onyx, & Edwards, 2011).

### *'Added-Value' resources from Angels*

Resource providers that are sought out by entrepreneurs for their combination of finance and added-value soft skills and knowledge are 'Business Angels'. These are usually experienced and wealthy entrepreneurs who look to personally invest a combination of money, skills and time in new businesses (A. N. Berger & Udell, 1998). Business Angels provide a range of professional experience, often higher education, business contacts, commercial expertise, complementary skills and mentoring approach (Aernoudt, 2005; Collewaert & Manigart, 2016; Paul, Whittam, & Wyper, 2007), thus providing 'added-value' or 'multiplex' resources (Collewaert & Manigart, 2016; Newbert & Tornikoski, 2013). Macht (2011) finds that it is important for the resources of the Business Angel to be relevant to the entrepreneur, as those with irrelevant resources can cause frustration. In popular culture, the popularity of TV shows such as 'Dragons Den', whilst somewhat distorting the everyday entrepreneurial practices, serve to raise awareness of the skills of these successful entrepreneurs turned investors (Swail et al., 2014), building perceptions of the added value of their skills. However, access to these added value services is restricted to specific sectors, often technology, or to high growth firms with exit opportunities for a high financial return on investment (Bellavitis et al., 2017; Fraser et al., 2015; Maxwell et al., 2011; White & Dumay, 2017). So, whilst these resource providers are sought after by entrepreneurs for the combination of finance and added value, they are not available to ventures that cannot demonstrate the potential to achieve a high-volume market and realise a "liquidity event" or exit (Zimmerman, 2009).

*Benefits of developing networks*

Networks play a significant role for nascent ventures. Nascent ventures are acknowledged to be resources constrained, and networks provide access to the required resources (Aaboen, Dubois, & Lind, 2012; Elfring & Hulsink, 2007; S. Johnson, Webber, & Thomas, 2007). Participation in a diverse and supportive network can improve the chances of formation, survival and growth (Hoang & Antoncic, 2003; Lee & Jones, 2008; Low & Abrahamson, 1997; Macpherson & Holt, 2007). For instance, entrepreneurs that engage in a community of customers are more likely to create products and grow (G. Fisher, 2012). The study by Uzzi (1997) on small firms in the apparel industry showed that having a personal network structure that was heterogeneous, created access to resources, therefore created favourable conditions for economic success for the firm albeit somewhat constrained. In a conceptual paper, Witt (2004) extended this idea of success originating in the network, suggesting that what really matters is what industry the firm is in; its strategic intention; size of the firm; its absorptive capacity and the costs of reciprocity. Witt (2004) also proposed that the benefits offer diminishing returns and points out that to get a more rounded understanding of a network both the social and economic aspects must be taken into account. So, social capital, social competencies, mutual trust, moral standards and altruism are all social aspects that are employed.

There is, however, an implicit economic assumption that individuals are utility-maximising (Witt, 2004). Whilst this gives a more balanced view of the nature of networks, the economic assumption often defines 'utility-maximising' narrowly in monetary terms rather than acknowledging that people gain 'utility' or rather 'meaning' in intangible ways (Ariely et al., 2008). Witt et al.(2008) later followed up with an empirical paper aiming to test the success hypothesis, in particular looking at the costs of reciprocal exchanges. This study was based on the study of 123 German entrepreneurs, who were mostly well educated. These were on average in business 3.7 years but some having been in business for 10 years, yet only included network contacts for the 6 months before the study. The study concluded that networks did not provide access to 'cheap or exclusive resources' because reciprocal exchanges, including time, reciprocal actions, expected favours, and reduced freedom in decision-making, are as costly as market transactions.



Jones & Jayawarna (2010) followed up Witt's study with a longitudinal study looking at 211 UK entrepreneurs that had been operating for less than 3 years and that were from socially disadvantaged backgrounds. This study found that a combination of bootstrapping techniques (such as borrowing equipment, bartering or selecting customers who pay on time) and social networks play a key role in the acquisition of resources, showing that strong ties with family and close friends was an important factor. An example was that the entrepreneurs used their network to act as brokers for negotiating more favourable deals with customers and suppliers or the sharing of resources (Jones & Jayawarna, 2010).

In a similar approach to Witt, Semrau and Werner (2014) looked at the size of the network of nascent entrepreneurs in Germany, in relation to the quality obtained. They found that increasing the network size resulted in diminishing marginal returns based on the time spent to maintain and develop contacts. This study was cross-sectional, rather than longitudinal, so similar to Witt (2008), no account was taken of any future benefits realised from the networking efforts.

These studies show that there is more complexity than just the existence of a social network, and contrary to Witt's (2004) and Semrau and Werner's (2014) findings that there are no benefits to network ties, Jones & Jayawarna (2010) show that the initial context, social capabilities and acceptance of delayed gratification, rather than trying to imply a time constrained balance in reciprocity, also come into play in interactions within a social network. In other words, goodwill may be generated but the social obligation may not be called upon or recompensed for a significant amount of time, even though the obligation is acknowledged to exist (Cialdini, 1985). People engage in activities without immediate financial return as it increases the likelihood of attracting long-term positive benefits (Engel et al., 2017, p. 41). These form the basis of existing social rituals in other contexts, for example barn raising, where value created through labour gets passed forward to future arrivals. Thus, participation is a kind of social obligation which creates social bonds. The exchange is unequal, which is accepted as it knits the newcomer into the system of reciprocity that the community depends for its survival (Jenkins, Green, & Ford, 2013, p. 63).

Further, a constraint may be less about the costs of engagement and more about the opportunity costs involved with path dependency or embeddedness within a network. Costs of engagement can be reduced by restricting the number of contacts and concentrating on a few partners, thus reducing redundancy. However, paradoxically this can lead to constraints in adaptation, which may be more detrimental to future success of the firm. In order to balance the need for adaptation with cost management, a balance of both weak and strong ties is recommended (Uzzi, 1997).

### 2.3.3 Section summary

Thus, at the formation of a new venture, entrepreneurs rarely possess all the resources they need (Aldrich & Auster, 1986). Other organisations and individuals can provide resources, yet the entrepreneurs' challenge is to locate and obtain versatile resources they can combine in novel ways to build their ventures (T. Baker & Nelson, 2005; Elfring & Hulsink, 2007; Penrose, 1959). Resources that exist include both tangible and intangible artefacts. For instance, these include materials, facilities, equipment, legal advice, marketing knowledge, status, legitimacy, finance, customers, and connections. Thus, the entrepreneur needs to connect with, for instance, suppliers of materials, professionals (such as lawyers and accountants), customers and finance providers. Those who can provide advice, guidance and multiplex resources may help overcome internal capacity constraints of being new and small (Aldrich & Auster, 1986; Grossman et al., 2012; Ramsden & Bennett, 2005). Business Angels are a sought-after provider due to their multiplex resources of both finance and intangible support. Yet they seek entrepreneurs with mass market potential from which they can realise their investments (Zimmerman, 2009).

## 2.4 Creating Relationships<sup>4</sup>

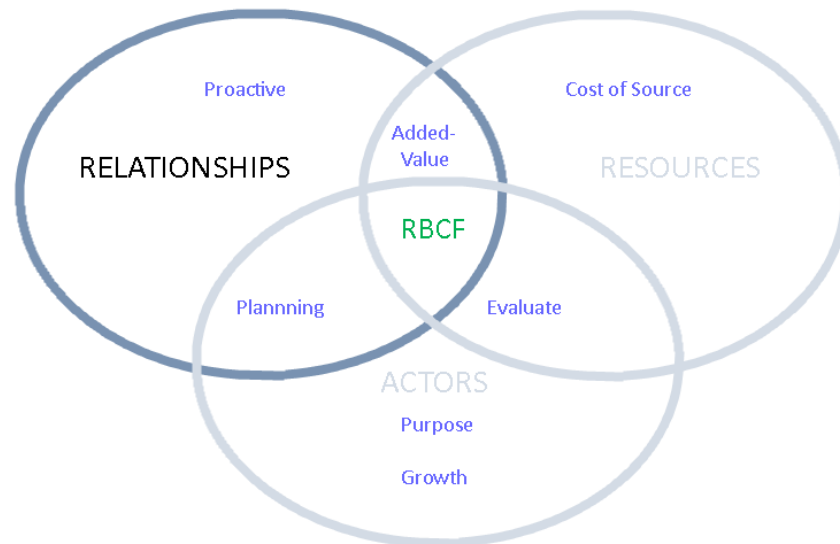
Entrepreneurs need to make connections with resource providers to access the valuable resources. As discussed in the preunderstanding my third hunch was

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<sup>4</sup> I use the terms "relationship", "tie", "contact", "relation", and "stakeholder" interchangeably to refer to the alter with which the entrepreneur (ego) is establishing a social and/or business connection.

there is a need to understand the relational aspects of RBCF, and what processes attract suitable backers. There is a need to understand the role of a pre-existing community. This part of the review is illustrated in Figure 2-3 below.

Figure 2-3 Diagram of Three Hunches – Review of Relationships



Source: Author's own design

### *Networking and the nature of ties*

In enacting the process of creating ties to access valuable resources, it is assumed that nascent entrepreneurs act purposefully to form relationships. Entrepreneurs can and do evolve their pre-existing networks using a variety of strategies, styles and processes (Hallen & Eisenhardt, 2012; Porter & Woo, 2015; Rawhouser et al., 2017; Vissa, 2012). Yet, nascent entrepreneurs operate under uncertainty, as they cannot know the outcome of their actions, and their actions may lead to sensemaking and adaption of the perceptions of goals and what is valuable (Engel et al., 2017; Ford & Mouzas, 2010; Sarasvathy, 2001; Weick, 2006). Further uncertainty is created because the interacting actors also co-evolve to a greater or lesser extent, thus both parties have a range of choices including who to interact with, how and when and on what problem, with no guarantee that the coveted resource will materialise (Adler & Kwon, 2002, p. 24; Ford & Mouzas, 2010). As Adler and Kwon (2002, p. 26) remark “In life we cannot expect to derive any value from social ties to actors who lack the ability to help us”. Thus networking can be conceptualised as the activity of discretionary professional relationship development with

valuable ties, that is a practice rather than a structure (Porter & Woo, 2015) that adapts and evolves through sensemaking (Weick, 2006). Despite this practice focus, research on the formation of ties is founded on the assumption of structure and the attributes of ties rather than the dynamic practice.

The pre-organizational network can provide relevant experience, skills and knowledge (Blundel & Lockett, 2011, pp. 331–332; Hanlon & Saunders, 2007). Hite (2003) argued that the ties of nascent entrepreneurs are initially dominated by strong ties and are intentionally managed to incorporate weak ties. Family and friends are found to form a part of the network of resource holders (Bruton et al., 2015, p. 13; Hanlon & Saunders, 2007) and are assumed to be built on personal relationships and, therefore, are strong and embedded (Hite, 2003). Weak ties refer to business connections that are non-affective, infrequent or irregular contacts (Granovetter, 1985). Despite being weak, they are argued to provide value as they increase diversity and provide access through bridging to new information and opportunities to meet new people (Adler & Kwon, 2002, p. 19; Granovetter, 1973). Research has also found initial networks to include “business associates” (Aldrich & Martinez, 2001) which are assumed to be derived from pre-venture employment. In the initial stages these ties are leveraged for the resources they hold (T. Baker & Nelson, 2005; Newbert & Tornikoski, 2013). Whilst research on the nature of social capital may potentially have some relevance here, it is noted that social capital is created within the network and has been research in contexts where networks are substantial rather than at early venture stage (Anderson et al., 2007; Nahapiet & Ghoshal, 1998). The initial formation of the tie is the focus in this study and the social capital the tie may generate was deemed beyond the scope of this study.

#### *Ability to form ties and network effectively*

As discussed, the formation of ties may provide access to multiplex resources. These ties have also been conceptualised as multiplex in that they can be weak or strong, based on frequency of contact, emotional intensity, degree of intimacy and reciprocity (Elfring & Hulsink, 2007). The practices to extend the network include brokerage through pre-existing ties, and market based “cold ties” accessed through searches and “casual dating”, “shopping” or “hoping” (Hallen & Eisenhardt, 2012; Hite, 2005). Scholars increasingly recognise that

## *Chapter 2 Literature Review; Creating Relationships*

social skills are needed to deal effectively with other people, they are, therefore, important in the creation of ties. Entrepreneurs who demonstrate persuasive, good first impressions and adaptiveness to social situations can influence the quality of the interactions (Baron & Markman, 2000). Those who are more effective at creating ties demonstrate proactive signalling strategies based on practices such as 'timing around proof points' (such as customers using the product) and crafting alternative paths to tie formation. These actions shape potential resource providers perceptions of the legitimacy of the entrepreneur and venture (Hallen & Eisenhardt, 2012). Yet others have found the context to influence the networking behaviours. For instance, having radical or incremental products or being incubated versus being independent may affect the ability to create ties (Elfring & Hulsink, 2007). Further to this, Anderson, Park and Jack (2007) suggest that close proximity facilitates communication of tacit knowledge which often has to be exchanged in a face-to-face interaction.

### *Internet effect*

Yet whilst much research on tie formation has been conducted in an offline environment (for instance, see Anderson et al., 2007; Elfring & Hulsink, 2007; Hite, 2005), much interaction now occurs contemporaneously in offline and online environments and represents one of the biggest challenges for small businesses (Bocconcelli et al., 2018; G. Harris & Abedin, 2015). Historically, there has been opportunity cost for soliciting funds from a large number of people, so with the advent of the internet the scope and potential to engage with a wider audience in a way that is both time and cost effective has driven progress (Barnes et al., 2012; Short et al., 2017). The concept of accessing resources from an external crowd rather than a specific agent can be seen in the use of a large mass of people by corporates to obtain feedback on products and services (Afuah & Tucci, 2012). The affordances of SNS influence the ability to make connections and facilitate more regular interactions which include the possibility for interactions that are visible to a wide audience. Thus SNS influences entrepreneur's sensemaking, tie formation and social capital dynamics (Barnes et al., 2012; Smith et al., 2017). Smith et al.(2017) suggests that social capital accrual may be more complex and manifest differently from offline domains, yet to date, the combination of SNS and entrepreneurship has not been adequately studied. Further, they find that the use of the bridging-

social-capital affordances of SNS are influenced by the ability to use the SNS features effectively. Similarly, even enthusiastic adopters of SNS still value face-to-face interactions (Barnes et al., 2012) This complements other findings that show that those with a “community orientation” i.e. willingness to interact online and conform to acceptable SNS norms are more likely to attract resources and opportunities (Fischer & Reuber, 2011). Thus, whilst RBCF campaign success relies on the use of SNS to create connections with a wide audience, the nature, willingness, and ability to use it is crucial to understand how entrepreneurs engage with RBCF. Although much of the research in this area examines online data, studies have not been carried out on the experiences of nascent entrepreneurs.

### 2.4.1 Section summary

To obtain resources the entrepreneur needs to perceive what they believe to hold value for them, locate a provider that not only possesses the resource but is willing to provide it. Initial resources are considered to be located with family and friends although their ability to provide value has been disputed (Bruton et al., 2015; Jones & Jayawarna, 2010; Riding, 2008). However, networks of providers, within which family and friends are incorporated, have been shown to provide extensive value (Anderson, Jack, & Dodd, 2005; Anderson et al., 2007). To gain greater value, the entrepreneur needs to create new weak ties, and the strategies to enact that involve signalling at specific times or through physical proximity. The emergence of the internet is leading to significant changes in the way entrepreneurship and creating connections is enacted, potentially making the process much cheaper, yet there is little research that considers the lived experience of making connections in this context.

## 2.5 Entrepreneurial Finance

Despite the knowledge advice and soft skills being highly valued resources, valued above finance, nevertheless research suggests that the main reason for the failure of early stage businesses is financial distress leading to bankruptcy (A. N. Berger & Udell, 1998, p. 627; Mac an Bhaird, 2010), thus financial

resources possess some value for business. Traditional suppliers of finance have been both informal and formal sources. Informal sources include personal savings and retained profits (Mac an Bhaird & Lynn, 2015), use of personal loans or credit cards and soft loans or private equity from family and friends (A. N. Berger & Udell, 1998; Bruton et al., 2015, p. 13). Formal sources have been from institutions such as private and commercial bank loans (Cosh, Cumming, & Hughes, 2009), government grants and soft loans (Fielden, Dawe, & Woolnough, 2006; Mason & Harrison, 1997, p. 112), private equity from venture capital (Shane & Cable, 2002), and from individuals such as private equity from Business Angels (Maxwell et al., 2011). Institutions have over the years extended the products on offer from providing simple term loans and overdrafts to more complex asset finance such as leases and hire purchase, and more recently offer supply chain finance, invoice discounting and factoring (Cosh et al., 2009).

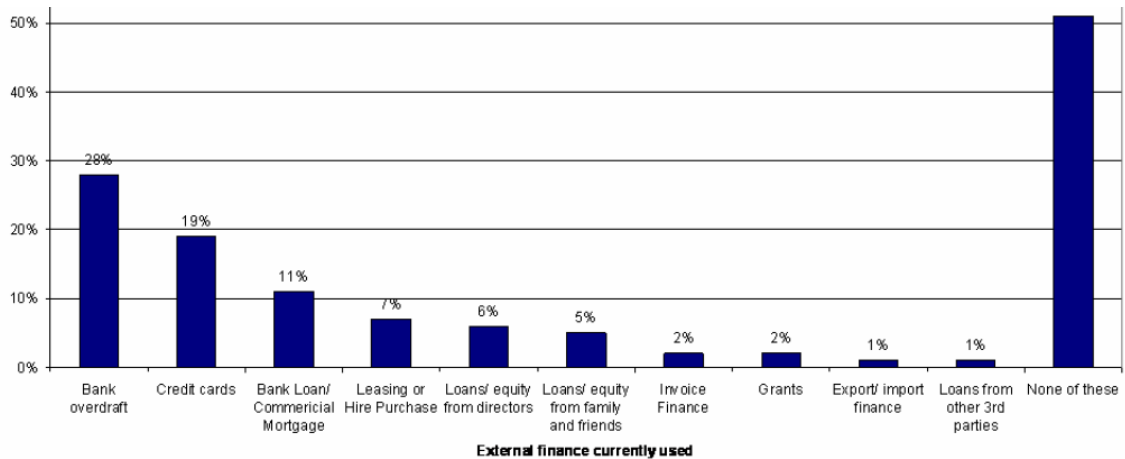
Personal finance is the most important source of finance for the start-up phase, whereas bank debt is most important in the growth phase, in particular firms with a lack of tangible assets appear to be financed informally which emphasises the importance of network resources (Cassar, 2004). Relying on informal sources will be influenced by the wealth of the entrepreneur and their ingenuity with obtaining resources at low or no cost, effective use and management of those resources. Yet extensive research identifies difficulties for new and small businesses in accessing the finance they require. These issues are discussed in this section.

### 2.5.1 Seed finance sources

Research shows that external finance used to seed new and small ventures is accessed from a variety of sources, using a variety of contract types and in a range of amounts.

Recent evidence from UK Government research of the sources of external finance used by UK SMEs shows that 51% of SMEs do not use external finance and those that do use Bank overdrafts (Median value £5,000) and credit cards most, and is summarised in Figure 2-4;

Figure 2-4 Graph showing Seed finance sources, proportions and value based on UK Government data



Source: Department for Business, Innovation and Skills, 2012

Evidence from the US shows a similar picture. Gartner, Frid and Alexander (2012) used the PSEDII<sup>5</sup> data from the US to study the financing choices of nascent entrepreneurs. He found that 57% of all financing is derived from personal contributions of the founders who contributed a median of \$5,000.

Robinson (2012) also used PSED<sup>6</sup> data from the US to summarise the proportions of entrepreneurs using each source and median values obtained and this is summarised in Table 2-1;

<sup>5</sup> PSEDII as note 2 above but from 2005 - (Reynolds & Curtin, 2008).

<sup>6</sup> PSED - Panel Studies of Entrepreneurial Dynamics; a national, longitudinal sample of US households 1999 (Reynolds et al., 2004).



Table 2-1 Seed finance sources, proportions and value based on US Data

	Proportion of firms using source	Median value obtained
Self-savings	76%	\$45k
Self-finance personal loan	33%	\$90k
Personal credit card	20%	\$17k
Family Loan	28%	\$80
Friends Loan	9%	\$190k
Bank Loan Asset	12%	\$121k

Source: D. Robinson (2012)

Further evidence from Worldwide studies show a comparable landscape. Nofsinger and Wang (2011) used the GEM<sup>7</sup> data to study initial financing of start-up firms across 27 countries and found that the average start-up investment totalled \$174k and self-investment \$51k. The following Table 2-2 shows the proportions of sources used.

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<sup>7</sup> GEM – Global Entrepreneurship Monitor; a survey conducted of the adult population, in 27 countries (Nofsinger & Wang, 2011).

Table 2-2 Seed finance sources and proportions based on GEM data

	Proportion of firms using source
Personal savings and income	40%
Close family members	13%
Work colleague	8%
Employer	14%
Government programs	11%
Banks and financial institutions	34%

Source: Nofsinger & Wang (2011)

A study published by the Kaufmann Foundation for Entrepreneurship used the Kauffman Firm Survey<sup>8</sup> to investigate the use of credit cards in start-up businesses in the US and the likelihood of survival. The use of a credit card did not show any impact on survival but the higher the amount used increased the likelihood of firm closure (R. H. Scott, 2009).

Atherton (2012) used 20 case studies to examine the capital structures of firms in the North of England that were less than two years old. He found most start-up investment was below £50,000 (12 cases) from an average of 4 sources, although 7 cases were between £80k and £550k and one £2.2million. Three quarters of them investing personal savings amounts ranging from £1,000 to £10,000, finance from family and friends was obtained by only 2 cases one at £2,000 and one at £100,000, and three quarters obtained grants from public sources of mostly between £1,000 and £7,000 and extensive use of government backed guarantees for debt. Only two cases used venture capital. Most new ventures in the study acquired multiple sources of funding of between two and five different sources, the higher the amounts of finance required resulted in more sources. Atherton (2012) further noted that these cases

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<sup>8</sup> Kauffman Firm Survey captures data from US firms started in 2004 and surveyed in 2005 and includes those self-employed.

differed from that in other studies, as the cases in this study were referred by business support agencies, and he suggests these were more financially literate and ambitious founders able to secure finance from a wider range of sources.

In these studies, all using data from across the small business populations, venture capital appears to be in limited use as a source. The reason for this may be that, as Bhidé (2000, p. 16) notes, venture capital-backed start-ups represent an “out of the ordinary phenomenon”. Reynolds and Curtin (2009) estimate that in the US in 2005 start-up capital provided by entrepreneurs was \$69 billion and venture capital firms \$0.8 billion, a ratio of 86:1 and Denis (2004) suggests it is less than 1% of the private equity market.

As discussed above, on added-value, out of all these finance resource providers, family and friends are noted for their ability to provide added-value by providing both money and support or ‘multiplex resources’. Banking institutions occur consistently in the provision of financial resources identified in the studies above, providing various forms of debt (for instance; loans, credit cards, commercial mortgages), yet research shows they are poor providers of support beyond finance (Hanlon & Saunders, 2007). There is no literature on banks’ provision of contacts but are assumed to provide referral to accountants (Macht, 2016, p. 993). Two other sources, Business Angel finance and business incubators, are not apparent in the sources identified, despite the perceived added value.

Business Angels are individuals who make informal investments in privately held companies in which they have no family connections and who play a key role in the financing of nascent businesses (Aernoudt, 2005; Ordanini, Miceli, Pizzetti, & Parasuraman, 2011). Berger and Udall (1998) suggest Business Angels were providing 3.59% of private equity in US. Angels look to invest money and time giving advice and guidance on technical and managerial aspects of the business and are motivated by economic, hedonic and altruistic goals (Ordanini et al., 2011). As discussed in section 2.2, Angels are considered ‘value-adding’ investors or ‘Smart money’, bringing professional experience, often higher education, a stewardship orientation (Aernoudt, 2005; Collewaert & Manigart, 2016), business contacts, commercial expertise, complementary skills and mentoring approach (Paul et al., 2007). They play a role in improving investment readiness for future growth funding by providing

knowledge of the practicalities and complications of the more complex financing options (Aernoudt, 2005). Some angels may assume a deliberate professional angel stance (Ibrahim & Rogers, 2008) or, as Steier and Greenwood (2000) show, may be the business associates of relatives who react to the informal investing opportunity. Further to this, Steier and Greenwood's (2000) study shows more importantly, that the investors in the case study were highly experienced industry colleagues rather than professional investors. They were a multidimensional resource, not only providing finance but industry specific managerial and business acumen and influenced legitimacy.

This role of providing 'smart money' has made Business Angels become sought after by entrepreneurs seeking growth funding due to the value placed on commercial contacts and bridges to critical competencies (Paul et al., 2007). The concept has been popularised in Western culture by the Media creation of "Dragons Den", a TV show where wealthy individuals review pitches by entrepreneurs (Maxwell et al., 2011). Entrepreneurs are motivated to participate in "Dragons Den" by the opportunity for exposure, expertise, and contacts which are perceived to be more valuable than the finance (British Business Bank, 2017, p. 78). However, the financial payoff for a Business Angel is the 'exit' where the firm has grown to a scale where it is attractive to other successive financiers (Burke et al., 2010; Maxwell et al., 2011) in an 'escalator' model (Baldock & Mason, 2015). Thus, the Business Angel can realise the financial investment through selling the investment at a profit. Further to this, many Business Angels operate in an invisible market as they are highly private individuals who are notoriously difficult to locate as many chose not to operate through formal methods but make private investments (White & Dumay, 2017) This suggests that, despite it being a coveted source of finance, only businesses with the capability to grow to the required high value are of interest to Business Angels, assuming they can be accessed, making it a rare resource.

Business Incubators and accelerators are another source of finance not apparent in the studies above. Business Incubators' primary goal is being to "Support the development and emergence of successful new business ventures in their early stage" (Tello & Yang, 2012, p. 376). Their objectives are driven by Government policy and funding and include increased local employment, the

creation of technological ecosystems, and corporate innovation (Bruton et al., 2015, p. 5). Incubators typically provide resources such as physical space, infrastructure, mentors (by experienced entrepreneurs and business angels), technical, organisational and professional support and finance (Fraser et al., 2015; Tello & Yang, 2012). They have been identified as a major factor in the success of their clients (Tello & Yang, 2012) However, similar to Business Angels, the focus of incubators is also on high growth business and so represent a “scarce” commodity for the majority of small firms (Dee et al., 2011). In a reviews of the sources of finance and segmentation of research Cumming and Vismara (2017) and also Bellavitis (2017) note that entrepreneurs raise finance from multiple sources, yet the segmentation of research streams means that they treat the source being studied as the only source.

What this evidence shows are that the amounts being sought in recent years by most small firms and start-ups is still below the amount of £200,000 of concern by the Macmillan committee in 1931 and is from multiple sources. A substantial number use personal sources such as savings. Where external finance is accessed, it is largely in the form of relatively expensive sources such as overdraft and personal credit cards (Rutherford et al., 2016). Donations are rarely considered when studies are done on entrepreneurial finance, but this may be due to an assumption around returns being required by finance providers. ‘Smart money’, whilst being a desirable source of finance, is not generally available to more typical entrepreneur who starts from an under privileged position, using their own savings to start a low-productivity firm in a highly competitive market (Nightingale & Coad, 2014).

### 2.5.2 Gap in access to finance

The gap in provision of finance was identified by the MacMillan Committee (1931) and the Bolton Committee (1971) and generally refers to finance provided by the banking industry and private equity industry. The funding gap is a concern to Government because it is believed that limited access to finance may constrain economic progress. The MacMillan committee report in 1931 argued that it was extremely difficult for small firms to obtain long-term capital of amounts less than £200,000 (Storey, 1994). Rejection rates are used as a measure of the gap between supply and demand. Following the Global

Financial Crisis, overdraft rejection rates increased by over 50% and term loan rates by 163%, with venture capital and business angel rejections remaining very high, at around 97% (Fraser et al., 2015; Maxwell et al., 2011). Further to this rejection rates are higher for high risk and smaller firms and those with a shorter banking relationship (Fraser et al., 2015). High barriers to finance are reported by younger and smaller firms (Daskalakis, Jarvis, & Schizas, 2013). The higher rejection rates have been associated with post-2008 Crisis rule changes for banks rather than problems with firms (Breedon, 2012). Lack of access to finance is more of a constraint to growth for SMEs than for larger firms, due to their existing financial constraints and vulnerability (Harrison & Baldock, 2015).

This gap in access to finance is attributed to market failure, due to asymmetric information, a lack of investment readiness and a divergence of motivations between investor and investee (van der Schans, 2015). Asymmetrical information is exacerbated by the fixed costs of screening, monitoring and lack of track-record of early stage firms (Fraser et al., 2015). Whilst Paré et al. (2009) suggests that the issues of agency dilemmas and asymmetric information are the same in both corporate finance for established firms and entrepreneurial finance, Berger and Udall (1998) conducted a review of the economics of small business finance and point out that informational opacity of small business is down to not having audited financial statements, assets that cannot be easily valued, little profit track-record, no debt repayment history and activities that are not as visible as those of larger firms. Further to this a recent report has drawn attention to lack of dedicated financial professionals in small firms and lack of awareness of non-bank sources of finance (Breedon, 2012).

An alternative perspective, contrary to market failure, is that the ventures seeking finance are of poor quality (Baldock & Mason, 2015). Whilst this may be the case, the question raised by this perspective is poor quality for who? The inherent nature of traditional investment is that it seeks a profit from the investment which, therefore, adds pressure on the venture to make not only sufficient profit for its own survival and growth but additional profit in order to service the profit needs of financiers. The costs of access to finance are discussed further below, but the question of quality may hinge on the overall expectations for the venture by the various stakeholders. It has been

recognised that some entrepreneurs may become discouraged from seeking external finance when their perception is that that access is poor. Fraser et al. (2015) reviews the literature on entrepreneurial finance and growth and finds that when entrepreneurs perceive that the supply of some types of finance is poor (e.g., the availability of debt particularly during the financial crisis and its aftermath), they may become discouraged from seeking external finance altogether.

Further, research by the UK government finds that small business owners rate their own abilities in understanding external finance as lowest (Department for Business Innovation and Skills, 2012, p. 12). Most small businesses do not have a dedicated finance professional within their business so lack awareness of the alternatives (Breedon, 2012). More recently, Cowling and Matthews (2017) have pointed out that aside from informational asymmetry and lack of security, the relative lack of financial competence, poor internal cashflow management and a reluctance to take professional advice exacerbate barriers to external finance. As such, they suggest that firms over-rely on internally generated funds.

The UK Government perceives the possible market failure as serious enough to take action, establishing the British Business Bank (Fraser et al., 2015) with the aim of making the UK finance markets work better for small business at start-up, scale up and “staying ahead” stages<sup>9</sup>. It is attempting to increase the diversity within the finance market, for instance by providing information regarding Angel finance and European grants and by licencing “Challenger Banks” who are often focusing on underserved niche markets and requiring lenders to refer rejected clients to other sources (British Business Bank, 2017, p. 80). Whilst, along with assessments of use of alternatives to bank loans such as credit cards, grants and asset finance, both equity crowdfunding and peer-to-peer lending is incorporated into British Business Banks’ assessment of the finance market for small business, no mention is made of RBCF as a separate source of seed capital for start-ups (British Business Bank, 2017). With the advent of the internet, the technology has made starting in business with a small amount of finance much easier (Nambisan, 2017), potentially taking the

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<sup>9</sup> <http://british-business-bank.co.uk/what-the-british-business-bank-does/> Accessed 1 June 2017.

pressure away from reliance on external sources of finance. The internet and developments in technology means there is an increasing number of alternatives emerging online (Drover et al., 2017).

### 2.5.3 Section summary

Debates about the extent and impact of the gap in access to finance continue. Nevertheless, entrepreneurs continue with pursuing their ventures despite this challenge. An underlying assumption within the debate is that traditional external sources are more suited to support survival and success. Yet there is also more recent acknowledgement that the competency to manage cashflow and to learn from advisors complicates the situation. The debates have also not considered the lack of choice and quality of the products provided by traditional sources. For instance, Business Angels provide both money and intangible support yet only seek high-growth orientated businesses that can be exited from at a profit. Many scholars perceive the advent of online sources of finance from crowdfunding to increase the choice for entrepreneurs. This increased choice potentially gives them more power to negotiate with investors and changing the dynamics and assumptions from traditional sources (Drover et al., 2017).

## 2.6 Crowdfunding

Crowdfunding has been noted for providing seed capital for entrepreneurship (Belleflamme et al., 2014; Bruton et al., 2015). Yet critically for new ventures research suggests there may be added-value support from backers that get involved in co-creation of the project perhaps playing a role in the establishment of the venture (Quero & Ventura, 2015). The crowdfunding concept is explored here.

### 2.6.1 Crowdfunding

The internet is having a significant effect on the way business is conducted. In the past, the time and opportunity cost of accessing a significant number of people to raise finance was a huge barrier (Short et al., 2017). In the offline domain many symbolic actions designed to influence resource providers were through personal interactions, confined to a relatively narrow audience (Zott &



Huy, 2007). With the advent of Web 2.0 SNS applications, the internet has become a dynamic environment where it is possible for initial ideas entrepreneurs to evolve, and for audiences to provide legitimacy (Beaulieu et al., 2015; Fischer & Reuber, 2014). Further, the diffusion of digital equipment capable of providing rapid engaging with content, along with digital artefacts<sup>10</sup>, are transforming the possibilities of communication (Nambisan, 2017; Richter, Kraus, & Syrjä, 2015) and that user content creates value, extending the capabilities of small firms (Schwienbacher & Larralde, 2012).

Within this environment, crowdfunding platforms have emerged taking advantage of the new technological capabilities. Crowdfunding platforms (CFP) are online websites, providing a shared, common set of services, that act as intermediaries between project creators and funders forming a two-sided market (Belleflamme et al., 2014; Nambisan, 2017). The creation of CFPs is influenced by national boundaries and supportive legal environments and are founded by both incumbents in the Finance industry and new start-ups (Dushnitsky et al., 2016). Whilst it is possible to conduct a Crowdfunding campaign via a firm's own website, for instance Brewdog, a brewer and pub chain company raised £750,000 in 2009 using their own resources (Collins & Pierrakis, 2012), the focus here is on the CFPs dedicated to the crowdfunding concept. Features of CFPs currently include forum style update capabilities, email exchanges, links to SNS such as Facebook and Twitter and integration of secure third-party payment processing (Beaulieu et al., 2015). Many platforms emphasise the convenience provided by being online, for all users, in comparison to traditional lenders who have relied on a physical presence and manpower. There is still evidence that banks require in-person applications, which whilst developing a personal relationship with the associated opportunity to reduce the bank's risk, it can create a delay in processing applications (British Business Bank, 2017, p. 76).

These dedicated CFPs adopt different business models. Some have taken the existing modes of finance and have disintermediated these conventional sources, removing the banking and brokerage roles adopted by incumbent

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<sup>10</sup> Digital Artefact is defined here as a digital component, application, or media content that is part of a new product (or service) and offers a specific functionality or value to the end-user (Nambisan, 2017).

institutions. Whilst these platforms enable the funder and investee more direct interaction, they mimic many of the practices of conventional sources. However, RBCF represents an innovative new model (Beaulieu et al., 2015). Beaulieu et al.(2015) identified six distinct models of crowdfunding each with a variety of attributes. The models are Private Equity, Royalty, Microfinance, Peer-to-peer lending, Donations and Rewards. Each model involves a different type of compensation or financial return. Beaulieu et al. (2015) points out the importance of identifying the distinct models as research findings may not necessarily be generalisable across the whole phenomenon or just to a particular model. Four dominant models are found in Europe; Private Equity, Lending, Donations and Rewards (Dushnitsky et al., 2016). In each case the project creator receives finance and in return funders receive the following compensation;

- Private Equity – the funders receive equity shares with rights to dividends and, in some cases voting rights
- Peer-to Peer Lending – The funder receives return of the loan plus interest.
- Donations – The funders receive satisfaction from the altruistic behaviour, they may also receive public acknowledgement
- Rewards – The funders receive a pre-defined reward ranging from merchandise (e.g. branded t-shirt), to an experience (invitation to back-stage of a film set), but at the core is pre-selling of an idea, prototype or early version of a product or service

The UK had a clear regulatory framework in place for equity crowdfunding since 2011 (Vulkan, Åstebro, & Fernandez, 2016). In 2012 only Australia, France, Ireland, Netherlands, Switzerland, and the U.K. were the OECD countries that permitted CFPs to sell equity. In 2013 the JOBS Act came into effect allowing equity CFPs to operate In the USA (Kshetri, 2015). By contrast, the largest CFP, Kickstarter, a rewards CFP operated in the U.S., the U.K., Canada, Australia and New Zealand in 2012 and people in more than 177 countries had pledged to a project (Kshetri, 2015). Crowdfunding has been described as disintermediated finance, where entrepreneurs gain direct access to investors

rather than using intermediaries such as Banks, Venture capital firms (Cumming & Vismara, 2017). The concept of disintermediation assumes that costs are lowered or eliminated by removing the intermediary. However some research shows that it is unlikely for the incumbents to be completely removed from the market, due to discomfort cost of transacting online (Sen & King, 2003). Also, as shown by Dushnitsky et al. (2016), some existing financial institutions are developing their own CF products or collaborating with emergent ventures, for example Santander's partnership with Funding Circle<sup>11</sup>. Despite this, crowdfunding still involves the use of a website that charges transaction fees so in some sense they are simply alternative intermediaries.

A variety of technological developments are contributing to the expansion of crowdfunding, including online payment systems (Short et al., 2017), Web 2.0 SNS (Smith et al., 2017), secure networks, cheaper storage (Estrin, Gozman, & Khavul, 2016, p. 10). The diffusion of this technology is occurred much faster than earlier technology. For instance, it took 40 years to reach 10% diffusion of electricity, smartphones have taken only 10 years to reach 40% diffusion (Sussan & Acs, 2017, p. 62). Payment systems particularly across national borders and currencies has been complex and expensive until advent of online payment systems and there is a growing perception of it being a secure and easy to use system (C. Kim, Tao, Shin, & Kim, 2010). The advent of Web 2.0 has reduced traditional barriers of geography, access and asymmetric information (Belleflamme et al., 2014; Mollick, 2014). Aside from technological developments, the impact on SMEs of the global financial crisis in 2008 was profound in terms of restriction of supply of finance, having most impact on those unable to withstand the shock (Harrison & Baldock, 2015). Both bank finance and venture capital sources were significantly reduced post- crisis (van der Schans, 2015). The rapid rise in crowdfunding was partly a response to the need for alternative sources of seed finance in the aftermath of the Global Financial Crisis (Lehner et al., 2015).

Whilst crowdfunding is described as an online activity, the critical activity that is addresses is to help projects get off the ground. This can be addressed in several ways including offline events that may be organised and managed via

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<sup>11</sup> <https://www.fundingcircle.com/blog/2014/06/funding-circle-santander-announce-partnership-support-thousands-uk-businesses/> Accessed 1 June 2017.

online means. For example, Gras et al. (2017) shows there are live crowdfunding events, where entrepreneurs pitch to an audience in Munich, Kolkata, Chicago and Melbourne and informal community rotating savings programs where loans are agreed at meetings. Gras et al. (2017) argue that these meet requisite efficiencies advocated in Transaction Cost Economics (TCE) theories such as reducing uncertainty through personal interaction, and media richness and investor-entrepreneur alignment theories, that advocate that two-way richness of information transmission better aligns expectations.

Crowdfunding as a concept appears to be a highly dynamic one. The industry is still at an embryonic stage, and rapid changes are taking place as platforms jostle for competitive advantage. A platform that was the subject of several early studies already appears to be defunct<sup>12</sup> and others are adding new enhancements to their offers<sup>13</sup> and practices are evolving (Beaulieu et al., 2015). In this rapidly evolving environment trying to create definitions is challenging. One of the early researchers on CF refers to it as a place for fundraising efforts by project creators for their endeavours in the form of small monetary contributions from a large number of backers through internet-based platforms (Mollick, 2014). But beyond this, others have referred to it as a 'lively community' (Colombo et al., 2015), inhabited by co-creators (Quero & Ventura, 2015) and an influence on what ideas are introduced to the world (Gerber & Hui, 2013; Steigenberger, 2017). Therefore, although the concept of crowdfunding is a dynamic one, for the purpose of this study, a working definition would be;

*“A place for fundraising efforts with added value, by project creators for their endeavors in the form of small monetary contributions and micro-support from a large number of backers through internet-based platforms.”*

Rewards-Based Crowdfunding is one of several types of crowdfunding available. This study concentrates on Rewards-based as it is perceived to have

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<sup>12</sup> Sellaband a music crowdfund platform filed for bankruptcy in 2015  
<https://musicandcrowdfunding.com/2016/02/08/death-is-not-the-end-or-the-slow-death-of-sellaband/>.

<sup>13</sup> For instance CrowdfunderUK platform arranged partnerships with Local Authorities and Corporations from February 2015 to create a match funding offer  
<http://www.crowdfunder.co.uk/funds> (Accessed 30 May 2017). Indiegogo from Jan 2015 has offered a follow-up e-commerce solution <https://go.indiegogo.com/blog/2015/01/introducing-indemand.html> (Accessed 30 May 2017) is offering equity from Nov 2016.  
<https://go.indiegogo.com/blog/2016/11/equity-investing.html> (Accessed 30 May 2017).

the potential to overcome barriers to resources faced by nascent entrepreneurs. These aspects will be explained below. This includes articles and conference papers as so little has been published on crowdfunding yet.

## 2.6.2 Rewards Based Crowdfunding

The CFP's are changing dynamically with the evolving environment, so features may change. However, to illustrate, a project on the largest Rewards-Based Crowdfunding (RBCF) platform, Kickstarter (Belleflamme, Omrani, & Peitz, 2015), would have the following features: a project webpage is created, which has links to SNS sites such as Facebook and Twitter. The webpage contains a project description, a set financial goal, a specified end date, and a list of rewards with associated delivery timeframes. A video and images may also be included. Linked to the main webpage may be "comments" and "updates" webpages, essentially text-based forums where the project creator can interact with backers. Live projects can be searched for by topic, region or name and Kickstarter will curate and feature some projects on its main CFP landing pages. The project is promoted by the project creator and backers pledge towards specific rewards. Pledges are limited to a maximum of \$10,000 but are mostly priced between \$1 and \$500 (Colombo et al., 2015). Kickstarter operates an "all-or-nothing" model, meaning that the money is transferred when the goal threshold is achieved or exceeded (Butticè, Colombo, & Wright, 2017). At the end of the online campaign timeframe, if the project has reached the financial goal, then the funds are drawn from the bank accounts of the pledgers and are transferred to the project creators (less transaction fees). The creators then have an agreed time to fulfil the rewards, as stated on the project specification. A feature of the process is that marketing is based on a prototype of the product and so the processes of production, sales and marketing are re-ordered as illustrated in Figure 2-5 (Mollick, 2014).

Figure 2-5 Comparison of Traditional and RBCF process



Source: Author's own design

There are a large number of backers using RBCF, contributing a small financial value (Lehner, 2013) and are described as taking the role of 'prosumers' who decide to place their money on products that meet their own tastes (Belleflamme et al., 2015) and key players who, as agents, co-create value for both supplier and other consumers (Ordanini et al., 2011). They are private individuals who (with exceptions) do not have a background of professional investing (Macht & Weatherson, 2015). RBCF campaigns include a focus on new products/services and particularly those still in development stages; Rewards are tangible or intangible rather than financial which are usually set at a wide range of price points. They include the product/service, often with several versions at a range of price points, opportunities to simply give a small amount altruistically; to acquire low cost merchandise; or to pledge a sum, much greater than the product itself, to access an enhanced experience, such as attending product launches or meeting the creators of the project (Kuppuswamy & Bayus, 2017). The campaigns are highly visible, the amount of capital collected and the number of people who have already backed are displayed on the webpage, so visitors to the page are aware in real time of the status of the campaign (Colombo et al., 2015).

Reviews of the potential benefits to project creators apart from access to finance, have identified as: zero borrowing costs, healthier cashflow, producing to meet assured demand, public market validation, public crowd feedback and endorsement, customer relationship building and follow-on consumer sales

(Beaulieu et al., 2015; Belleflamme et al., 2015; De Buysere, Gajda, Kleverlaan, & Marom, 2012). Stanko and Henard (2017) reviewed 196 campaigns and find that the number of backers influences future performance thus describe RBCF as a relatively risk-free way to generate new product awareness and gauge potential market response. Mollick (2014) reviewed 158 project creators who had used Kickstarter successfully and found that 90% of these projects were ongoing ventures for between 1-4 years after the campaign and had increased staffing by 2.2 people.

A dynamic feature of RBCF is that projects can evolve over the life of the campaign, driven by feedback from the crowd (Beaulieu et al., 2015). As the campaigns are time-bound and the number of days to expiry is prominently displayed, a sense of excitement and scarcity is built into the process (Cialdini, 1985; Gerber & Hui, 2013). RBCF Project creators have a choice of platforms they can use. Kromidha (2015) compares three, based in the USA, UK and Singapore. Terms and features are relatively standardised. The average time to raise the goal is faster on the USA platform. There is a different focus in terms of types of projects being funded meaning that despite operating in a global marketplace, they serve regional requirements.

Whilst some scholars have pointed to the potential for RBCF to provide seed funding for many new and small businesses, it is being used by established companies such as FirstBuild, a subsidiary of General Electric, Hasbro (Toy manufacturer), beer brand Shock Top, owned by Anheuser-Busch InBev (Global drinks manufacturer) (T. E. Brown, Boon, & Pitt, 2017). Yet it also has developed a mythical status for start-up ventures due to stories such as the Pebble watch, which funded its second project goal of \$500,000 in 17 minutes and went on to raise \$20.3m from 75,000 backers (T. E. Brown et al., 2017, p. 2).

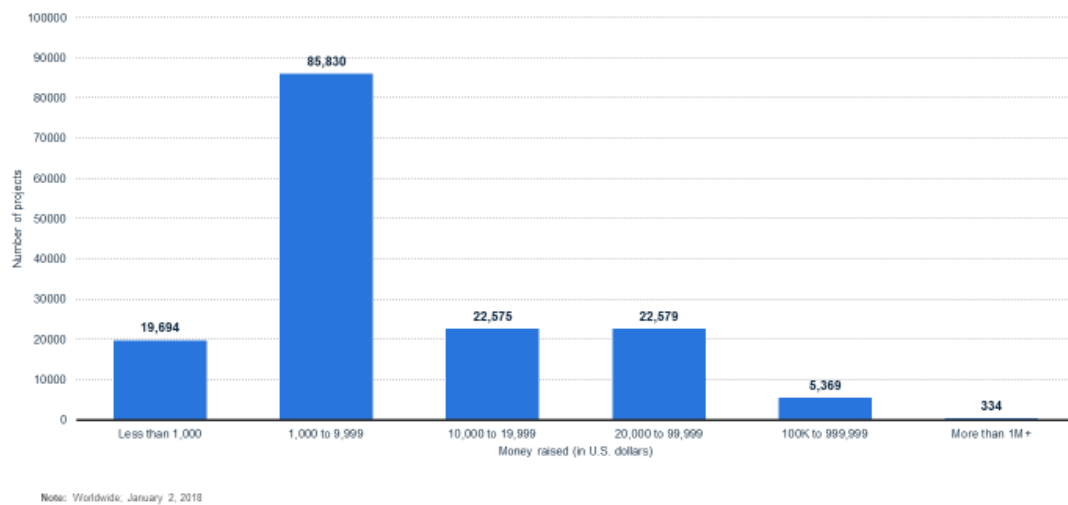
The emergence of CFP's has enabled the provision of evidence that shows more fine-grained detail on the transition activities of individuals from employment into new ventures. For instance, Burtch, Carnahan, and Greenwood (2018) uses CFP data to show fine-grained evidence on entrepreneurial activity. They point out that activity on the CFP platform included individuals who are otherwise engaged in wage employment, so this activity may not be significant enough to be the primary source of work, thus

they would not appear on surveys of those self-employed (Burtch et al., 2018, p. 20). Some evidence has found that in the USA, RBCF has begun to provide funding in regions and industries underserved by traditional sources of funding such as leisure and the arts (Stevenson, Kuratko, & Eutsler, 2018). Thus, this implies there may be several reasons why RBCF is being used.

In RBCF there is the project funding goal and the amount raised. The project funding goal is important when a threshold model, often termed “All-or-nothing”, applies (Butticè et al., 2017). In this case, the money is not transferred unless the threshold of the funding goal is achieved within the predetermined timeframe. Early research using a population of 48,526 campaigns from one platform found an average funding goal of \$9,866 for all campaigns and successful campaigns had an average funding goal of \$5,608, failed projects receiving \$900 and successful receiving \$7825 (Mollick, 2014). More recent research has found similar amounts but from much smaller populations. For instance, a funding goal average of \$3,600 successful projects and \$5,400 for unsuccessful projects, raised \$4,704 successful and \$70 unsuccessful (Thürriidl & Kamleitner, 2016). A research report from the UK suggests average amounts raised in 2016 were £11,600 (Zhang et al., 2017). However, there are a few outlier projects that raise significant amounts. For instance, in the case of the Pebble Watch, the funding goal of its first project was \$100,000 and they received \$10million (Lehner et al., 2015). Figure 2-6 shows the number of successful projects on the leading platform, Kickstarter. As of January 2019 150,000 projects were successful, yet 85,830 (56%) raised between \$1,000 and \$10,000. Only 334 had raised over \$1 million. Whilst this scenario creates different challenges, it shows the flexibility of RBCF to provide finance for projects of a variety of different scales.



Figure 2-6 Number of successfully funded projects on Kickstarter, January 2019 by amount raised (in U.S. dollars)



Source: Kickstarter Accessed April 2019

[www-statista-com.hallam.idm.oclc.org/statistics/235397/distribution-of-kickstarter-funds-raised-by-successful-projects/](http://www-statista-com.hallam.idm.oclc.org/statistics/235397/distribution-of-kickstarter-funds-raised-by-successful-projects/)

From the literature presented in Section 2.5.1 Seed finance sources, we can see that seed finance accessed from traditional external sources ranges from £10,000 up to £200,000. This means the average campaign on RBCF is raising money at the lower end of the scale. This raises a question of how are ventures being started using such low values, particularly given the assumption that financial distress from lack of cashflow raises the likelihood of bankruptcy as discussed in Section 2.3.2.

In terms of RBCF, there is a gap in the academic literature regarding “added value”. As discussed above, intangible resources have been shown to be highly valuable for new ventures (Lichtenstein & Brush, 2001; Macpherson & Holt, 2007). Both Macht and Weatherson (2015, p. 197) and Fraser (2015, p. 81) speculate whether finance providers using CFPs are able to carry out the same added value roles of traditional financiers. In research on RBCF, this issue has begun to be explored. There are no studies so far that consider the prevalence or intensity of interaction between backers and entrepreneurs, but research has begun to look at motivations to interact and has identified some benefits from interactions. Ryu and Kim (2016) show that RBCF backers are

motivated not simply by the reward but by philanthropy, relationship building and active participation. For some backers of creative projects, drivers are emotional rather than rational, and RBCF represents an opportunity for agency through involvement (Hills, 2015; Steigenberger, 2017). For entrepreneurs, this has the potential to provide a unique resource which enables both pre-testing the market, and the prospect to crowdsource solutions to fully realise the idea (Lehner et al., 2015). Examples of added value found to be occurring in RBCF include an ability to interact and build relationships long term, extend network connections, feedback on product design, co-creation, word of mouth promotion, providing advice on using crowdfunding, overcoming export problems and even initiating crowdfunding campaigns to bring a project to life (Gerber & Hui, 2013; Hills, 2015; Lehner et al., 2015; Quero & Ventura, 2015; Stanko & Henard, 2017). RBCF research shows that outlier projects combine the use of RBCF with finance from Business Angels (Lehner et al., 2015). In comparison, in other types of CF, Business Angels are investing alongside the crowd (British Business Bank, 2017), yet Moritz, Block and Lutz (2015) found entrepreneurs estimated that only 10% of those investors were actively seeking involvement and communication. In particular, the investors in the study were not interested in direct communication when the relative amount invested was small.

RBCF may provide follow-on benefits such as legitimacy evidence for other investors. In order to access both equity and debt, there is a need to provide proof of concept by demonstrating a market for the product (G. Fisher et al., 2016, p. 390). This forms part of the evidence of track-record. A successful RBCF campaign provides this evidence, by creating a customer base, and so may have the potential to provide a pipeline for other sources of finance (Belleflamme et al., 2015; Fraser et al., 2015, p. 83). These aspects of RBCF may form part of the motives for using RBCF. RBCF research has shown that the crowd may be a source of expertise in the sense of selecting viable projects (Mollick & Nanda, 2016). A few actors within the crowd are providing benefits beyond purchase of the reward, which have proved valuable resources to entrepreneurs with outlier projects. These include provision of capabilities and acceleration of the process of reaching the market, although also adding scaling and reputational risks (Lehner et al., 2015). Colombo, Franzoni & Rossi-Lamastra (2015) and Boëuf, Darveau, and Legoux (2014) use a webdata set

from a platform, both showing that project initiators back each other. Bœuf, Darveau, and Legoux (2014) point to a current feature of the Kickstarter platform that pledges are visible against a personal profile.

The effect of this feature is that there appears to be an impact on prosocial behaviour possibly due to the perceived consequences on personal reputation, although this is only a speculative explanation for the results found. Gerber and Hui's (2013) study in the USA conducted 83 interviews of those participating in crowdfunding, over half of which had both created and backed a project. The aim was to elicit more detailed explanations of motivations of both project creators and backers. They found that project initiators were both learning vicariously by observing campaigns as well as directly interactively sharing advice about their RBCF projects both on and offline, with actors expressing a sense of mutual obligation. This study focussed on the process of the project with the aim of informing the design of crowdfunding platforms and support tools rather than an exploration of entrepreneurship, venture creation or network development.

More recent research studying the blogs of crowdfunding advisors suggests that to gain the benefits entrepreneurs need collaborative capabilities (Fehrer & Nenonen, 2019). So, from these studies it suggests that the CF platform mechanism can act as a way for learning about how to conduct a campaign and some actors seem willing to share both knowledge gained and back others financially. What is not clear from these studies is whether these are resources that the founders are seeking from RBCF. This is because much of the research is done after the campaigns have finished and many are only looking at the data generated by the process, or prescriptions of advisors, rather than asking entrepreneurs about their experiences of RBCF. So do founders come to RBCF expecting to gain backing from beyond family and friends? How are they forming ties to potential backers? Do they expect to develop their ideas by co-creating through the RBCF process? Or are these benefits that emerge through the process and, therefore, value is placed on them after the event? These are questions that need to be explored with the users of RBCF to understand the meaning more fully.

Traditional finance from banks or private equity from family, friends and colleagues involves a private application or negotiation. In contrast, accessing

finance via CFP's involves presenting a public pitch. In RBCF, the connections to SNS sites such as Facebook and Twitter are clearly displayed and encouraged and update and comments sections are provided for CFP site users (Beaulieu et al., 2015). The importance for having a social network on Web 2.0 and SNS, ideally beyond immediate family and friends, has been shown to influence the early stages backing significantly which then signals to others the legitimacy of the project, with success breeding success (Colombo et al., 2015; Mollick, 2014). Although, Mollick (2014) shows, it is better to have no SNS presence than to have a very small network. SNS enables backers to promote projects proactively. The number of contacts on SNS and the level of backing and sharing within the first 3 days of a campaign, may ultimately determine its success (Colombo et al., 2015; Li, Rakesh, & Reddy, 2016).

Although other factors for successful projects are having more friends and sparse networks (Hekman & Brussee, 2013) and attracting a significant number of backers (Galuszka & Bystrov, 2014) from the within the crowdfunding community through behaviours such as demonstrating mutual identification and reciprocity (Colombo et al., 2015). Quero and Ventura (2015) highlight the importance of the existence of a community prior to the launch, namely, "fan cultural capital" (Hills, 2015), to ensure success.

More recently, the backer community has been considered in more detail, and findings show that backers on average include contributions of 37% from family and friends, 19% from professional networks and 42% from new contacts (Skirnevskiy, Bendig, & Brettel, 2017). This proactive use of SNS, combined with the number of updates, comments, likes, and shares help to enhance success through furthering the development of trust (Bi, Liu, & Usman, 2017; Kromidha & Robson, 2016; Xu, Zheng, Xu, & Wang, 2016). Thus, a significant barrier for entrepreneurs using RBCF is the size of their existing online social network. However, social networks take time and effort to build (Schutjens & Stam, 2003), so the network needs to be built up in advance of launching a RBCF project.

Another challenge for entrepreneurs is their technological capability. Those entrepreneurs who are technophobic, or lack training will struggle to gain the early market-traction needed. This is complicated by the continual morphing of technology making it hard to keep skills relevant (Morgan-Thomas, 2016, p.

1129). A further potential barrier is the ability and willingness to interact and be transparent with the community. The crowdfunding community, particularly in the cultural sector, is a place where many proactively seek the opportunity for involvement and co-creation beyond the financial benefits (Hills, 2015; Ordanini et al., 2011). Effective communication skills are clearly an important factor in ensuring regular updates and prompt feedback (Antonenko, Lee, & Kleinheksel, 2014). This does cause anxiety for some. Fears expressed by those lacking in crowdfunding experience and the nature of online communities are fear of disclosure, of visible failure and of appearing desperate (Gleasure, 2015). Whilst many discover they enjoy the backing of an extensive community, which creates a feeling of emotional support, some perceive this as undue pressure (Harburg & Gerber, 2015). Clearly, there will be certain participants that revel in the sharing process and those that are happier away from the attention (Davidson & Poor, 2015) and this may influence the choice of which source of finance is most suitable.

The benefit that RBCF has is that in using SNS, it helps to develop and strengthen the bonds between customers, creating what Quero and Ventura (2015) describe as balanced centrality where all agents benefit. RBCF further helps to provide the evidence and validation required for on-going seed funding from other sources (Colombo et al., 2015). Using RBCF is about interacting with a large volume of potential customers using SNS channels. This may be perceived as a serious challenge compared to completing an application and meeting a few financiers privately. And yet the process of customer interaction cannot be avoided.

Whilst there is an exchange of finance when backing in RBCF, other resources provided, such as promotion through SNS dissemination (sharing) (Fischer & Reuber, 2014; Smith et al., 2017), new connections and feedback are all provided at no economic cost. Resources are thus being acquired inexpensively and conveniently from internet-based weak ties (Barnes et al., 2012; Neves, 2013). Yet these activities have not been studied within the context of the lived experience of the entrepreneur and, therefore, it is not yet clear how nascent entrepreneurs perceive the value available from the online context of RBCF or how they build their ties offline and online and obtain resources using RBCF.

### 2.6.3 Section summary

With RBCF being a new and growing phenomenon, it is important to reflect on the wider outcomes of RBCF which may provide a range of financial and intangible benefits. Nevertheless, the RBCF process creates new challenges for entrepreneurs so, whilst it overcomes some barriers, it creates others. Both the benefits and challenges of the phenomenon are considered. It is also important to understand how and why this new source may fit into the finance ecosystem.

From the literature about the practices of start-ups, RBCF has emerged which provides cashflow from external providers, although for relatively small values for most users. RBCF has not been empirically reviewed in relation to other options for cashflowing a new venture. Therefore, research is needed to understand how nascent entrepreneurs perceive and enact RBCF compared to other options.

## 2.7 Strategies to obtain finance

As discussed earlier, for nascent entrepreneurs, resources lie outside the boundaries of the firm. Therefore, they need to initiate, create, and maintain a network of ties to access valuable resources. On the assumption that time is a constraint, seeking out resource providers that can offer multiplex resources would appear a reasonable approach (Newbert & Tornikoski, 2013). Here the literature on the strategies to obtain finance is considered.

### 2.7.1 Hierarchy pecking order or bootstrapping

There are two streams of literature that explore strategic practices for accessing finance. The two strategies are Pecking Order theory and Bootstrapping. These strategies are considered in the light of earlier discussions of the resources and social network theory. It also considers how RBCF fits into the existing knowledge on Entrepreneurial Finance.

One theory that has been applied to small businesses to explain the choice of the finance source is Pecking Order Theory. Originating in corporate finance theory, Pecking Order theory proposes that, due to the costs of finance and

asymmetric information, firms will use internal funds first and use external finance only once these are exhausted. Moreover, debt is preferable to equity from external finance, as a preference for the cheapest source of finance (Myers & Majluf, 1984). This theory developed in relation to more mature and larger firms. It assumed there were three sources of funds: retained earnings, debt, and equity.

However, there are several underlying assumptions within this theory. These include unrestricted access to all three; that they follow a linear sequence; that the skills to evaluate the choice exist; that the only criteria involved are the costs of the finance and the provision of information to the investor; and that there is a desire to follow the growth stages model as proposed by Berger and Udall (1998). Further, the asymmetric information assumption is framed from the perspective of the investor not the entrepreneur. In the case of start-ups, earnings will not be retained until the firm becomes profitable, often several years into the life of the firm and, therefore, sources of finance, as shown above by the research on seed capital, are personal or family related.

Also, as discussed previously, there are barriers associated with start-ups such as lack of trading history, lack of assets, as well as supply constraints that limit the choice of sources of finance (Atherton, 2012; Cosh et al., 2009). The high volumes of credit card debt used by start-ups, as shown in Section 2.5.1, also suggest that the preference for the cheapest source is an inaccurate assumption. Further, the use of debt increases the risk of financial distress due to “high gearing” and the need to repay capital (Atherton, 2012, p. 29). As discussed in Section 2.5.1, Business Angels provide relevant added-value resources beyond the financial capital, so the criteria for choosing this form of finance is not restricted to cost considerations. However, what can be considered as a possible insight of Pecking Order Theory is that there may be a hierarchical and sequential choice between forms of finance.

Various studies have considered whether Pecking Order theory actually applies to small business. Romano, Tanewski, & Smyrnios (2000) surveyed 1,000 family businesses in Australia to find out the factors that influence their financing decisions. Whilst Pecking Order Theory explained a preference for internal over external sources, the firms favoured private markets over public markets. The financing decisions were the result of complex array of social,

behavioural, and financial factors. For instance, entrepreneur objectives such as remaining in control, accumulation of family wealth, provide careers for family and growth-orientation can have an impact on the choice of finance sources. Paul, Whittam and Wyper (2007) studied whether the Pecking Order theory applied to start-up businesses, and observed that many of the variations in findings of studies on this theory stem from the variety of ventures studied, in terms of size, confusion over the use of internal or externally supplied debt or equity, the requirement for personal guarantees. They interviewed 20 high-growth businesses in Scotland where finance had been obtained from business angels. Whilst Paul et al. (2007) acknowledge that these are the antithesis of many start-up businesses, the study found that, whilst the entrepreneurs used their own funds first when external finance was required, the main source was equity from business angels in preference to bank finance. This was on the basis that bank finance represented a personal liability because of personal guarantees and the business angels brought added value in terms of business skills and commercial contacts and networks. So, these studies on small, though relatively mature businesses or high-growth businesses, show that choice of finance is not simply about economic cost but about control, long-term strategy, growth-orientation, accumulation of collateral, the external economic conditions and access to complementary skills.

Pecking order theory only considers the preference for a hierarchy, yet entrepreneurs show a preference for retaining control, reducing service costs and accessing high-quality skills (Cosh et al., 2009; Vanacker, Manigart, Meuleman, & Sels, 2011). The application of pecking order to small businesses suffers from an underlying misconception that small business are scaled-down forms of large businesses thus behaviour is driven by the same assumptions (Rutherford, Pollack, Mazzei, & Sanchez-Ruiz, 2017) and was conceived prior to the emergence of crowdfunding. An alternative strategy used by many start-ups for accessing and managing finance is Bootstrapping.

Bhidé (2000) was one of the first researchers to highlight the potential of financial bootstrapping for the financing of new and small businesses. Bootstrapping involves using creative ways of accessing resources and there are two forms. The first form involves creative ways of acquiring finance without resorting to banks or raising equity from external sources. The second form



includes strategies for minimizing or eliminating the need for finance by securing resources at little or no cost (Harrison, Mason, & Girling, 2004).

Research has shown that, whilst some use bootstrapping as a reactionary activity to resource constraints, some research suggests over 95% of firms use it proactively to manage resources (Bellavitis et al., 2017). Whilst some scholars argue that Bootstrapping is a construct that should be confined to only the financial aspects (Rutherford et al., 2017), others see Bootstrapping as inherently overlapping with using social networks to access resources and includes activities such as delaying payments to suppliers in order to manage cashflow (Jones & Jayawarna, 2010).

I argue that bootstrapping can be perceived as a combination of practices that are identified within large firms yet practiced in less sophisticated forms and possibly more improvisational than strategic. This includes building “Strategic Alliances” (Bretherton & Chaston, 2005), productivity or “Lean thinking” (Benner & Tushman, 2003; Blank, 2013) and “Working Capital Management” (Pratap Singh & Kumar, 2014). The practice of building “Strategic Alliances” refers to bringing together partners with complementary skills to differentiate products or lower costs (Bretherton & Chaston, 2005). The practice of productivity or “Lean thinking” refers to the continuous experimentation to achieve the improved use of resources (Benner & Tushman, 2003; Blank, 2013). The practice of managing cashflow has also been termed “Working Capital Management” where the continuous cashflow from customers and to suppliers is proactively managed to maintain the financial health of the firm (Pratap Singh & Kumar, 2014). All these practices imply containment or lowering of costs, therefore implying less pressure to resort to external finance, which increases costs.

Rutherford et al. (2017) argue that using bootstrapping rather than external finance sends a signal of low quality. This assumes that obtaining external finance provides a low-cost signal of legitimacy to other resource providers. This legitimacy is achieved by demonstrating that the business and the debt provider believe the business capable of servicing the debt (Rutherford et al., 2017). They implicitly assume the source of the finance is a market-based arms-length or “cold” tie (Hallen & Eisenhardt, 2012; Hite, 2003) and that the relationship with external finance providers confers legitimacy in the perceptions of other actors. Legitimacy may depend on the nature of the transaction and/or

the nature of the finance provider. It also assumes that the process of sourcing, negotiating and contracting for the debt is equivalent for all businesses and providers (Ford & Mouzas, 2010). They ignore the current variety of sources of finance and services on offer (Bellavitis et al., 2017). Further, they ignore other signals, such as “high-gearing” which signals risk of financial distress and debt-related bankruptcy, due to the effects on cashflow and debt servicing costs (Atherton, 2012; Myers & Majluf, 1984). Other scholars suggest that using bootstrap techniques can have both a positive influence, in terms of growth (Jones & Jayawarna, 2010; Vanacker et al., 2011) or a negative influence on performance (Winborg & Landström, 2001). In addition, I suggest that internal cash management techniques can have either positive or negative consequences on customer and supplier relationships and goodwill of the family (Vanacker et al., 2011).

The failure of early stage businesses is attributed to financial distress leading to bankruptcy (A. N. Berger & Udell, 1998, p. 627; Mac an Bhaird, 2010). This suggests that whilst financial resources possess value for businesses, cashflow is a fungible resource and, therefore, does not directly contribute to competitive advantage (Nason & Wiklund, 2018). Some scholars argue that cashflow is critical for growing businesses forming the “primary resource base from which other factor inputs are acquired” (Dobbs & Hamilton, 2007, p. 306). I suggest that, whilst cashflow is valued less than knowledge and advice (Nason & Wiklund, 2018), it can be likened to Herzberg’s concept of a ‘hygiene factor’ (Herzberg, Mausner, & Snyderman, 1959). This concept related to the factors affecting people’s attitudes to work. The hygiene factors, such as salary and working conditions, are poor motivators (Ariely et al., 2008), yet their absence can create dissatisfaction. In this conception, the presence of hygiene cashflow does not contribute to competitive advantage, but the absence of it will contribute to financial distress.

The following studies look at the actual use of bootstrapping, motivations to use it and impact of the entrepreneurs’ perceptions and ability on the choice of finance. Carter and Van Auken (2005) extended the work of Winborg and Landstrom (2001), by examining the perceived constraints and ability of entrepreneurs, with a survey on small firms in Iowa, US. They showed that different styles of bootstrapping were used depending on entrepreneurs’

perception of risk and their own ability to determine their finance needs. They also observed that some bootstrapping activities could be proactively planned, and others arise reactively during operation of the business.

Two studies examined the bootstrapping behaviour of firms. Vanacker et al. (2011) measured the actual use of various aspects of bootstrapping, tracking them over 5 years. They find that those who use more of their own funds, employ more interim personnel, apply for more subsidy finance, and speed up cash collection from customers will exhibit higher growth. Whilst Vanacker et al. (2011) does not include questions about bartering behaviour in the study, they observe that there may be an opportunity cost to making marginal savings over spending time on more critical growth opportunities and that relying on social networks to provide resources may risk uncooperative behaviour. Vanacker et al. (2011) point out that bootstrapping should be taken account of within finance theory because contrary to Pecking Order Theory for start-ups that do not have internally generated finance, (where the expectation is, they resort to external sources), is that start-ups proactively engage in cash management and use social contacts. Thus, bootstrapping can be used as a substitute for external finance through the use of social networks, relational strategies although risking damage to social capital (Vanacker et al., 2011).

Another study by Winborg (2009) examined the motives for using financial bootstrapping of those using incubators to establish their businesses in Sweden. They found three types of bootstrap behaviour: cost-reducing bootstrappers, capital-constrained bootstrappers and risk-reducing bootstrappers. Bootstrapping starts mainly with cost-reducing behaviour and over time moves towards more risk-reducing behaviour, showing a change in method as firms mature. For those capital-constrained bootstrappers, it is a response to constraints thus a more reactive strategy, whereas for those cost-reducing and risk-taking bootstrappers, it can be used as a pro-active strategy, that can help to use resources more creatively (Winborg, 2009). Winborg (2009) did not compare the results to Pecking Order Theory; however, they noted that virtually all firms used some form of bootstrapping at some point in the lifecycle, giving further weight to incorporation into finance theory.

More recent research has suggested that bootstrapping is used by entrepreneurs with different growth intentions. Lifestyle entrepreneurs more

often used bootstrap capital; Middle market ventures (growth limited by complexity) used a combination of bootstrap capital and loans; while “liquidity event” start-ups (with object to return invested capital through stock market listing) used primarily Venture and/or Angel capital (Zimmerman, 2009). Other research suggests it is part of a financing escalator and is a pragmatic approach through which agile and flexible financial solutions can be found, rather than a strategic choice to retain control. Firm owners recognise the need to acquire a number of customers before approaching prospective funders or government agencies for support (Mac an Bhaird & Lynn, 2015).

Thus, whilst Pecking Order theory suggests a hierarchy of preference for finance taken in sequence and influenced by the cost, research on bootstrapping suggests that growth intentions and behaviours around risk influence the response and choices around bootstrapping activities. Yet bootstrapping includes creative ways of accessing finance without resorting to debt or equity (Harrison et al., 2004), which, in effect, in larger firms simply become termed sophisticated techniques of “Working Capital Management” (Pratap Singh & Kumar, 2014). Secondly, bootstrapping also includes strategies for minimizing or eliminating the need for finance by securing resources at little or no cost (Harrison et al., 2004), which in larger firms may simply be an attitude of cooperativeness, resource pooling with initially no apparent exchange of value, but a social obligation to reciprocate in the unspecified future (Engel et al., 2017; Uzzi, 1997). Overall, bootstrapping is a strategy utilising social capital within your tie network to generate resources on more informal favourable or flexible terms than that offered by institutions such as banks or offered by wealthy individuals such as business angels. When considering RBCF in the light of these theories on strategies for obtaining finance, elements such as amount secured and added-value, do not appear to be taken account of by Pecking Order theory, whereas some bootstrapping activities elements such as social resource acquisition corresponds with the element of added-value.

Returning to the earlier discussion on the sources of finance used by small business, one aspect that does not appear to be explained by either pecking order theory or seem to fit with bootstrapping is the use of credit cards which are extremely expensive methods, and yet can currently be accessed with

ease. To the author's knowledge, there are no studies that explain this phenomenon, so an assumption would be that speed and low barriers to access may be significant factors. This may have implications for RBCF as a choice of finance. As discussed in Section 2.6.2 earlier, the use of SNS in order to successfully raise finance involves a significant investment of time to develop, may be unfavourable compared to the speed of access of credit cards.

### 2.7.2 Use of networks to access finance

A few studies have considered how networks are used to raise finance. Jonsson and Lindbergh (2013) studied six fashion start-ups in Sweden to ascertain how they used social capital to obtain bank funding and financial information (e.g. how to manage cashflow, trading terms, inventory management). They found initial sources were all from private savings or family/friend loans and subsequent funding was all from banks. This bank funding was obtained through functional ties, whereas financial information was obtained through close business network ties that were industry actors or were business mentors. They observed that the relational trust of bankers was low and any information provided by the bank was perceived to be of low value, whereas the relationships with the close business network ties has social attachment embedded and advice is perceived as valuable. Further, social attachment was developed through reciprocal favours. In Jack's (2010) review of network research, she identified five studies that considered networks and social capital in relation to the acquisition of finance. Of these, three were on later stage investors or public subsidy, one on Venture Capitalists and she found that these financiers consulted a formal network for information (Fiet, 1995), one looked at public subsidy of Angel networks in the 1990's (Mason & Harrison, 1997); one was on finance accessed through an Initial Public Offering (IPO) on the Stock Market (Florin, Lubatkin, & Schulze, 2003); and one was from the investors perspective (Shane & Cable, 2002). Two studies are more relevant. A longitudinal case study of 7 years on a firm supplying services to the oil and gas industry was carried out by Steier and Greenwood (2000). This study found the entrepreneur seeking investment from professional industry actors rather than professional financiers. In fact, the Banks were specifically avoided as the father of the entrepreneur, himself an entrepreneur of a multi-

million-dollar business, had the bad experience of being forced to close his business by the bank. These investors provided a supportive network that aided survival of the business. A sixth study identified by Jack (2010) was not on raising finance but on improved revenue performance. It is considered here because RBCF is about raising finance through the customer relationship and the study considers a slightly different construct from social capital, which is social competence. Social competence in this study is defined as the ability to accurately perceive others, skill at impression management and persuasiveness. This study considered entrepreneurs in two industries, retail cosmetics and high-tech industries and measured by self-report (Baron & Markman, 2003). This study found that that the ability to accurately perceive others was positively related to improved revenue performance meaning that their effectiveness in interacting with others face-to-face may play a combined role with their cognitive processes and their social capital (reputation, experience and social networks).

Of the two relevant studies above on finance and networks, the one on seeking finance was from \$200,000 on foundation to between \$100,000 and \$500,000 nearly every year for 8 years (Steier & Greenwood, 2000). For the study on improved revenue performance, the value of revenue is not revealed but median employees were 86 (Baron & Markman, 2003). Thus, in comparison to the amounts of finance being sought by average UK small firms, these are significantly higher (see Section 2.5.1 Seed finance sources) but show that in these situations investors look for trusted ties and the social competence of the entrepreneur may influence customers propensity to spend. Steier and Greenwood's (2000) study also shows that, whilst the study focussed on establishing the strength of ties and structural holes in the network, it revealed a richer understanding of the development of the network of investors. Venture capitalists were not willing to invest, so further investment was obtained mostly from the networks of original investors, combined with business expertise. The resources supplied by the investors ultimately become multidimensional, they were able to supply new customers, legal and business advice, financial expertise, oil industry experience and "generally opened doors to all sorts of people". Further to this, ties were strengthened not only through regular contact but also through recognising there was a common set of personal values between themselves and the entrepreneur. Steier and Greenwood (2000)

suggest that the multidimensional relationship is a “virtuous cycle of regeneration and reconstitution”, and for the entrepreneur awareness of this potential emerges over time.

The possible implications for entrepreneurs’ access to finance by undertaking a RBCF in order to start their venture is that, whilst the amounts being sought are generally significantly lower than those in these studies, the social competence of the entrepreneur may influence the interaction with backers; building a network of backers with multidimensional interest in the venture could lead to a virtuous cycle for their new venture. In terms of understanding RBCF from a bootstrapped finance perspective, bootstrap finance may be sourced from family and friends, and although bootstrapping is about ongoing management of cashflow it only considered delayed payments to suppliers, whereas RBCF enables improved cashflow by advancing payments from customers.

Bootstrapping also considers access of resources a little or no cost, and it has been shown (see Section 2.6.2 Rewards Based Crowdfunding) that backers in RBCF are providing added value apparently without charge.

### 2.7.3 Plans, pitching presenting evaluation of the project

As discussed in Section 2.6.2, the RBCF campaign is centred around a webpage which contains a project description, a short video, and links to SNS. This describes the project being funded, the funding goal and the levels of rewards available to backers of the project. This is the device used to convey information to the audience and influence their backing decisions. There is currently no research that considers the role of this RBCF device, yet there is extensive research that considers the role the ‘business plan’ in accessing traditional resources. Creating a business plan is an expectation by traditional providers of finance as a tool to convey a predicted future to an audience for evaluation (G. Fisher et al., 2016, p. 390; Maxwell et al., 2011) and is expected to contain specific forms of stylised information (Stokes & Wilson, 2010, p. 188). It is effectively an institutional norm to which legitimacy is attached by evaluative institutions e.g. governmental authorities and financial analysts (Überbacher, 2014, p. 671). The plan is not the only device, as face-to-face negotiations are also employed to summarise the plans, in what has become referred to as the “pitch” (Clark, 2008; Drover et al., 2017, p. 1822; Hallen & Eisenhardt, 2012). In

the pitch sensegiving strategies are employed to influence evaluations. For instance, symbolic displays of conformity are employed e.g. dress codes, are used to convey professionalism (Zott & Huy, 2007, p. 85); apparent attributes of entrepreneurs are displayed e.g. passion, creativity and sales ability (Cardon, Wincent, Singh, & Drnovsek, 2009, p. 521; Clark, 2008) and analogical or metaphorical framing employed to resolve uncertainty and justify legitimacy (Cornelissen & Clarke, 2010). Small business have been criticised for their poor ability to conform to these standards and expectations of finance providers (Mason & Kwok, 2010). Further, these evaluative institutions are relied on by other audiences for signals of legitimacy (Überbacher, 2014, p. 671).

Yet a “business plan” has become a taken-for-granted and normative sociomaterial artefact that crystalizes and objectifies beliefs (Balogun, Jacobs, Jarzabkowski, Mantere, & Vaara, 2014; Weick, 2006, p. 1725). Plans are based upon assumptions which rely on past behaviours to predict future possibilities yet ignores the fickleness of human behaviour. Whilst the enactment of the practice of planning may play a role in prompting sensemaking on activities (Hoang & Antoncic, 2003, p. 16), as attributed to Mike Tyson “Everyone has a plan, until you get punched in the mouth” (Blank, 2013), in other words plans cannot cover all eventualities and is particularly difficult in uncertain environments. Adding to this Überbacher (2014, p. 674) points out that audiences are presumed to be similar in the manner in which legitimacy is evaluated, stating they are “empirically collapsed into the aggregate concept ‘organizational environment’”.

Zott and Huy (2007) find that symbolic actions of more skilful entrepreneurs are adapted to the context, for example dress codes for meeting investors are different to meeting sub-contractors in the IT industry and how impressive, well-appointed buildings can impress some audiences yet be a fiction. The traditional fundraising process relies either on digital-based screening (Agarwal & Hauswald, 2006) or closed personal meetings with in some cases selected members of a hard-to-access group of individual financiers. In contrast, RBCF is built around transparent web-mediated interactions with a large audience. This affects not only the underlying interaction dynamics but also the informational foundation of ensuing relationships (e.g., in-person pitches vs. online campaign pages) (Mollick, 2014).



More recently Smith et al. (2017, p. 25), identified that SNS may be creating “audience collapse”, in other words the aggregate concept of “organizational environment” may have more credibility. Smith et al. (2017, p. 25), therefore, argue that entrepreneurs need to effectively use SNS digital profiles to curate their self-presentation. Given the question of whether experts and “the crowd” differ in their evaluation of project Mollick and Nanda (2016) found that the multiple evaluations of “the crowd” reduced the incidence of adverse selection and improved the ability to gain funding from receptive communities not represented by experts. Thus this study draws on understanding the purpose and growth orientation of the participants and reviews the material presented in the RBCF campaign to understand how this supports the interaction with the audiences and facilitates engagement with backers.

#### 2.7.4 Section summary

The finance practices of start-ups, such as bootstrapping, show they use methods of cashflow management and social resourcing that limit the need for external finance (Winborg, 2009). There is said to be a hierarchy of preference starting with internal sources of finance followed by external, progressing through debt then equity (Paul et al., 2007). Yet a recent report by the British Business Bank<sup>14</sup> shows that SMEs seeking external finance use mostly overdrafts and credit cards (British Business Bank, 2017) expensive forms of debt associated with firm closure (R. H. Scott, 2009). These studies on financial choice implicitly include the assumption of ambitious growth, which, as discussed in Section 2.2.1, may not hold for all nascent entrepreneurs. Business plans are the artefact commonly used to evaluate ventures seeking finance. Yet alternative mechanisms may be used to present online, which have been reviewed from the perspective of the investor but not from the lived experience of the entrepreneur using RBCF.

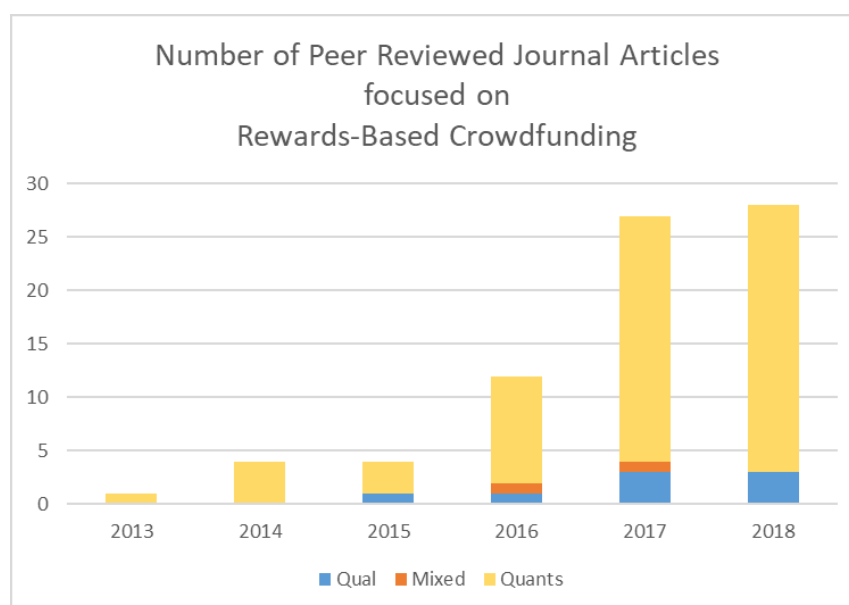
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<sup>14</sup> The British Business Bank is a development bank wholly owned by Her Majesty's Government. It delivers most of the government's programmes aimed at supporting SME access to finance through a range of financial facilities. <http://british-business-bank.co.uk>.

## 2.8 How has RBCF been studied

So far literature on RBCF has predominately examined how to create a successful campaign. A systematic review of the RBCF literature found 58 relevant papers (Green et al., 2017) of which 38 used statistical analysis using webdata, mathematical modelling, surveys, and experiment, 5 were law or accounting reviews and 15 were case studies and interviews. The topics studied were industry factors (9), campaign operational factors (7), motivations and deterrents (7) and campaign success factors (35). A further review by the author conducted in 2018 considered the number of articles in each year since 2013. The results are presented in Figure 2-7 and show the number of studies categorised by the approach.

*Figure 2-7 Journal Articles on Rewards-Based Crowdfunding*



Source: Author's own design

All the studies reviewed have considered the RBCF campaigns in isolation from the context and from those enacting and living the campaigns. Some more explorative studies are from a marketing, fan studies or social causes perspective (Booth, 2015; Hills, 2015; Lehner, 2014; Quero & Ventura, 2015; S. Scott, 2015). Other explorative studies have looked at suitability of RBCF for biotechnology and renewable industries (Azar & Mackey, 2015; P. T. I. Lam & Law, 2016), or for computer mediated communication (Gerber & Hui, 2013). Lehner et al.(2015) examined four extreme cases from the information and communications technology industry and Gleasure (2015) considered why

entrepreneurs do not utilise RBCF. The most recent study has reviewed the blogs of advisors to consider the collaborative capabilities needed for network management (Fehrer & Nenonen, 2019).

## 2.9 Chapter conclusion

This chapter has explored the literature relating to the lived experience of entrepreneurs who are at the micro-foundations of a new venture and considered their resource needs and how they access those resources. From my initial hunch, the nature of ventures needs to be understood. The review of the literature shows a tendency to marginalise those who seek purpose beyond economic outcomes and focusses on those with high growth. However, the majority of RBCF projects achieve relatively low values, so the underlying assumption about the entrepreneurs' ambitions needs to be explored. At the micro-foundations of the venture, resources mostly reside beyond the boundaries of the venture. Whilst many resources are valuable, intangible resources provide the new venture with significant value. Those that are added-value or multiplex resources, providing numerous resources from the same source, may help overcome the internal capacity constraints. Sources include family and friends, although their ability to help has been disputed, and the wider network provides substantial valuable support. Formation of ties is needed with valuable weak ties who hold more diverse information. Research suggests that strategies to achieve tie formation involve specific proof-points or physical proximity, yet there is little research that considers how ties are created in the context of new ventures using SNS. Prior literature on entrepreneurial finance suggests there has been limited choices that are now being expanded by the advent of online sources. RBCF is one of the new choices. However, most of the research has focussed on how to make the campaign successful. RBCF provides benefits but also has some challenges which include the need to interact online with a large audience. Finally, the literature is review on the strategies of entrepreneurs use to obtain finance. Some suggest entrepreneurs use social resourcing to avoid external finance. Others suggest there is a hierarchy of choice based on an evaluation of cost, despite evidence that shows many entrepreneurs used expensive sources of finance.

*Chapter 2 Literature Review; Chapter conclusion*

Overall, there is an underlying assumption in much of the literature that entrepreneurs seek substantial economic growth, despite there being few that achieve that status. Resources are found within the external network which includes family and friends initially despite these being potentially of limited value. New ties are formed at specific points and physical proximity, yet RBCF is an online phenomenon where the challenge is to engage with a large audience. Also entrepreneurs use social resourcing to avoid external finance, but this may not be due to the cost. This review seems to raise some contradictions within the literature, but also shows there is a lack of research that considers the lived experience of the entrepreneur at the micro-foundations of their ventures. This study seeks to address this by considering the nature of who uses RBCF, what resources are being sought and how the process is enacted.

## Chapter 3 Methodology

### 3.1 Introduction

This chapter explores my underlying philosophical position, discussing ontological and epistemological views in relation to the topic in question. From these views the choice of methodology and method emerge. There is a broad array of available options with which to research and many have either subtle differences or diverse perspectives (Prasad & Prasad, 2002) and, therefore, it is important to articulate the underlying philosophical commitments to be clear what approach is being chosen, and why that is appropriate to the research being undertaken. The objective of the study is to understand the lived experience of entrepreneurs, why they use RBCF, thus the meaning of the philosophical choice is discussed in relation to this objective. Further to this, Cunliffe (2011, p. 651) highlights that the underlying “metatheoretical assumptions” have practical consequences. These concern not only the focus of the study, but the nature of the “data” collected, how it is collected, analysed, theorised, and evaluated. Therefore, the chapter discusses the connections between the underlying philosophy and the methodology and methods chosen. The philosophy underlying this study is social constructionist and the methodological approach taken is hermeneutics. The decision to adopt this approach has been influenced by the research question and by my own perspective. These are discussed and the reasons for this approach are explored in detail in this chapter. Following this discussion is a consideration of the methods used to conduct the study, including collection and analysis of data. Finally, evaluation and ethical issues are discussed.

### 3.2 Underlying philosophy

The research philosophy of this study is social constructionist which sees social reality as constructed through meaningful interpretations (P. Berger & Luckmann, 1966). In this frame, the social world is an ongoing accomplishment created through symbolic meanings and experiences (Cunliffe, 2011). This choice of philosophy has been derived from considering the objectives of the research and the personal perspectives that I bring to the frame.

### 3.2.1 Prior research approaches

As discussed in Chapters 1 and 2, there is a significant gap in understanding of why and how entrepreneurs go about obtaining financial and support resources in general and, for this study why and how they access RBCF. In chapter 1, I explored my pre-understanding which reveals the complex connections between the purpose of a project and its access to financial and support resources. From this perspective, I view the process of obtaining finance and support resources when creating a start-up business as complex. The complexity involves much ambiguity of choice, of information and of social interaction (Ford & Mouzas, 2010). The prevailing approaches in research into entrepreneurial finance make implicit assumptions about the nature of the process and the actors involved, so it is important to address this shortcoming (Morris, Kuratko, Schindehutte, & Spivack, 2012).

Research into entrepreneurship and entrepreneurial finance has been dominated by the objectivist approach (Gendron & Smith-Lacroix, 2015; Leitch, Hill, & Harrison, 2010; McDonald et al., 2015; Neergaard & Ulhøi, 2007, p. 2). As a result, much of the process of obtaining finance and support resources whilst creating a venture has been treated as a 'black box'. Within this process, the role of the entrepreneur in making choices and enacting them is hidden from sight and uncharted (Grégoire, Corbett, & McMullen, 2011; Neergaard & Ulhøi, 2007, p. 4). Thus assumptions are made about the antecedents and consequences without considering the complexity of the process or its social nature (Drover et al., 2017, p. 1839; Packard, 2017, p. 545). Further to this, much research into entrepreneurial finance implicitly assumes the entrepreneur as a rational actor, who reviews sources of finance using an economic logic, seeking to maximise their utility. For owner-managed firms, the rational actor of economic theory is confounded by non-economic considerations (Dobbs & Hamilton, 2007, p. 305). As Frid (2014, p. 324) points out, acquiring finance from family complicates the rational actor assumption, due to the actors' personal objectives. In addition to this, the studies on behavioural finance demonstrate the limits to the rational actor model of behaviour (Gendron & Smith-Lacroix, 2015). From these studies we can see influences other than purely economic, affecting the choices and actions of entrepreneurs as they create their ventures. However, there are some scholars that argue that

entrepreneurship is a complex, dynamic and socially constructed experience (Neergaard & Uihøi, 2007, p. 4) that is influenced by both the contexts it emerges in and the variety of perceptions of actors that enact it. From this perspective, it is possible to obtain a richness and depth of understanding by conducting research from pluralist approaches (Leitch, Hill, & Harrison, 2010). The range of philosophic perspectives are reviewed to understand the reasoning behind the approach in this study.

As discussed in earlier chapters, the regular suggestion by commentators, both academic and in the media, is that crowdfunding will help start-up businesses. So, my questions centre around asking about the participants' aspirations in this situation, what help, or in academic parlance, what resources are involved and how are they making sense of those resources over the timeframe of the campaign. Several points emerge from these questions. The intention here is to discover what the participants are 'becoming' in the active sense, over the timeframe, albeit a fairly short period. The resources acquired include one assumed to be critical to the viability of the business being created, that of money, in the sense of its ability to be readily exchanged for other resources. The resources potentially include activities, that may not be explicitly requested, but may be voluntarily offered by actors engaging in the process and may or may not be of value to the emerging venture. The relationships between the actors can also be conceived of as a potentially valuable resource. These points all emerge from the perspective that these situations can be interpreted in many ways. The participants are in transition from one state to another, creating a new venture. Resources may or may not be identified as such or value placed on them. Relationships are being created and developed around the idea presented within the campaign and the situation of the campaign is one of reaching out to numerous people to get them enthusiastic enough to back the project. I see this situation as one requiring an approach that admits interpretation, deals with processes over time and understands the nature of the experience of 'becoming' and 'relating'. A social constructionist approach admits all these factors (Cunliffe, 2008) and is thus appropriate to this research.

### 3.2.2 Philosophical debates

The debates around philosophy relate to the nature of being, or ontology and how we create knowledge, or epistemology (Duberley, Johnson, & Cassell, 2012, pp. 16–17). According to Bryman and Bell (2015, p. 32), there is a continuum of ontological perspectives ranging from objectivism at one end to constructionism at the other. They assert that epistemology concerns what approach is taken to be regarded as acceptable knowledge, principally whether or not the social sciences can take the same approach as the natural sciences (2015, p. 26). Duberley, Johnson, & Cassell (2012, p. 16) argue that the study of epistemology relates to how claims of ‘truth’ are constituted. The objectivism perspective asserts that social phenomena exist independently of social actors, whereas the constructionism perspective asserts that social phenomena are produced through social interaction as an ongoing accomplishment, being constantly revised (Bryman & Bell, 2015, pp. 32–33). Easterby-Smith, Thorpe, & Jackson (2012, p. 25) also maintain there is a link between ontology and epistemology and describe a continuum. However, according to Crotty (1998, p. 10), whilst he acknowledges that there is an ontological debate between what he refers to as realists and nominalists, about the reality of human existence, he argues that ontology and epistemology tend to merge together. So, evidently the debates over the perspectives continue.

Taking the notion of a continuum of ontological positions, the assumptions underlying objectivism and constructionist are diverse. From the objectivist approach, assumptions are made that social reality is concrete and determine human behaviour. The objectivist assumes that social reality exists independent of our perceptions and cognitions (Duberley et al., 2012, p. 17). In this approach, knowledge is seen as having observable qualities that are measurable, endeavouring to understand the precise laws of nature or unitary truth, seeking cause and effect relationships (Cunliffe, 2011). In contrast, in the constructionist approach, the assumption is that social reality is a creation or projection of our cognition and thus is not independent of our knowing (Duberley et al., 2012, p. 18). In this approach, knowledge is seen as locally created and contextualised and it is not possible to understand the social world in terms of causal relationships. Human relationships and human action are infused by intentions, values, beliefs, and attitudes. Thus in the constructionist view there



is not one 'truth' but multiple 'truths' based on meanings that are relative to time, place and manner of creation (Cunliffe, 2011).

Bryman and Bell (2015, pp. 27–30) identify contrasting epistemological positions in positivism and interpretivism. Positivism is widely accepted to be testing hypotheses on phenomena that can be directly observed and it is assumed to be conducted in a way that is value free (Bryman & Bell, 2015, p. 28). The tendency of positivism is to assume human behaviour is predetermined and thus ignores the possibility of conscious choice (Duberley et al., 2012, p. 19). In contrast, interpretivism emphasises the understanding of human behaviour acknowledging that subjective meanings are derived from interactions. Interpretivism assumes that values are inherently important in the way research is conducted (Bryman & Bell, 2015, p. 41).

A conception of these ontological and epistemological positions proposed by Burrell and Morgan (1979) was of four distinct paradigms of research - functionalist, interpretive, radical structuralist, and radical humanist. Each paradigm is based on a set of metatheoretical assumptions about the nature of reality, knowledge, and human behaviour. But this conception fuelled controversy over the incommensurability of each paradigm, in other words they are mutually exclusive. Subsequently, building from these perspectives there is an increasingly pluralistic range of options with which to enact a research study. For instance, Deetz (1996) argues that unproductive debates developed over the contest of meanings in the subject-object dualism. Basing his conception on Burrell and Morgan's four paradigms (1979), combined with the linguistic turn in contemporary research, he proposed that alternative dimensions could be conceptualised of local/emergent and elite/a priori to the extent to which research was conducted in the dominant structure or in a disruptive structure. Then on another dimension Deetz (1996) adds consensus vs dissensus with the existing social order. In this way Deetz (1996) draws attention to the political and performative function of the distinctions between perspectives and how emergent perspectives can threaten the perceived truth status of dominant perspectives. More recently, Cunliffe (2011), whilst also acknowledging the political nature of these debates, builds her conception of methodological perspectives on Morgan and Smircich's (1980) typology of an subjectivist-objectivist continuum. Crucially, she argues that, due to the relatively recent

insights such as from structuration theorists, actor network theory and theories of materiality, the conceptions of subjects and objects are destabilised. She states that; *““subjects” may now refer to conscious individuals, discursive “sites,” subjective interpretations or objective traits, and so on, and “objects” as materialities and agentic entities*” (Cunliffe, 2011, p. 653). Thus, she argues that social experience should be considered as intersubjective and, as such, the ontological perspective is that humans are relationally embedded and interactions occur in moments of time and space (Cunliffe, 2011). Alvesson and Sköldbörg (2009, p. 94) also make two specific observations about the meaning of ‘experience’. They distinguish experiences as active, creative, and full of intention rather than passivity. Secondly, the perception is of a whole situation rather than an isolated fragment of experience. In other words, the participants are assumed to be proactive, acting with purpose and their meanings and actions cannot be extracted from within the context that they emerge.

Cunliffe’s (2011) approach is an attempt to move on from the controversy over incommensurability, and as Neergaard and Ulhøi (2007) reason, perceiving any approach as providing more value is unproductive. All approaches have their limitations, since functionalists neglect situated meanings, constructionists underplay the role of constraints, and equal value can be gained. Indeed, Neergaard and Ulhøi (2007) argue that there is value in applying contradictory research methods to a topic, as this can reveal new insight (2007, p. 5). Keeping this in mind, the choice of a socially constructionist research philosophy is considered important as the currently predominately objectivist studies into RBCF do not consider the lived experience of the entrepreneur seeking to utilise this phenomenon. Thus, such a different approach should reveal new insights into the phenomenon. The phenomenon of RBCF only supplies on average less than £10,000, a relatively small sum for a start-up, and the amount is raised through many interactions with multiple backers in a short timeframe. The entrepreneurs using this phenomenon make sense of these interactions through the frame of their own norms and beliefs and take particular courses of action in attempting to convince others to back them. These aspects align well with the ontological perspective of relationally embedded interactions, because in this perspective, the assumption is that what we see and what we notice is filtered through deploying culturally based, subjective sense making

processes (McAuley, Duberley, & Johnson, 2007, p. 37). According to Easterby-Smith et al. (2012, p. 27), the weakness of the objectivist perspective is that it is not effective in understanding the significance attached to experiences and actions. Whereas the strength of the constructionist perspective is the *“ability to look at change processes over time, understand people’s meaning, adjust to new issues and ideas as they emerge, and being able to contribute to the evolution of new theories”* (2012, p. 27).

Cunliffe (2008, 2011) states that we are inter-subjectively embedded in an *“intricate flow of complexly entwined relationally responsive activities”*. In other words, our understandings are shaped by co-existing with and experiencing ourselves in relation to others. The emphasis in this study is on the lived experience, micro level conversations, relationships, and insights about meaning. Inter-subjective researchers draw on hermeneutics, relationally responsive social constructionism, and Bakhtin’s notion of dialogism, that is, living utterances and the two-way movement of dialogue between people in particular moments and particular settings. In this perspective, meaning emerges in the interaction and struggle of back-and-forth conversation between people (Cunliffe, 2011) and in the dialectic of how meaning shapes actions and actions impart meaning (Charmaz, 2004). In this perspective, social realities are a dynamic process, the aim is not to capture a pre-existing world but to understand the process of symbolic construction of world making and multiple realities, that is socially accomplished (Prasad & Prasad, 2002).

To capture the dynamic social realities, a qualitative approach is undertaken. Both Bryman and Bell (2015, p. 38) and Prasad and Prasad (2002, p. 6) draw attention to the possibility that qualitative research can be conducted with a realist assumption, where despite there being no quantification, the meaning for the participants is perceived and articulated as being concrete and determined by structural influences. Both urge the researcher to be clear that, although taking a qualitative approach, that the philosophical commitments are apparent. This is a challenge I see, and is discussed further in Section 3.7 on construction of meaning.

The underlying assumption of this social constructionist research is that the source of human endeavours is purposeful, in other words there is choice in

how we create meaning and decide to react in the world. From this perspective, the norms, values and beliefs that are deployed in making sense of everyday experiences have a role in the construction of meaning rather than being disregarded as being not objective (Gill & Johnson, 2010, p. 60). Further, as Neergaard and Ulhøi (2007, p. 4) argue the goal of qualitative research methods is *“to develop concepts that enhance the understanding of social phenomena in natural settings, with due emphasis on the meanings, experiences and views of all participants”*. Therefore, the outcome of social constructionist research is not generation of theory but of new insights into meaning and actions (Easterby-Smith et al., 2012, p. 25).

### 3.2.3 Discussion of the choice of methodology

Morgan and Smircich (1980, p. 499) assert that the choice and utility of the different perspectives is, at least in part, influenced by the orientation of the individual researcher. Further, researchers are increasingly expected to be reflexive about their personal beliefs and cultural norms, particularly disciplinary norms, to recognise the ramifications for the research strategies (Duberley et al., 2012, p. 29). It is suggested that the exploration of uncommon approaches within disciplines will enhance the emergence of new insights into existing topics, yet those approaches also need to reflect a logic and mindful, informed choice (Cunliffe, 2011).

In reflecting on this approach, I find that I hold the view that there are multiple social realities and that observation cannot be value-free and neutral. I agree with Morgan and Smircich (1980, p. 498) when they describe quantitative methods as *“...in effect attempting to freeze the world into structured immobility and reduce the role of human beings to elements subject to the influence of a more or less deterministic set of forces”*. Given my pre-understanding, which includes over twenty years in small organisations, I have difficulty with the notion that actions are pre-determined and directly observable. I take the view that actions and behaviours may be influenced by aspects such as experiences and they are also made from free-will. I believe that peoples' actions are influenced by complex sense-making including emotional aspects, and have an internal-logic that may not even be consciously recognised (Luft & Ingham,

1961). Thus, my ontological view is that social reality is socially constructed and my preference for research is within the interpretivist perspective.

This study is concerned with the lived experience of entrepreneurs and this interpretivist perspective is a suitable approach to capture the sense and feeling of the lived experience (Berglund, 2007). Yet there are many options associated with this perspective. I have considered the recommendations of Cunliffe (2011) who suggests suitable methodologies are Ethnomethodology, Hermeneutics, Phenomenology and Ethnography. I am discounting Ethnography on the basis of practicality, in that the pre-formative state of the ventures in question could make interaction challenging. Ethnomethodology is concerned with people's taken-for-granted methods for making sense of the world and require deep emersion in the details of people's practices through close observation and requires bracketing of preconceptions (ten Have, 2008, p. 293). The transcendental phenomenology of Husserl is concerned with how individuals make sense of the world around them. An important aspect of this approach is the need to bracket out the researcher's own preconceptions (Bryman & Bell, 2015, p. 30; Gray, 2014, p. 165).

Whilst this study is concerned with the sense-making of the actors involved in a RBCF activity, I believe my own pre-understandings are of use in comparing the experience and knowledge of the topics to those of the participants. This is to surface the differences in sense-making and expectations of RBCF between participants and myself as a 'knowledgeable' industry professional. Thus, to achieve a 'practically adequate' outcome (Sayer, 1992, p. 86) for this research project, I am guided by the philosophy of the Hermeneutic phenomenology of Heidegger, which is concerned with the life-world or the lived human experience (Lavery, 2003). I utilise this hermeneutic approach, using a reflexive strategy incorporating the lived experience of myself as a finance professional that has worked extensively with new, small and medium firms. This role facilitates the rapport building, having experience of jargon and language that may be used, and an alertness to issues that may be of importance. However, reflexivity is maintained throughout the approach to ensure the voice of the participants receives primacy.

The use of hermeneutics in management research is mostly limited to studies of written texts such as printed advertisements, letters and company archives, (S. Robinson & Kerr, 2015). However, hermeneutics has been used to study lived experience of practitioners in nursing research (Idczak, 2007; Smythe & Spence, 2012; Spence, 2017): therefore, this study draws inspiration from these approaches to explore hermeneutics and the important notions of pre-understanding, fusion of horizons, hermeneutic circle and reflexivity.

### 3.3 Hermeneutics

Hermeneutics was originally a technique for the interpretation of text. It was developed into a philosophical approach to understanding and interpretation during the 18th and 19th centuries by philosophers such as Heidegger and Gadamer (Prasad, 2002). This contemporary approach is, broadly speaking, concerned with the theory of interpretation and the study of the processes of interpretation. The meaning of text has been expanded to include acts and processes that involve interpretation, such as social practices (both verbal and non-verbal), cultural artefacts and institutional structures (Prasad, 2002).

Considering hermeneutic philosophy, Zimmermann (2015) describes the claims of hermeneutic thinkers. He states that, as we are deeply engaged in life, we know to question it and in doing so we use a cultural vocabulary to make sense of things. This perspective is in contrast with the objectivist perspective that we are dis-engaged observers, obtaining knowledge through dis-interested observation. Zimmermann (2015) also points out that in hermeneutic thinking, it is the conscious experiences of life that shapes how we inhabit and see the world. We use language, images, and concepts to reflect and create meaning. This lived human experience is endured and inseparable from access to understanding, as Alvesson and Sköldböck (2009, p. 117) express it, "*We are irrevocably merged with our world, already before any conscious reflection*". In researching within the context of start-up businesses the meanings are associated with the personal circumstances of the actors involved (Blackburn & Kovalainen, 2009). In Heidegger's philosophy, the focus is on a sense of being in the world (Lavery, 2003). Zimmerman (2015) points out that where those who consider access to knowledge is gained by the disengaged observer, in contrast philosophical hermeneutics asserts that personal interest in what an

issue means for me in my life, makes understanding possible, and that only through enactment in a situation do I come to know the personal significance (Zimmermann, 2015, p. 51), in other words sometimes the meaning does not emerge until we are challenged to make sense of and articulate our perceptions. It is important to capture the meaning experienced in everyday life and to understand and interpret within the social and cultural context (Prasad, 2002). For example, Neergaard and Uihøi (2007, p. 88) point out that entrepreneurship research often emphasises the individual's experience of a phenomenon, whereas Heidegger shifts the emphasis to the historical and social embeddedness of people, thus the combination of both individual and contextual can provide a more holistic picture of the phenomenon.

### 3.3.1 Pre-understanding

The notion of pre-understanding within hermeneutics refers to the engagement of bias (McAuley, 2004, p. 192; Prasad, 2002). In objectivist research this notion is associated with prejudice, an obstacle which must be avoided (Lincoln & Guba, 1985, p. 28). In the transcendental phenomenology, Husserl developed a process of reduction, where 'bracketing' of experience is required, as in setting aside of these presuppositions, which would lead to understanding of the essence of the phenomenon (Lavery, 2003). In contrast, for Heidegger everything is encountered through the lens of our pre-understanding, we reference our personal background and experiences in order to make sense of the world (Lavery, 2003).

The pre-understanding is a necessary condition rather than an obstacle of understanding (Prasad, 2002), we are in a dialogic process where questions originate in pre-understandings and prior knowledge and are transformed through interpretation (Alvesson & Sköldbberg, 2009, p. 101). The notion of pre-understanding is frequently construed in the negative sense, often conceptualised as prejudices. Yet this raises the question of whether they are unproductive.

Gadamer (1982), addresses this question and says that prejudices may be both productive and un-productive. It is only when we are faced with an encounter that stimulates emergence of our unproductive prejudices do we become aware

of them (Prasad, 2002; Smythe & Spence, 2012). Only when we are faced with a situation, for instance a written text that challenges our thinking, do we fully understand the limitation of our biases (Green et al., 2018). Some scholars suggest the process of 'bracketing' in phenomenology is appropriate to achieve awareness. The practice has not been fully resolved, but an attitude of "persistent curiosity" may enhance the process (LeVasseur, 2003). Similarly, in hermeneutic interpretation it is not enough to merely accept our existing pre-understanding. These must be questioned through a process of deep and reflexive raising of awareness of existing knowledge, values, and beliefs (Prasad, 2002).

### 3.3.2 Hermeneutic Circle and Fusion of Horizons

The notion of the process of interpretation leading to understanding in hermeneutics is described as circular (Lavery, 2003; Prasad, 2002). The process begins with a pre-understanding of the whole meaning and proceeds through an iterative examination of the parts of the text and returns, again, to the whole. Due to the iterative nature some have described this process as a spiral (Alvesson & Sköldbberg, 2009, p. 92). In hermeneutics the notion of understanding is perceived as our 'horizon'. This is a metaphor for the extent or range of our vision. That which is close-at-hand may be overvalued, being able to see beyond what is close-at-hand is to have a horizon (Lavery, 2003). It is through the process of dialogue with the text that the horizon may be expanded and a "fusion of horizons" takes place (Prasad, 2002).

To become aware of our pre-understandings, both productive and unproductive, travel through the circle and fuse our horizons, it is necessary to question our personal history, raise our consciousness of our horizon and become open to revising our understanding (Lavery, 2003; Prasad, 2002). Reflexivity (as described below, see Section 3.8.2) is therefore an important process with which to help raise our consciousness of un-productive prejudices and move beyond them.

A discussion of the use of the hermeneutic circle and reflexivity in interpretation is discussed below in the section on analysis (see Section 3.8.3). However, for the moment I will relate the pre-understanding to the incorporation of the lived



experience as an analysis tool. The experienced practitioner may have access to norms and behaviours within a realm of practice that previous researchers have not been aware of. These preunderstandings from experiential knowledge may reveal subtle yet critical nuances and provide rich insights yet may also create barriers to insight. Through hermeneutic reflexivity, those norms and behaviours can be surfaced and examined critically through the lens of context and in comparison, with the context of the current study participants.

Thus the hermeneutic approach concerns the interpretation of the meaning that is shaped by our conscious experiences of life. Our experiences are perceived as inseparable from our understanding and it is through enactment that meaning becomes illuminated. In this approach the pre-understanding becomes an analytical device, adding to the iterative process of fusing horizons. Thus, this approach is highly appropriate to the study of the lived experience of entrepreneurs.

### 3.4 Sensemaking as a lens

Sensemaking has been drawn upon in this study as a lens to view the perception and activities of the participants. Sensemaking provides insights into meaningful experience in conditions of ambiguity and uncertainty (Weick et al., 2005). This perspective resonates with the concept of “entrepreneuring” discussed below. In the course of sensemaking, actors socially construct meaning from events and issues that are surprising, complex or confusing (Cornelissen, 2012; Maitlis & Christianson, 2014). In this study the sensemaking as conceived of by Weick (1995) is applied. Sensemaking, which Weick (1995) introduced to the field of organization studies, is the process through which people give meaning to experience. Weick (1979) argues that, *“the basic idea of sensemaking is that reality is an ongoing accomplishment that emerges from efforts to create order and make retrospective sense of what occurs”*. Weick (1995, p. 5) further suggests that *“sensemaking is partially under the control of expectations”*; it is both an interpretive and an authoring process, which is *‘grounded both in individual and social activity’*. In organising there is a need to create and maintain coherent understandings that sustain relationships and enable collective action, yet this is especially important and challenging (Weick, 1993). Further Cunliffe and Coupland (2012) argue that

sensemaking is an interpretive process in which our experience, actions and sense of identity is appraised interactively. They describe sensemaking as a “temporal process of making our lives and ourselves sensible through embedded and embodied narrative performances”. Thus, sensemaking is a process of social construction (P. Berger & Luckmann, 1966).

In Weick’s (1995) conception of sensemaking there are seven aspects as follows: identity, retrospection, enactment, social activity, ongoing, extracting cues, and plausibility. These serve as guidelines that draw attention to what sensemaking is and how it can succeed or fail (Weick, 1995, p. 18). The benefit of adopting sensemaking as a lens is that it shifts the academic attention away from personality traits to social processes and social skills (Zott & Huy, 2007) and towards adoption of “entrepreneurship” as an active and transient process (Lamine et al., 2015; Steyaert, 2007; Watson, 2013). Studies of sensemaking of entrepreneurs have considered its role in learning, identity construction, communicating visions and failure (Maitlis & Christianson, 2014). As participants in this study have emerging ventures and are in the process of personal transition, they are seen as becoming entrepreneurial (Morris et al., 2012; Tsoukas & Chia, 2002), of accomplishing practical coping (Chia & Holt, 2006) and seeking legitimacy through sensemaking (Cornelissen & Clarke, 2010).

### **3.5 A discussion of meanings**

The actors being considered within this study are assumed to be actively “entrepreneurship” or “becoming entrepreneurial”. These terms are adopted to draw attention to the active nature of the process (Lamine et al., 2015; Steyaert, 2007; Watson, 2013) and is derived from considering the debates regarding entrepreneurs’ business remaining small and in a process of sensemaking about becoming entrepreneurial. There is an extensive debate about the nature and definitions of entrepreneurship and in what context entrepreneurship might emerge (Carlsson et al., 2013; Kuratko et al., 2015; McKenzie, Ugba, & Smothers, 2007). Yet, although practitioners themselves do not identify with having an innate ability (Zimmerman, 2009) within much of the academic debates, the actor is assumed to have stable and enduring characteristics, including innovativeness, proactiveness, risk propensity (Covin & Slevin, 1989;

Runyan, Droge, & Swinney, 2008). Therefore, some scholars argue that individuals that are self-employed or in small firms are not entrepreneurial (Casson & Della Giusta, 2007, p. 223; Davidsson & Wiklund, 2001; Vinturella & Erickson, 2004, p. 2). For instance Carland, Hoy, Boulton, and Carland (1984), in a conceptual discussion on differentiating small business owners from entrepreneurs argue that entrepreneurs are defined by their goals of profit and growth, whereas small firms are focused on providing family income. This logic conflates the size with the intention of the actor. More recent research considering distinctions between small firms and entrepreneurial firms found that firms demonstrating an entrepreneurial orientation outperform those with a small firm orientation in the initial stages. However, for those who survive more than a decade, the small firm orientation outperforms the entrepreneurial orientation (Runyan et al., 2008). This suggests that long-term value is created by those who manage to survive the early turbulence of venture creation. Further, it is possible that the orientations may co-exist or that the actor transitions between being innovative and taking risks, i.e. entrepreneurial and being more focused on less risk and stabilising wealth creation for personal reasons. The relative turbulence of the context and agency of the actor may vary over time (Runyan et al., 2008, p. 584). In this view, being entrepreneurial may for some be an unstable condition, fluctuating over time, a temporary or serial action, rather than a fixed characteristic that can be identified as an antecedent to action (Chell & Baines, 2000; Fauchart & Gruber, 2011).

De Clercq and Voronov (2009) question the assumption that actors are automatically deemed entrepreneurs and argue that an entrepreneur is legitimised through a social process. Similarly, Downing (2005) posits that - through narrative, sensemaking and enactment - the entrepreneurial identity is co-produced over time. A current conceptualisation of firms that remain small is that they create value for stakeholders including owners, employees and customers and are managed with the aim of creating stable cooperative relationships rather than disruption and competition. Yet to achieve the stability the actor may employ an entrepreneurial mindset in complement to the small business mindset (Runyan & Covin, 2019)

The development of technology and the emergence of the internet has facilitated the evolution of digital entrepreneurship fostering extreme scalability,

fluid boundaries, temporally indeterminate ventures and more distributed entrepreneurial agency (Nambisan, 2017). Value is created through geographically distributed individuals operating in “virtual teams” (Matlay & Westhead, 2005) and by individuals who network and collaborate globally in creating their businesses (L. Harris & Rae, 2009). The activity emerging in these domains, may be more public or data captured by platforms, rendering the activities more visible and observable (Nambisan, 2017). Thus, I argue that behaving entrepreneurially is not directly related to growth orientation, age or life-stage of the venture and is not related to pure economic outcomes. Technology is making the incidence of entrepreneurial “moments” more perceptible and more fluid and indeterminate.

Additionally, the actors in this study are in transition and can be conceived of as a process of 'becoming' (Lindgren & Packendorff, 2009) where both the agent and context can be admitted and understood as a complex social process (Anderson & Smith, 2007; Lindgren & Packendorff, 2009; Tsoukas & Chia, 2002). From this can also be drawn the idea of 'entrepreneurial' as a verb, and the meanings created through interaction over time are more in focus, the venture emerging through social interaction, that is always unfinished (Lindgren & Packendorff, 2009; Steyaert, 2007). The concept of becoming is underpinned by Heidegger's concepts of availability and occurrentness. Availability is a mode of awareness of an active person who is immersed within the environment and is naturally coping. Occurrentness is where this coping is disturbed leading to self-consciously reflecting and sensemaking (Moroz & Hindle, 2012). Here the process of becoming an entrepreneur is studied by narrating emergent actions and activities by which collective endeavours unfold (Van De Ven & Poole, 2005).

This study considers the actor who is becoming entrepreneurial by accessing support through business networking (Porter & Woo, 2015). Entrepreneurial, when not seen as a disjointed, discontinuous, linear event (Moroz & Hindle, 2012), can also be conceptualised inherently as a sensemaking process (Lavoie, 1991). Business networking has its roots in sensemaking and social interaction and is conceptualised as a process of coping under uncertainty which affects all the actors, the resources and activities involved (Ford & Mouzas, 2010). Both the notions of networking and entrepreneurial in this

context are temporal acts of change and transformation or action-based phenomena (Ford & Mouzas, 2010; Moroz & Hindle, 2012). To illustrate this conception, I use the metaphor of the swimmer. When a swimmer is in the water moving around, they are referred to as swimming. Out of the water they are no longer swimming. However, a person may be referred to as a swimmer whether or not they are in the water, if it is an activity that other recognise that they do or if they identify with the activity. Thus swimming may be an activity that is enacted (and can be improved with practice) or an identity that is adopted rather than a static trait that is possessed.

The implication for this research project is that “entrepreneurship” is thus performative, effecting change, is transient and embedded in social activity (Morris et al., 2012). The process of creating a venture by developing relationships with those who may provide resources through a crowdfunding campaign, is perceived as a potentially non-linear and iterative activity in an uncertain environment. Viewed through the lens of social construction, it is seen as an emergent process to be analysed through narrative.

Notwithstanding this perspective, the extant literature in the field of entrepreneurs, new ventures and small firms do not make clear distinctions between the two (Davidsson, Low, & Wright, 2001; Morris et al., 2018; Reynolds, Carter, Gartner, & Greene, 2004). Systematic literature reviews incorporate both the terms ‘entrepreneur’ and ‘SME’ and include articles referring to either term (for example, see: Abdulsaleh & Worthington, 2013; Bocconcelli et al., 2018; Rutherford et al., 2017). For instance, a study such as Witt, Schroeter and Merz’s (2008) on entrepreneurial resources in start-ups collects data from independent ventures, with an average of 20 staff, and aged between a few weeks up to 10 years old. Thus, the literature utilised in this study has been carefully reviewed for its relationship to entrepreneurs starting new businesses. Also, for the convenience of writing about the participants who are undertaking the RBCF, this study does utilise the noun “entrepreneur” to heuristically refer to them. This is because using the terms ‘entrepreneurship’ and ‘becoming entrepreneurial’ do not allow the discussion to flow well.

## 3.6 Concepts animating this research

The concept of time is another aspect animating this research. The process of this research incorporates following the participants over a short period of time, from the start of their crowdfunding campaign to just after the end of the campaign. Further, the campaign on the RBCF platform is constrained by the rules of the platform, to a set number of days, building in both urgency and scarcity factors during this timeframe and yet the participant can decide when the campaign begins. In terms of the participants' process of campaigning, the timing of an activity may affect the way a process unfolds (Halinen, Medlin, & Törnroos, 2012). Also, the effects of time are not seen as linear and determined but allow for the entrepreneur to learn recursively from the environment. Thus, through dialogue with other actors, all actors adapt and change over time (Ford & Mouzas, 2010; Suddaby, Bruton, & Si, 2015, p. 7). Thus, time is an essential element of the phenomenon. As Ancona et al. (2001) point out in a special issue devoted to the theoretical understanding of time in organisations, time is both an aspect of other lenses (strategic design; politics; culture) used to understand the functions of organisations, and a lens of its own. Indeed given the pervasiveness of time in all aspects of life, Goodman et al. (2001) pointed out nearly two decades ago, there is surprisingly little research that deals with the issue and this paucity continues at present (Dawson & Sykes, 2018). To the author's knowledge, the process of the acquisition of finance by SMEs or start-ups, from identifying a potential need for finance to obtaining finance, has not been researched.

The temporal approach of this research process seeks to address several points. Firstly, the participants in the study are severely resource constrained so the possibility of direct observation or interviewing in real-time was felt to be burdensome. Therefore, the capture of the sensemaking of participants was not in real-time but as close as possible. This was believed to help reduce the issue of selective memory (Halinen et al., 2012) when the interview takes place a long time after the event. The online activity was captured and archived by the platform providers, so is closer to real time. Secondly, by interviewing the same participants at two intervals, this research aims to capture the development of sensemaking during a major event in the life of the emergent

venture. Finally, it aligns with constructionist interpretation of Process Theory, which acknowledges the complexity and dynamic nature of processes (Van De Ven & Poole, 2005).

Whilst this study is not focussed on the issues of RBCF being conducted in an online environment, I think it is useful to acknowledge it within the underlying context of the study. Participants within this study may raise this as relevant to their relationships with others (Hogan, 2008, p. 156) and spillover of social capital occurs between domains (Skirnevskiy et al., 2017). From the perspective of this study approaching the topic from an interpretivist approach, acknowledging the sociomaterial perspective seems to make sense. Sociomateriality, first defined by Orlikowski, is based on the work of Schatzki (Orlikowski & Scott, 2008). Schatzki (2002) sees the world of online communities as being relationally entangled and co-constituted; they are a shifting assemblage of participants and technology (G. Harris & Abedin, 2015). For instance, the impact of operating online can create value beyond reconfiguring the value chain, strategic networking or core competencies, by creating novel exchange mechanisms and transaction structures (Amit & Zott, 2001). Given the pace of change and how people utilise and relate to technology as a product or a process, their sociomateriality could impact on how the participants conceptualise their personal relationships (Hine, 2008, p. 259; Hogan, 2008, p. 155; Orlikowski & Scott, 2008). For now, this is merely an acknowledgement of context rather than focus of the study.

### **3.7 Construction of meaning; challenges of writing**

In this philosophical perspective, the dualism of subject and object begin to blur and merge (Cunliffe, 2011). For instance, in the act of sharing subjective meaning, that meaning is made objectively and thus becomes more real (P. Berger & Luckmann, 1966, p. 52). Weick (1995, p. 18) illustrates the ongoing construction of meaning from an interviewee that expressed “*How can I know what I think, until I see what I say*”, which draws our attention to the process of articulating a response, we may not have previously developed a fully constructed narrative, yet when confronted with a probing enquiry, we draw on our tacit understanding to construct a cohesive narrative or explanation. In this raising of consciousness, the reification of the narration process feeds back into

our own sense making and identity (Cunliffe, 2008). Miller and Glassner (2011, p. 133) draw from the quote, “[interactionists] contend that some objectification is essential if human conduct is to be accomplished. Objectivity exists, thus, not as an absolute or inherently meaningful condition to which humans react but as an accomplished aspect of human lived experience”. Therefore, an objective reflection of the social world is difficult to justify, yet people ascribe meaning to their experiences in the social world so that through the process of interaction a mutual understanding can be achieved.

In the process of this study the material of the participants will be interpreted in relation to my pre-understandings and in relation to the extant literature. Within this process the potential for alternative understandings will be considered. The act of narrating the meanings of the participants for this study ultimately identifies my interpretation of the contextual meanings situated in the specific time and place. This should not be assumed to exclude alternative or competing interpretations. As discussed below on the analysis of the data, there is recurring movement around the hermeneutic circle between the elements and at some point the study must reveal a choice in the interpretation (Prasad, 2002). This may have the appearance of reifying one interpretation.

Bryman and Bell (2015, p. 38) critique qualitative writing for appearing to reify the impact of structures on research participants when claiming to be constructionist. Yet as Weick points out in relation to the creation of organizations; “*Organization is talked into existence when portions of smoke-like conversation are preserved in crystal-like texts that are then articulated by agents speaking on behalf of an emerging collectivity*” (Weick, 2006, p. 1725). In a similar way, the ‘smoke-like’ conversations with our research participants get preserved in ‘crystal-like’ texts that I, as interpreter articulate into an apparently objectified meaning and conclusion in accomplishing this study. As no single interpretation can capture every aspect of a text, but each interpretation can reveal a partial vision (Zimmermann, 2015, p. 55), this will be one interpretation related to the context and should be seen as part of an on-going conversation. Because as the technology being used for RBCF is changing rapidly and our understanding of the context of starting in business in the current technology-enabled era is also developing.



## 3.8 Research Design

### 3.8.1 Selecting and sourcing research participants

Selecting research participants for qualitative research is fraught with challenges and debates over what is suitable. For instance, Saunders (2012) points out there is very little advice regarding the number of participants, but one review suggests anything between 4 and 36. However, this is still unclear as to whether it refers to the number of participants or the number of instances of data collection. When selecting cases Eisenhardt (1989, p. 545) suggests that while there is no ideal number of cases, between 4 and 10 usually works well, yet Dyer and Wilkins (1991), in a critique of Eisenhardt (1989), refer to ten research studies (which they refer to as 'Classic') where only one or two cases were used, one of those cases spent a year employed at the case organisation and interviewed 113 employees, attended a number of events, and gathering extensive observations. Dyer and Wilkins (1991) do admit this is an extreme example of an 'in depth' case study, they advocate doing enough work to achieve a rich description that unveils the complex dynamics within the context. This is achieved through allowing the analysis to emerge over time, from the data. This still lacks guidance as to the substance of the data, for instance, an interview can be for a range of time, a webpage may have pictures that are revealing, a tweet is only 140 characters, yet all can form instances of data.

A further complexity in the decision about cases is that small businesses present difficulties for access. In both large scale corporates and small business, the failure to gain the interest of the gatekeeper due to perceived lack of relevance of the research to the organisation and the perceived intrusiveness can create barriers to access (Curran & Blackburn, 2001; Saunders, 2012). In smaller organisations the proportion of time away from the business is higher and trading difficulties, cause more pressure on the business (Curran & Blackburn, 2001; Grossman et al., 2012). In this research the participants are at the emergent stage of their business and may not yet appear on any databases, so populations are not easily established.

Not all aspects of the study topic cause challenges. As discussed earlier, the RBCF campaigns are conducted over a defined and relatively short timeframe

and so give the possibility of collecting data at a number of intervals. The ease of access to web data from campaign forum pages and SNS increases the volume and variety of data instances that can be acquired.

Given the challenges of identifying the appropriate amount of data to collect and the difficulties in accessing the participants, it is concluded that a small number of cases is appropriate, and the ease of access to web data provides a number of sources that represent not just the voice of the key participant but add pre-existing data not created for the purpose of this study. This combination of sources will aid in the comparison patterns across cases for a more in-depth understanding of the phenomenon.

To identify participants, messages were sent via my business network. The participants which were included in the research were referred by network connections and volunteered their time. This was both a snowball process and purposive whereby the participants meet certain criteria (Saunders, 2012), given they are all sole traders, giving up precious time was considered unavoidable and other measures of quality for this research utilised.

Criteria were used to assess the suitability for inclusion in this research. These criteria stipulated that the core of the campaign offer is a product or service that is being exchanged through the campaign for money and that the core product or service is intended to be traded in the future (as opposed to relying on altruistic donations to survive). The project is based in the UK, and is not a medium sized company or large corporate or subsidiary of these, i.e. is independently owned and managed and has been trading less than five years or is capable of being traded within a year of the crowdfunding campaign (Research and development projects that are at a distance from the market are excluded, as are those with significant barriers to trading such as the lack of a patent, licences etc.). The individual needed to be actively engaged on a daily basis and making all the decisions on business operations.

The key sources of data are from participants who were in the process of using Rewards-based crowdfunding to help them to start in business. The decision to collect data during the process was influenced by the ideas discussed on the concept of the experience of 'becoming' (Morris et al., 2012). Collecting data whilst the campaign is occurring it was believed to reduce the recall bias of the

participants and to capture nuances that may later be lost in the broader reflection of the process.

### 3.8.2 Collecting data from participants

Six participants with 'live' campaigns were obtained. While historically, hermeneutics was concerned with written texts, in contemporary hermeneutics 'text' has been expanded to include human action, organisational practices, economic and social structures and cultural artefacts (Prasad, 2002). The use of multiple sources of data, rich in real-life situations, provides multiple perspectives and create a holistic understanding of the phenomenon being researched (Bryman & Bell, 2015, p. 561). As such, webdata is drawn from organisational webpages, campaign web pages, SNS pages of the participants and are treated as data sources for the purpose of this research. Issues regarding collection of these are detailed in the following discussions. The data was collected between May 2017 and May 2018 and the participants were interviewed twice, once before the campaign started and once after the campaign had finished.

As with all qualitative research, there is no clear differentiation between phases of the research, such as collection, analysis and interpretation phases, it being an iterative process of ongoing analysis and interpretation which helped identify if more data was needed and from what sources.

#### *Indepth interviews*

The richest source of data in this study is from the in-depth interviews with the participants. Interviews are appropriate when seeking data from participants of privately held firms, when finance is included in the topic. This is because firm financing is interconnected with the owner's income which can make interviewees reluctant to convey sensitive financial data (Avery, Bostic, & Samolyk, 1998). Kvale (1983, p. 174) defines the qualitative research interview as: 'an interview, whose purpose is to gather descriptions of the life-world of the interviewee with respect to interpretation of the meaning of the described phenomena'. The goal is, therefore, to see the phenomenon from the perspective of the interviewee. To meet this goal, the qualitative interview has a low degree of structure, mostly open questions and a focus on 'specific

situations and action sequences in the world of the interviewee' (Kvale, 1983, p. 176). In keeping with the hermeneutic approach, the interviewee is seen as a participant, who actively shapes the course of the interview and the relationship between the interviewee and the researcher is part of the research process, the primary collector of data, not a distraction from it. Whilst there is extensive reflection and review of the literature to gain a preunderstanding, the approach to interviewing was to keep this in abeyance and remain open to the narratives of the participants. Alvesson, Hardy, and Harley (2008) express doubt about whether the interview can fully access the subjective experience of another person, as they may be provoked into identity work. Alvesson and Ashcraft (2012, p. 244) refer to this kind of interview as 'reflexivism'. They contrast this notion of interviewing from neo-positivist, where the interviewer hovers above culture trying to eliminate bias, whereas reflexivism gains insight from admitting then probing the inevitable subjectivity. For the purpose of this study, it is accepted that the participants may engage in identity work but the approach of reflexivism will help to manage this behaviour.

Legard, Keegan, and Ward (2003) suggest four features of in-depth interviews. Firstly, there is an element of structure rather than completely free-flowing conversation, in the form of a topic guide, but also flexibility to follow up on relevant issues raised by the researcher. Secondly, the process is interactive in nature, encouraging the participant to talk freely. Thirdly, the researcher uses probing questions to achieve depth, initial questions on topics are followed up with probes to encourage deeper exploration of the meaning of the topic. Fourthly, the interview is generative in the sense that new knowledge may be created as there is the possibility for either party to direct the conversation down paths not explored before. This format was followed for both the interviews and allowed the participants' stories to emerge.

Having worked extensively with clients in a professional capacity, I am familiar with many of the common problems presented by interviews such as rapport, question phrasing, language use, power issues and careful listening. Yet also keenly aware that my role is quite different as a researcher and was conscious of the need to allow the participants' narrative to emerge. King (2004) recommends using reflexivity in ensuring interviewer performance and reflect on the nature of own involvement (King, 2004:20). An interview guide was

prepared for both the first and second interview with the participants. These ensured relevant topics were covered but in a flexible way to allow the conversation to develop naturally, incorporating open-ended questions to elicit in-depth responses (Bryman & Bell, 2015, p. 486). Topics covered are shown in Table 3-1, sources for topics include research literature, my own personal knowledge and experience, and informal preliminary work such as discussions with people who have personal experience of the research area. They also include topics such as background to have time to build rapport with the participant.

*Table 3-1 Topics covered in interviews*

Interview one (Start of campaign)	Background	Education and work experience Why venture now Future envisaged
	Help to start venture	Who helped What help provided What it means to have help How relationship formed Role of social media
	Crowdfunding	Why RBCF Relationship to other sources of finance Preparation for the campaign Campaign content Backing expectations
Interview Two (post campaign)	Crowdfunding process	Feelings about the process Feelings about using online platforms Feelings about the future venture
	Help received	Who helped What help provided Provide a story about one or two helpers What it means to have help Thoughts on obligations to backers
	Crowdfunding evaluation	Evaluation of RBCF

*Webpages and social media*

In the context of this research the focal point of the RBCF campaign is the specific websites, referred to as a 'platform', operated by a service provider for project creators to present their project to internet users. Hyperlinks may exist between the CF platform, the website of the firm and the SNS pages of the firm, facilitating the internet user to 'travel' between various sources of information about the project. Websites may be regarded as a form of 'document' that is amenable to analysis (Bryman & Bell, 2015, p. 662), in addition to this, as with other organisational documents they are texts with a specific purpose in mind and so should not be assumed to be reflecting a simple reality (Bryman & Bell, 2015, p. 568). Project pages of crowdfunding websites and their own firm website are editable by the project creator at any point and as such are not stable 'documents' but dynamic (Bryman & Bell, 2015, p. 664). In terms of SNS, Markham (2011, p. 119) points out the chrono-malleable nature of the activity means that interaction is both asynchronous and editable, thus facilitating the possibility of more conscious than reactive communication. Further to this, Kozinets (2002) refers to 'conversants', within online media, as creating a more carefully cultivated and controlled self-image. Markham (2011, p. 121) notes the possibility of the multiphrenic-self in that the internet extends the possibility to present multiple and shifting self-identities. The implications for this research study are that webpages and SNS posts need to be 'captured' and archived for analysis and the specific time this is done should be recorded in order to trace the data in relation to the development of the campaign and the firm (Bryman & Bell, 2015, p. 567). Also, the interpretation needs to account for the possibility of both more conscious choices of self-presentation and multiple versions of identity for the same firm or person.

*Reflexivity*

Hermeneutics asks the researcher to engage in a process of self-reflection which is then embedded and essential to the interpretation process (Lavery, 2003), thus researcher needs to keep a reflective journal that will assist with the process of interpretation. Reflexivity involves "a self-aware analysis of the intersubjective dynamics between the researcher and the researched. Reflexivity requires critical self-reflection of the ways in which researchers'

social background, assumptions, positioning and behaviour impact on the research process” (Roulston, 2010, p. 116). Weick (2002) argues that reflexivity permits a more nuanced and context specific understanding of how research processes and relationships are constituted.

Despite these suggestions, there is remarkably little published management research in which reflexivity is practiced, those that do exist tend to focus on technical issues (Bell & Thorpe, 2013, p. 105). Going beyond the technical issues, Bourdieu and Wacquant, (1992, p. 39) suggest reflecting on three biases of social, field, and intellectualist when considering research claims. Social bias is the influences of gender, ethnicity or privilege etc. Field bias is the influences from hierarchical position in academic field. Intellectualist bias is the tendency to see the world as a spectacle rather than problems needing practical solutions.

Taking a reflexive approach to interpretation has many advantages for research. These include exploring their own unacknowledged agendas, preferences, values, and biases thus providing depth, insight, rigor and perhaps an improved authority to the truth claims through transparency and enabling evaluation by the reader (Bell & Thorpe, 2013, p. 105; Haynes, 2012, p. 77). Further to this aspect, reflective activities have long been seen as a complement to action and fundamental to the practice of management and the learning process (Bell & Thorpe, 2013, p. 106). Reflexive activities have been criticised for the risk of becoming arrogant and self-introspective (Gray, 2014, p. 695), yet it is possible to achieve without self-absorption through awareness (Alvesson & Sköldbberg, 2009, p. 267). My approach to reflexivity considers it is important to recognise the multiple positionality of being both a long-term professional in finance and a new researcher. The first means I have experience in the field of interest and that has been made explicit through discussing my preunderstanding in Section 1.5. Whereas as a new researcher, I need to consider how my enactment of the research influences the quality of the outcome.

There are several influences I have had on this research. My preunderstanding has influenced the topics reviewed within the literature and the choices of questions for the interviews. On meeting the participants, I made them aware

that I had professional experience but made extensive efforts to emphasise my interest in their story. This entailed presenting an interested and friendly manner, avoiding interruptions, and making encouraging gestures or brief probing enquiries such as, “why was that”, to illicit deeper meanings. I also make efforts to remain neutral when comments were shared that I felt challenged by. For instance when asked to evaluate RBCF compared to other sources of finance, answers were unexpectedly different. I expected some evaluation of the costs, but the answers did not address this and in the moment, I chose to go with the flow of the conversation rather than pursue my point. The participants seemed to respond to this manner providing extensive detail. However, I noticed sometimes getting disconcerted by having to make in the moment decisions over whether points were relevant and worth returning to. These in the moment decisions will have influenced the points discussed and ultimately the themes, interpretation and insights gained from this research.

#### *Practicalities*

The participants in interviews are assured of confidentiality and are told clearly who the research is being carried out for and what it hopes to achieve. Permission was sought to tape-record the interviews and in all cases the interviewee agreed and signed consent forms.

Other practical issues include security of data, which has been saved on the University systems or on encrypted formats when in the field, following University guidelines. I use versioning control and backups for all electronic files so data loss will be minimised. Ethical issues are envisaged to be minimal, informed consent will be obtained and anonymity assured.

The duration of the interviews varied within the range 42 mins to 1 hour 46 mins and were audio-recorded. The interviews were fully transcribed from the audio recording into word-processed documents. This resulted in 97,068 words in total. Computer-assisted qualitative data analysis (CAQDAS) NVivo software was the tool utilised predominately to manage the large volume of data. This tool helped to keep track of and make sense of the data and build the themes in the iterative process. The software also helped facilitate the extraction of quotes from the data which are used extensively in the findings to illustrate the themes. The word-processed files were retained separately as part of the data



security plan. Copies of the word-processed documents were uploaded the NVivo software.

The NVivo software provides several features some were not used, whilst others proved useful. Features provided by NVivo software but not utilised include transcription, auto-coding, Word Frequency searches, content location searches, interviewee attributes classification, framework matrices, cluster maps. These features were not consistent with the underlying philosophy of this study, which holds that words are not necessarily used in a similar fashion and nature of language is not fixed; thus frequency is not relevant.

Features that proved useful to facilitating the manual analysis included using colours for coding, coding density<sup>15</sup> information, naming and linking of codes into categories and themes, renaming and revising links, audit trail, hyperlinking<sup>16</sup> of codes and text search – the last two eased document navigation.

The coding process on NVivo is akin to manually using several coloured highlighter pens to identify meaning units (Neergaard & Ulhøi, 2007, p. 84) within the data, and label them for coding purposes. The highlighting of text constitutes a visual guide to see the comprehensiveness and density of coding. The software provides a list of the assigned codes as part of the coding process; a process, that in a manual situation, would add an extra step. This list helps to review the codes created.

NVivo also enables the grouping of codes through linking them with a group label: assisting with relating concepts and considering potential categories and themes. Further, the software allows for flexibility of renaming and modifying code links to improve coherence, when manual reviews reveal a lack of fit or coherence.

NVivo enables all text allocated to one code, or combination of codes, to be “extracted” to a separate document for manual review. This is akin to copying

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<sup>15</sup> Coding Density – data can be allocated to multiple codes.

<sup>16</sup> Hyperlink - a connection that allows you to move easily between two computer documents or two pages on the internet.

and pasting sections of the data into new documents<sup>17</sup>. This process enables review of all the data relating to one code or groups of codes, in one place. Thus, this process facilitated reflection on the fit or coherence of all the data assigned within a code, category, or theme.

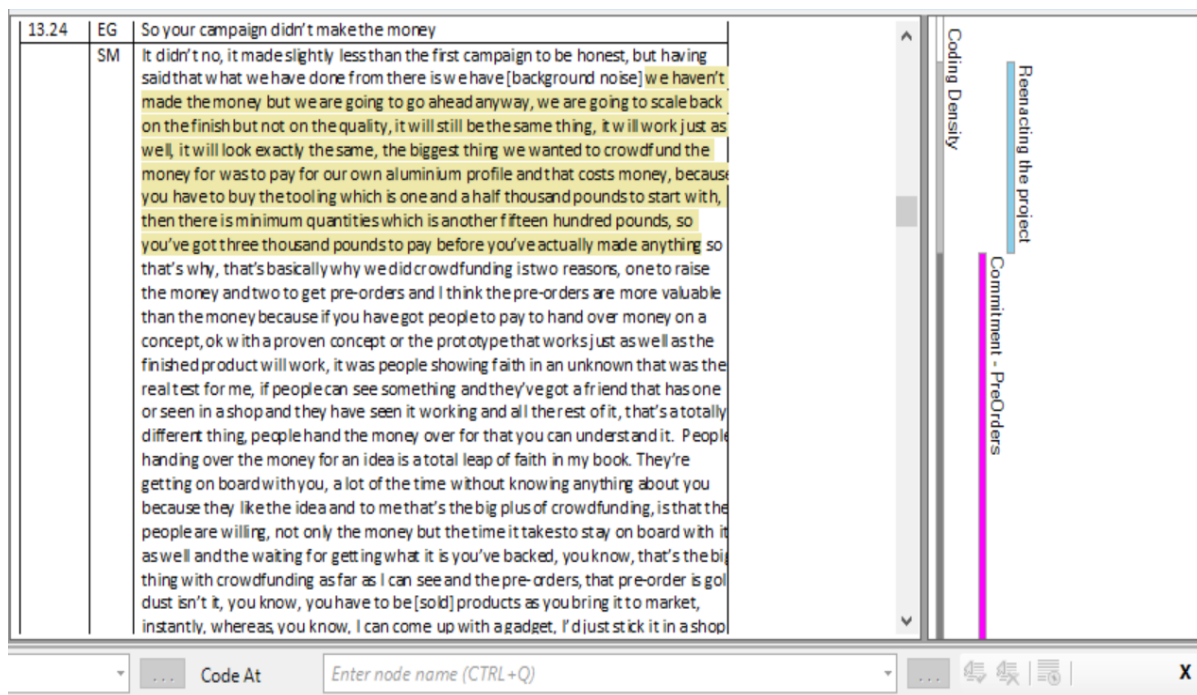
NVivo software features include the provision of an audit trail. This means it is straightforward process to track back and forward between the original data and the extracted quotes utilised within the findings. The data can be directly cross-referenced (hyperlinked) between its location within the specific paragraph, and within the overall interview, its place within the coding structure, and its use in the findings chapter. The advantage of this was that when analysing the data, and producing the discussion, the quote could easily be cross checked back to the point where it was situated in the interview, thus enabling the reflection on any nuances that might be salient. An audit trail adds to the transparency of the study.

Data was collected for each participant from SNS posts for up to 6 months, 5 months prior to campaign and 1 month after. However, in the interviews the participants refer to some online conversations that were not accessible online due to the closed nature of some online forums. The RBCF webpage text, pictures and videos of 3-4 minutes each were accessed. The business web pages were also accessed, and relevant data recorded.

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<sup>17</sup> This software feature retains the integrity of the initial document when text is “extracted”. The “extracted” text in a new document is merely a copy, produced as a temporary report unless proactively saved as a separate file.

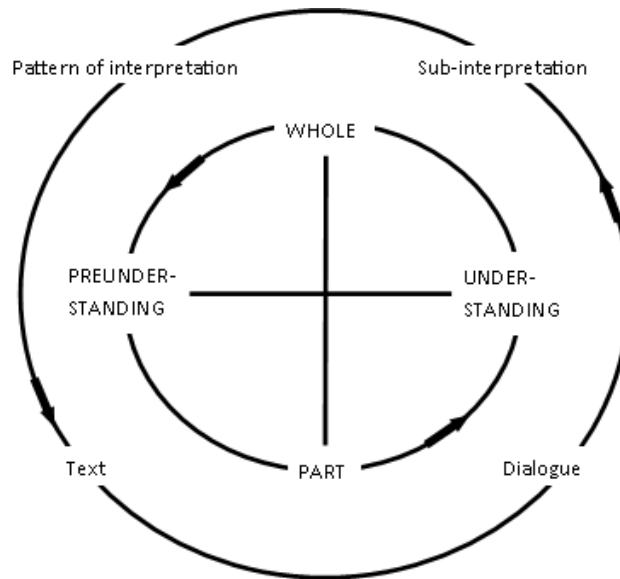
Figure 3-1 Extract from Nvivo software



### 3.8.3 Analysing data from participants

The primary goal of analysing the data is to generate an understanding of the participant's sensemaking in the research context. This research is based on the philosophy of hermeneutics. Whilst this philosophy does not offer specific or prescribed techniques for conduct of the process of research (Crotty, 1998, p. 97; Prasad, 2002) it does provide an overarching framework in the hermeneutic circle or spiral (Alvesson & Skoldberg, 2009, p. 92), the concept of the fusion of horizons (Laverly, 2003; Prasad, 2002) and reflexivity (Bell & Thorpe, 2013, p. 105). The hermeneutic circle as discussed earlier in this chapter involves a cycling or iteration between the examination of the whole or the context and pre-understandings and examining the parts until the horizons between the perspectives are fused and a sensible and coherent meaning is reached. Alvesson and Skoldberg (2009, p. 104) present their version of the hermeneutic circle as shown in Figure 3-2:

Figure 3-2 Hermeneutic Circle

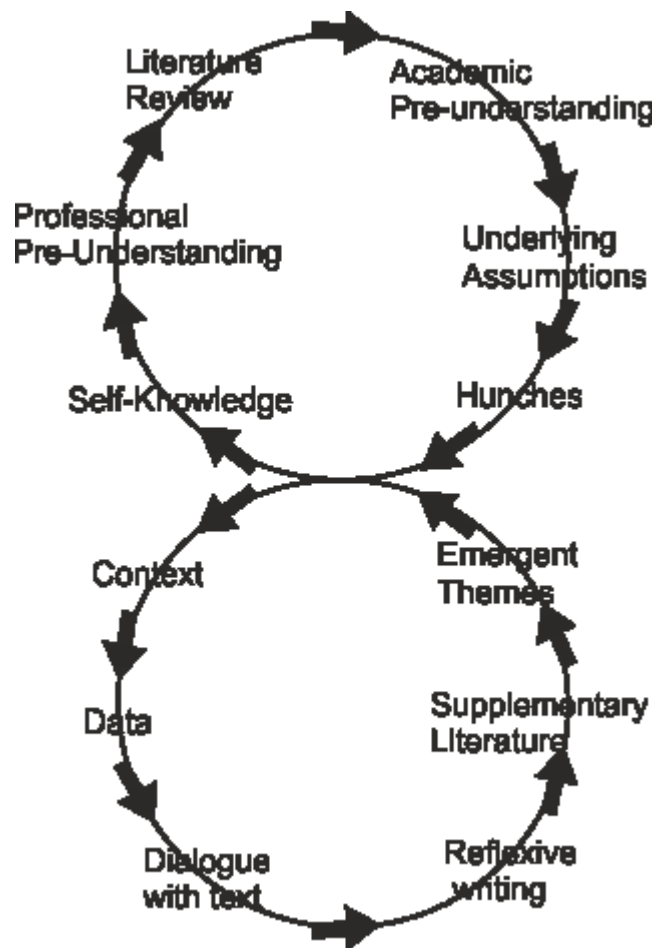


Source: Alvesson and Skoldberg, 2009 p. 104

The notion of the hermeneutic circle is critiqued by Alvesson and Skoldberg (2009, p. 135) in that, despite the reflexivity suggested by Gadamer of the pre-understanding feeding into the parts and subsequently feeding into a deeper understanding of the whole, the circles are presented as not coinciding. Thus, considering the notion of reflexivity, where knowledge is 'extended' beyond the current state through the questioning of deeply held assumptions seems to fit more with the notion of fusion of horizon in the sense of extension of the horizon or a stretching beyond existing boundaries of understanding. McAuley (1985) likened the process of hermeneutic interpretation as being in accord with the theories of learning suggested by Kolb (1984), yet Kolb also presented his theory of learning as a single loop. The notion of extending understanding through reflexive questioning of fundamental assumptions and interpretation seems to be closer to Argyris's (1977, 1982) notion of double loop learning, an extension of Kolb's single loop. In double loop learning, underlying assumptions, policies and objectives of the organisation, are questioned through a reflexive process, to enhance and achieve transformative learning. The hermeneutic circle or double-loop both imply an infinite process of interpretation, whereas in practice the interpretation ends once a sensible coherent meaning or 'practically adequate' outcome has been achieved that meets the objectives of the study (Sayer, 1992, p. 86).

To illustrate this I have provided a diagram (See Figure 3-3) which draws both from Argyris's double loop and hermeneutic circle, fusion of horizons and reflexivity. This provided a guiding framework as a way of thinking about the research, directing data collection and organising and classifying the emerging findings without the imposition of a conceptual or theoretical framework.

Figure 3-3 Adapted process of interpretation



Source: Adapted from Argyris (2000) double loop and hermeneutic circle

As illustrated, the analysis begins in a dialogue with the text. This began with the transcription of the audio followed by a detailed reading and re-reading of each transcript to immerse within the data and gain an overall view of each participants' interview. Notes and ideas were made throughout. This was followed by relating each interview to identify common patterns. Once the transcripts had been read in detail, copies were imported to NVivo software to support and manage the manual process of coding, categorising, and developing themes for the extensive data. The NVivo software was used to

assist the manual coding, which was based on meaning units (Neergaard & Uihøi, 2007, p. 84).

As described in Section 3.8.2, NVivo facilitates manual coding by colourfully highlighting the text that has been coded and listing of the labels that had been manually assigned. This provided a visual guide which assisted the review and reflection process. Once coding has been initiated, the NVivo software provides a list of the codes created and enables those codes to be linked together into potential categories and themes. The list of created codes enables the code labels to be manually reviewed in one place, assisting with relating concepts, potential label revisions. The list of created codes is also hyperlinked, by the software, to the original text documents, easing navigation of the extensive data. The documents could then easily be referred to for consideration of meaning within the flow of the narrative in the interview. NVivo also enables data assigned to one or more codes to be “extracted” to a new document for review. This meant the text extracts could easily be compared for meaning and potential labelling, all in one place. Further, NVivo allows the coding to be flexible, thus a code label, or data assigned to a code, or links between codes, could be changed on review and reflection. During these processes, codes were created and then iteratively review, revised, or removed, and clustered. The colour, the list, the hyperlinking to original text, the linking together of codes, extract reviews and flexibility supported the re-reading and reflection on the meaning identified, the potential labels assigned to codes and the relationship between, codes, categories, and themes.

Thus the process was non-linear as described by the double-loop above. A drawback of this non-linear process, as discussed above, was identifying a point where the analysis had achieved ‘practically adequate’ outcome. Being relatively new to this process, I found identifying this point of adequacy challenging. However, this challenge was overcome by sensemaking through reflexive writing, and through articulating the findings and discussion, in writing.

As the themes began to surface, the initial and supplementary literature was consulted to guide the labelling of themes. Preunderstandings were reflected upon and drawn upon to illustrate points. To help guide the development of a coherent meaning of the data, the method of thematic analysis was used (Braun

& Clarke, 2006). This method is not wedded to any theoretical framework or philosophy, but a few choices need to be made at the outset. Braun and Clarke (2006) suggest the approach to themes should be flexible, not necessarily about prevalence but it should capture essential elements in relation to the research question.

The description should be either a rich description of the data or a detailed account of a particular theme. Themes can be identified either from the bottom up, inductively or theoretically driven. They can be at a semantic or latent level. This research study is based on an interpretative philosophy and, therefore, the most appropriate choices for approaching themes are a rich description, inductively built and at a latent level. In keeping with the hermeneutic philosophy, reflexivity supported the refinement of themes and the progress of iteration around the hermeneutic loop. Feedback on initial findings was sought via conference presentation (Green, 2018). The analysis contains both descriptive elements and exploratory elements and includes both prevalent and salient (surprising or important) insights from the data. To illustrate the connections between the themes, a concept map is presented (Eppler, 2006).

### 3.9 Evaluation of the Research

The process of evaluation of research addresses the question of how to persuade the audience of the value of the work (Symon & Cassell, 2012, p. 221). Many scholars argue that it is essential that criteria are used that are appropriate to the underlying philosophy of the study being evaluated (Bryman & Bell, 2015, p. 400). Yet there are also many approaches that have been developed to address particular disciplines or methods and some may not fit the mode of engagement used within the study or may not be possible to achieve (Bryman & Bell, 2015, p. 401; Symon & Cassell, 2012, p. 210). For instance, some studies use multiple researchers who code the data independently, a strategy not feasible in this study. One of the most influential criteria is that originally developed by Lincoln and Guba (1985) which aimed to offer criteria that was suitable for evaluation of studies that are qualitative and are based on an interpretive philosophy. In summary, this encompasses the criteria of credibility, dependability, confirmability and transferability (Gill & Johnson, 2010,

p. 228). I will consider what each of these criteria entails and how it has been addressed in this study.

Credibility is about carrying out research that follows good practice and is plausible. Within this study, the strategy to attain credibility through peer debriefing. This was achieved by receiving oral and written feedback from PhD supervisors as they challenged assumptions, methods, and interpretations. Also valuable feedback was obtained from academics at several conferences where I presented, during the study. Dependability is about the ability of the research project to establish a trail of evidence tying all aspects together in a coherent framework that would enable others to track back and understand the underlying methodology and concerns. In this study I have set out the underlying philosophy, methodology and methods followed and ensured congruence throughout. This has included reflexively discussing concepts, debates and exploring meanings. Confirmability is about whether the researcher has allowed personal bias or theoretical leanings to unduly sway the process or the findings. In this study extensive discussion has been provided on the position in preunderstanding and the philosophy behind this. Preunderstanding has been incorporated explicitly to elicit understanding. However, reflexivity has been used as a device for ensuring the preunderstanding and theory is used appropriately. Transferability is about understanding the uniqueness or otherwise of the context of the study and providing enough thick description for the reader to judge whether the insights might inform other contexts. This study includes an audit trail from the data through analysis and presentation of extensive quotes and thick description within the text, to ensure the voices of all the participants is represented. These concerns are mostly about the skills of the researcher. Taking on board the ideas of crafting research from Cunliffe (2011), the aim is to ensure all evidence including literature, pre-understanding, data and interpretation are transparently presented so the reader can make an informed judgement on the integral trustworthiness of the project.



### 3.10 Summary of the participant's background and RBCF campaign

In terms of the backgrounds of the six participants, four were male and two females, aged from late twenties to sixties. Three were based in the North of England and three in the South. One had technical training within the field of their product, the others had degrees (one a PhD), three within the field of his product. All had come to this point of their journey by choice (choosing to run a business), and none were doing the activity from necessity (e.g. redundancy). Only one participant's venture had formally employed staff, which included two other founders and three employees. They were all seeking relatively small values for their funding goals.

All offered rewards that included options for donation, merchandise (e.g. t-shirts) and 'pre-orders' of the core product. The core product was offered in several ways, including a restricted number at discounted price points, or multipacks. Table 3-2 provides a list of the participants and information about the campaign.

Table 3-2 List of interview participants and campaign information

Participant	Days of Campaign	Funding Goal	Type of Campaign	Funding Raised	Total Backers	Product Backers	Number of rewards tiers and price range
ExtremeSport	42	15,000	KIA	9,656	90	43	9 - £25 to £1000
RuggedWear	30	10,000	AON	10,246	79	74	9 - £10 to £125
CardGame1	30	5,000	AON	5,125	142	137	11- £1 to £80
CardGame2	35	3,500	AON	4,006	120	100	12 - £1 to £249
CycleAccessory	35	25,000	AON	Failed (7,220)	(163)	(162)	10- £10 to £275
SportTech	N/A	Last minute withdraw – advised product too expensive for RBCF Subsequent application to “Digital Catapult”					N/A

KIA: Keep It All; AON: All Or Nothing. Total Backers include those who donate or chose merchandise e.g. T-shirt

### 3.11 Summary of methodology

From this analysis I have identified both methodologies and techniques that will be suitable for this study. To use the metaphor from (Gummesson, 2000, p. 36) the aim is not to hover, in a detached manner, over the iceberg, or to brush the surface of the iceberg, but to spend some time mining a little deeper into the core. Overall, I believe that utilising an exploratory, social constructionist, hermeneutic approach is suitable for research into the lived experience of the participants using RBCF. The use throughout of a reflexive approach will help craft this work. The use of pre-understanding as an analysis tool creates an interesting and iterative tool for interpretation. Watson (2013) suggests that approaching the field with a bank of conceptual resources can lead to sense-making of the puzzles of 'how things work'.

## Chapter 4 Findings

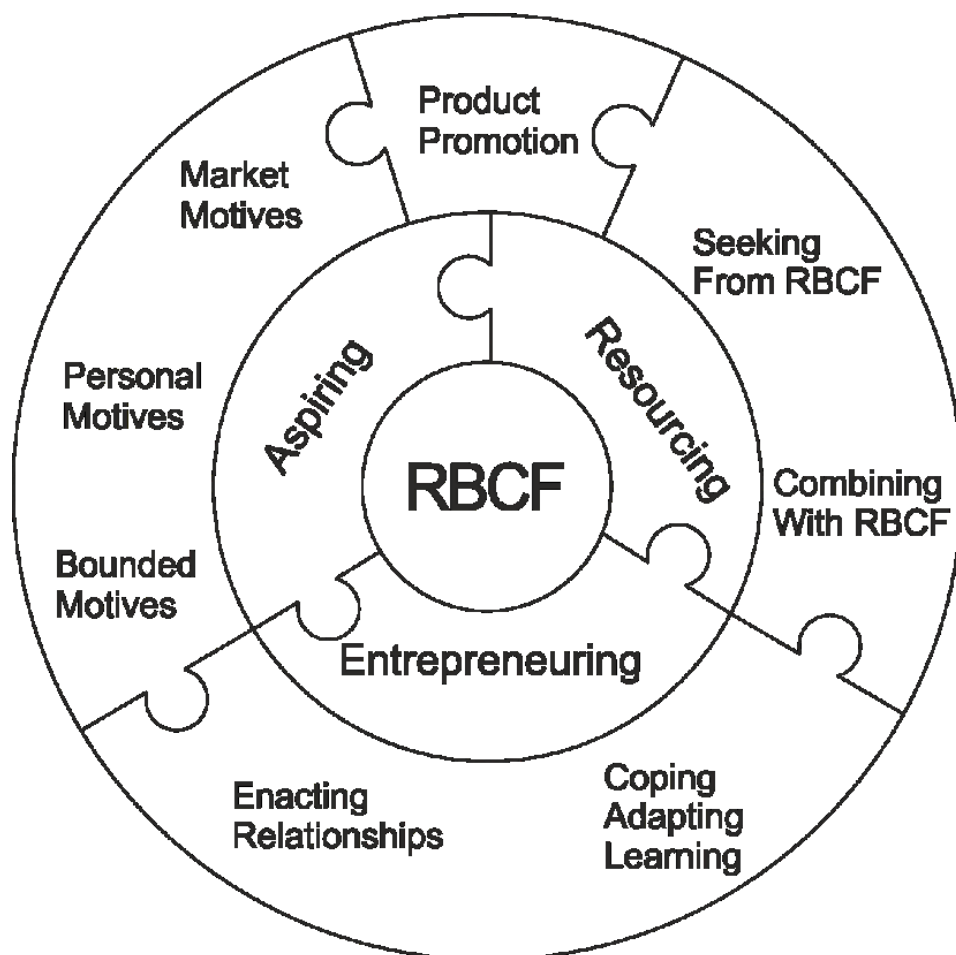
### 4.1 Introduction

The objectives of this study are to explore the lived experience of the participants to understand their venture ambitions, the sensemaking of resources from RBCF and how RBCF is enacted. The findings are narrated under sub-themes, and some quotes are long as this is necessary to retain the meaning. In developing these themes and sub-themes, one thing that has struck me is the inter-connectivity of each theme. Thus the findings are discussed in depth in Chapter 5, reviewing preunderstandings then followed by an interpretation of the inter-connectivity.

### 4.1.1 Summary of themes

The themes have been summarised into a diagram that is presented in Figure 4-1. The hermeneutic circle has inspired this diagram. The themes are perceived as interconnecting; as such, they were seen as parts of a jigsaw where all the parts connect to make a whole picture. In the sections on each theme the jigsaw is exploded to focus explicitly on the theme being discussed. Within each theme section, the detail of each sub-theme has been added to the exploded parts of the diagram.

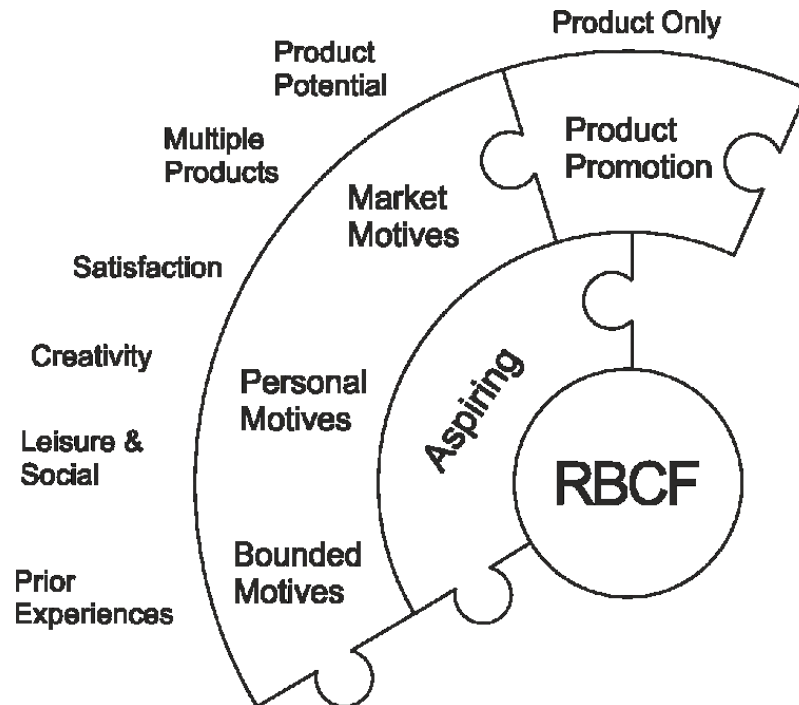
*Figure 4-1 Summary of themes*



Source: Devised by the author and inspired by the hermeneutic circle

## 4.2 Theme 1 Multi-Dimensional Aspiration

Figure 4-2 Theme 1 Multi-Dimensional Aspiration



Source: Devised by the author and inspired by the hermeneutic circle

Theme one discusses the aspirations of the participants. As explained above in my preunderstanding (Section 1.5), my hunch was that the nature of the aspiration was important to understand the participant's interaction with RBCF. In the literature I explored how identity matters when entrepreneurs are creating their business and seeking to access "traditional finance". Weick, Sutcliffe, and Obstfeld (2005, p. 416) observe:

*"From the perspective of sensemaking, who we think we are (identity) as organizational actor's shapes what we enact and how we interpret, which affects what outsiders think we are (image) and how they treat us, which stabilizes or destabilizes our identity. Who we are lies importantly in the hands of others, which means our categories for sensemaking lie in their hands."*

As Navis and Glynn (2011, p. 479) state *"who we are" and "what we do," serves as a touchstone for investor judgments*". The artefact most commonly associated with communicating this information in the context of investment has

been the business plan (Karlsson & Honig, 2009). Yet in RBCF the transaction with the backers is predominantly exchange of money for a tangible product or an experience rather than an investment relationship. Further as shown in Section 2.6.2, the amounts being raised average out at \$8,000 to \$10,000. With such relatively small monetary values the question arises, are those who use RBCF aspiring to be in business (Bhidé, 2000, p. 25)? To get a sense of 'who they are' and 'what they plan to do' I explored with the participants in the interviews, their current aspirations for their business and what they perceived as the future of their business. In the following sections I share the responses which fall under the Sub-themes of Personal Motivations, Market Potential and Bounded Vision of the future. This analysis reveals that the participants had multiple motivations for their future business and these encompassed economic, personal, and social dimensions.

Then the final Sub-theme addresses the issue of what was presented in the campaign material placed publicly on the platforms (for instance, the project description and video on the RBCF platform and information available on their personal website). This in a sense substitutes for what might have been a business plan in a traditional investor negotiation, and which brought a sense of whether their aspirations were incorporated into the material available to potential backers.

#### 4.2.1 Personal motivations

All the participants express motives that stem from meeting personal needs. These include a desire for personal satisfaction combined with control of destiny, to be creative and to have the chance to earn a living from a leisure interest.

##### *Personal satisfaction, enjoyment, and control of destiny*

For CycleAccessory, previous work running a sub-contract installation business had always been driven by the demands of large-scale contractors, with specific requirements, which he would respond to:

*"It's kind of being in control of your own destiny really, all my working life, I have gone to places and done things that other people wanted me to do [...] [CycleAccessory]*

In contrast, the new venture being created gave him a feeling of combined control over his own destiny and a significant sense of personal enjoyment:

*"[...]why not see if I can do something that I am 100% in control of that stands or falls on me and at the same time I am enjoying doing it, I enjoy, as I say I enjoy the places I go to, I enjoy the people I meet [...] I have met some fantastic people, you know, from world superstar cyclists, to little kids riding around in three wheelers, you know, it's been brilliant" [CycleAccessory]*

There is a feeling here of being able to take a risk, whilst pursuing a direction that allows him to be part of activities he perceives to be a bonus, making the process of doing business a pleasurable experience rather than something merely as an economic transaction to be acted on. CycleAccessory had only really begun to pursue the venture seriously in the last two to three years, operating as a sole trader with occasional help from his son. This business had only recently began making a profit. By the second interview, his son had joined formally as a "junior partner". Notably, he explained that he had still been doing subcontract work as a precaution against the venture not working out. There was a point at which he decided to fully commit to the venture. This was his reflection on the messages he perceived from the media show, "Dragons Den":

*"I was on holiday and I got something rattling around in my head; it was mentioned on Dragons Den somebody had been pitching for funding they were asked by Peter Jones how they were currently funding it, and he said well I have a job and that pays for my living and all the rest of it and Peter Jones answer to that was, if you can't give 100% to it, how do you expect us to give any time to it. And that was rattling around my head; I was on holiday so I had time to think, rather than just being blinkered by getting day to day things done, and I thought that is absolutely right, you know if you are going to make anything you have got to commit to it fully" [CycleAccessory]*

CycleAccessory talked about the subcontract work no longer having many "challenges", the reluctance of contractors to pay on time and the work getting harder both "physically and mentally". There was clearly a contrast between this previous experience and the reaction from direct feedback he was



receiving, from the individuals he had met. These made him feel his creative ideas were validated: “people like what I am doing”. So, the contrast from this previous experience made him feel the risk was worth taking. Yet, also within this sentiment is the tension between remaining in a familiar yet increasingly unsatisfactory activity for the sake of economic stability, versus stepping into the unfamiliar territory with the expectation of greater satisfaction. Potential risks are not simply economic, but whether personal satisfaction will be derived, and the investment of personal effort involved in making that commitment.

ExtremeSport echoed the notion of contrast between alternative options. He was in the process of transitioning out of employment. Retaining employment for one day a week, he was taking over the business of a colleague who was moving on to other projects. This business was as a sole trader. ExtremeSport spoke of independence and freedom to choose, in contrast to his previous experience:

*“I like the idea of the independence as well [...] It means I can prioritise the things I think are more important. So with the current job I have got, I’ll often see areas where I strongly feel the research should be taken and I am not able to go down those runs, even if you suspect there is a chance there could be something really profitable and really worth doing, it’s not what the project is that you have been asked to do, so you can’t do that. So, having that degree of freedom to be able to say, well that is something which is capable, that’s worth doing and therefore I will do it. And that’s what I really mean by that” [ExtremeSport]*

ExtremeSport described the business being taken on, the range of the products and how his user experience and engineer training would fit the need to be “continuously improving”. There was a significant sense of satisfaction expressed in being associated with such a venture:

*“[...] it could be the longest running UK manufacturer of {Sport equipment} actually now” [ExtremeSport]*

In his RBCF campaign video, he describes being asked by the previous owner if he was interested in taking on the business and his reply was “Hell, yeah!”.

CardGame1 business was aimed at ultimately designing virtual gaming projects. Having studied 3D modelling at university followed by a convoluted journey, the business had been set up just over a year ago and had not yet

reached subsistence level. Prior to that, she had been a “*product designer*” and “*product architect*” for a technology company which had met her personal predisposition. Yet there was a tension similar to that expressed by CycleAccessory about the alternative options and choices being made between following the creative instinct and committing to following this path:

*“[...] for me I have always been a creative, come up with new ideas, problem solving type of person [...] during that time working for the company I was thinking was when can I start my own business but being too scared to start it because I had an income and it was the biggest, my biggest income I had ever had [...]” [CardGame1]*

Then, having been made redundant, she spent a year attempting to set up a service business that did not feed into the what she found personally satisfying:

*“I ended up doing some life coaching but really wanted to do product development, but not thinking I was good enough to do it” [CardGame1]*

This comment, again, highlights the tension between feeling the need to realise and pursue what she finds satisfying, and committing to what she believes she is capable of.

CardGame1 had encountered another opportunity as she was beginning her venture journey:

*“[...] I was working with {Name} University and having had an idea to build a virtual reality game and going for a UK Innovation grant, which I then turned down because by the time I had been in the business for about two months and I had networked with people, I had other people asking me about my previous projects and my book and my card game and that’s where I went ok, well I’ve got over £130,000 project to try and work on and I will be completely in business or, oh and I had to do match funding as well so I had to go out and find about £30,000 before I had even got the £100,000, or I could go back and work on a project which needed less investment, well less upfront capital so I started {companyname} on no capital or going into negative figures and within about three months of building my card game I had investors chasing me [...]” [CardGame1]*

Here CardGame1 further conveys a sense of an opportunity cost between finding a viable opportunity that pays a living and having some control over her destiny which brings about more satisfaction.

CardGame2 was in a comfortable position from a wealth perspective, having an income from a contractor position with a multi-national company, and income from a recently well performing investment. The contractor position did not constrain him in terms of time, as through using knowledge of technology, the work had been automated, thus leaving spare time to pursue other activities. This was reflected on and he began to look for activities that were more self-generated:

*“[...] during the last few years where I started thinking of like cool things I could do, you know that I could work on myself. I really like the idea of making something that I can sell, of making something I can sell online”*  
[CardGame2]

He further suggested that, aside from his current product, it was also the use of the online platform as a sales tool that held interest for him:

*“I might consider at some point doing a... using what I have learned about what actually works on {platform} and try and think of something that would sell really well on there just as something else to”*  
[CardGame2]

So, CardGame2 was interested in being more personally stretched:

*“[...] it is not really the money that is incentivising me to do it ever, because I don't really have any issue with money these days, it's more like I try and achieve personal goals”* [CardGame2]

CardGame2 gave the impression that the work with the multi-national was not challenging, he found it easy to automate this activity, making it a valuable way to reduce time constraints, and divert his attention towards activities that held more excitement and learning.

RuggedWear was also in a relatively comfortable position from a wealth perspective, having operated as a freelance painter and decorator for ten years in a situation that was profitable. This gave RuggedWear a user perspective on the product being created. RuggedWear had savings from this work and was also supported by her spouse who was in a well-paid professional job. Her explanation conveys a sense of wanting a purposeful role, yet needing to balance that in a flexible way with other personal responsibilities:

*“[...] moving back to the UK, when we did, both my kids are, needed a bit of extra support, my mum was going into have an operation, so I knew*

*that I couldn't commit to doing like a weeks-worth of work cos it was going to be interrupted all the time, so I thought instead of doing that I would, take the money, I had earned quite a lot of money in Germany because it was a much higher rate and people were prepared to pay that to get somebody English speaking. And so, I had enough money to set aside to set up this business, that is what I decided to do [...]"*  
[RuggedWear]

For RuggedWear, although going back to painting and decorating was felt to be an option, there were several other reasons for creating this new venture which centred around doing work that suited her own attitude to life and values, brought a feeling of freedom from undesirable social structures, which RuggedWear wanted others to have as an opportunity:

*"Just the female empowerment point of view and I felt so much freedom when I was, when I realised I didn't have to do an office job any more, I never really got on well with those women who wear lots of makeup and sit in offices and having met women through WICAT<sup>18</sup> it's like, oh, I have found people that understand me at last, it was the first time, you know it's just brilliant to be able to be with other women who, who have got the same values as you, [...] it is easier now, you can go and do an apprentice and you can do an apprentice at any age now I think, can't you, I am not sure, it's still hard but if more women do it then it makes it easier for the women that are doing those courses with those men"*  
[RuggedWear]

Throughout the interview, RuggedWear repeatedly came back to this issue of empowerment and freedom from social structures, so it was clearly an issue that was driving the personal motivation and deep satisfaction would be derived from achieving that goal.

The participants seek out taking personal responsibility for their own ventures and expect to derive personal satisfaction from taking that responsibility and from enacting their own personal values and beliefs. The motivations to pursue their ideas through ventures is derived from their previous experiences.

### *Creativity*

The participants talked about being creative, making time for creativity, passion for design and the personal enjoyment they derived from this activity.

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<sup>18</sup> WICAT – Women in Construction, Art and Technology

SportTech explains how, through being creative, an organisation was created by 'accident':

*"They put out a competition before the 2012 Olympics looking for ideas and it was called 'Garage Innovators' and any ideas for Team GB to give a sort of competitive edge in training or in competition and we put in a couple or four ideas, two of them were selected and one of them won the competition. In order to pay the prize money, which wasn't that much, we had to create a limited company. So that is as strategic as we were, there was this group of friends and we started it and it was in the background until about three and half years ago" [SportTech]*

SportTech and some of the group of friends went on to create a "fees for service" design consultancy using the then dormant company. They wanted to operate in a different way from other consultancies and so proactively set aside time for creative development:

*"[...] we think that design is undervalued for what it does and the only way to change that was put our money where our mouth is. So, we develop our own IP, we have, every Friday, we have a Friday where we develop our own ideas" [SportTech]*

Whilst reviving the company, after a "round of redundancies" at the other agencies they worked for, might be interpreted as 'necessity', this situation is described by SportTech, not one born of necessity, but one of opportunity born of creative ability and professional positioning in a "network of trusted suppliers", which he also referred to as their "agile network", and which was presented as such on their website:

*"Agile Network. So that we can provide you with a fantastic design service without passing on expensive overheads, we have built up our Agile Development Network. This includes experts in research, trends, patent searches/applications, Human-Centred Design training, prototyping/manufacturing, crowdfunding and much more." [SportTech-Website/About page]*

In the three years this new consultancy has grown "exponentially" but cautiously from just SportTech as a sole trader, for the first nine months, to the co-founder joining when there were "six months' worth of projects", to currently eight staff, including two on subcontract.

This networked model of growth, although recognised as an entrepreneurial aim, is contrary to the UK Government's vision of growth based on increasing

the number of employees (Achtenhagen et al., 2010), and therefore, much research on growth neglects this model.

For ExtremeSport, it was the realisation of a long-held dream to be creatively engaged in an activity he loved from being young:

*"I have always wanted to design and build aircraft so that has always been a passion of mine and I would like, I mean I like to be in engineering but it's frustrating to just be doing such a small part of it I really want to be, like, if you are working on airliners or something you just end up with one small sub-system of a system and yes, you can't get that overall idea, whereas with {sport} you are responsible for the structure, you are responsible for the aerodynamics, you've got everything, you are actually designing the aircraft so that appeals to me a lot" [ExtremeSport]*

The chance to take full responsibility for a product rather than be subsumed in a bigger entity also reflects the notion of being in control of your own destiny.

CardGame1 had created her business to design virtual gaming projects. Whilst she had expressed some anxiety about her ability to take a product development path (see Sub-theme on personal satisfaction above), the early designs of her physical card games were achieving sales through various channels. The direct appreciative feedback from customers of these designs recognised her creativity and were feeding back into the enjoyment of creating:

*"[...] people were going, 'I have seen that game somewhere, and you're the creator', I'm like, how do you know! [...] quite nice but it's also nice to like have my game out there and do the play testing and watch kids' faces, like when the kids' face light [...]. I am actually validated by the product that I am creating and realising that because they love it so much" [CardGame1]*

Contrary to her expectations, customers were not getting bored with the game but were requesting new versions:

*"[...] {customers} told me that they play it weekly [...] {she thought} you'll get bored [...] once you know all the characters [...] {but what customers} like is then introducing it to new people [...] {and want} new versions [...]" [CardGame1]*

This direct feedback was valuable not only for product development but for her own self-esteem around her creative abilities.

Whilst CycleAccessory had expressed the pleasure in now feeling in control of his own destiny (see Sub-theme on personal satisfaction above), he also mused on his work life:

*“[ ] I have always worked for my living from being a child, when I got my first job, I was actually worse off when I got my first job cos I didn't earn as much as I had done while I was still at school. I have always worked, and I have always enjoyed working, you know, I think it is an essential part of life, is being purposeful really, I suppose, I never really thought about it too deep, I just always, you know, you have got to work, you know otherwise what is the point really! And I like making things, I do like making things, I used to like making things at school, metalwork was my favourite subject at school because you started off with a flat piece of steel and it ended up being something, you know, and you have made that happen and I still get a buzz out of that 50 odd years later  
[CycleAccessory]*

Here, CycleAccessory expresses how value is derived from more than the money earned through work, that being “worse off” is a relative state of mind, that in his view work is essential for giving us purpose and in achieving a purpose through work it is possible to derive deep satisfaction from the act of being creative.

Whilst RuggedWear made no mention of having a desire for creativity as such, yet during her previous painting and decorating business she had designed equipment for her own use. These were now being redesigned for the current business:

*“[..] I just made a big pocket cos when you are decorating you need a big pocket for a wall paper brush, [...] I have basically made that into, a more, a better pocket” [RuggedWear]*

Now she had considered multiple comparable situations to her experiences in the painting and decorating industry. She had therefore had multiple ideas where products could be developed, one example being around safety clothing, when wearing clothing that was not designed for your size:

*“[..] a lot of petite women who work in construction or transport have to roll up the sleeves or the trouser bottoms and if there is a high viz flash*

*that gets hidden so all the PPE<sup>19</sup>, all the protective value of it goes out the window” [RuggedWear]*

At the time of the interviews, RuggedWear was heavily engaged in obtaining various forms of market research. During the interview she repeatedly mentioned people she had discussions with within various industries that had led her to have new ideas for products. Her identification of multiple opportunities was leading her to engage in creative activity which, given her animation, seemed to be a source of satisfaction.

The participants' personal enjoyment is derived from making time for being creative and having a passion for design.

#### *Combining leisure and social interests*

Several of the participants made explicit references to how the project they were undertaking was born of their own leisure interest and, as such, have been users of the type of products they were designing. This user perspective was giving them insight into existing product features and benefits:

*“it is also my hobby so there is no reason not to keep doing it”  
[CardGame2]*

*“I have been {Sport participant} for about coming up for four years now which doesn't make me a particularly experienced {Sport participant} although I have got a, I think it's a hundred and sixty hours logged up in that time now” [ExtremeSport]*

*“So that came at a point where I had made a small bike stand, just for my own bike, to clean it down after riding and minor maintenance and preparation” [CycleAccessory]*

*“Well the background to the idea is that I do triathlon, so I cycle, I run, I swim, I have a cycle computer, I have a running watch and I can look at the data when I am doing the exercise when I am training and when I am in the competition, I can actually use that to make sure that I am on time or if I am not pushing hard enough, I push harder.” [SportTech]*

However, for RuggedWear, she had been inspired by her experiences of her colleagues during training as a painter and decorator:

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<sup>19</sup> PPE - Personal Protective Equipment



*“the women that I was working with, that I was training with doing my painting and decorating course, their husbands, their boyfriends were in prison, you know, they had come from care, just, it was such a struggle for them to get there on the course, it was so easy for me [...] it just gave me freedom and it gives freedom for the ones that manage it”*  
[RuggedWear]

Her vision was to improve work wear for women in non-office jobs combined with inspiring more women to undertake these non-office roles.

The participants' product ideas for their ventures were derived from their own leisure or social interests.

#### *Comments on Personal Motivations*

The key findings on personal motivations are that the participants wish to create ventures based around their values and beliefs, gaining satisfaction from the responsibility. They are motivated to derive personal enjoyment from being creative and expressing a passion for design. Their ideas for their ventures originate from their own leisure or social interests.

### 4.2.2 Market potential

When asked about the nature of their venture and the product being crowdfunded for, the participants talked about this at length, explaining the product, their current sense of the market and their ideas for expanding their product range. Here the participants talked about their perception of the future potential and so their assumptions about why their venture is worth pursuing. But also how the problem they have is that, as creators, they can be blinded by belief in it and so seek validation from potential backers.

#### *Perception of a potential sufficient market*

The following participants explained the situation leading to the development of the product, about user frustration and about interaction, yet these explanations give a sense of their alert awareness of the likely existence of a sufficient market for the idea:

For RuggedWear, her own user experience and her values around the way people in her profession should present themselves had led to her ideas for the

current products. As discussed above in the Sub-theme on combining social interests, she had researched the number of people in her own industry who she implicitly assumes, therefore, may experience similar problems:

*“I have been thinking about being uncomfortable at work for, ever since I started, I, it was, when you started the course you had to go and get a pair of bib and braces which are the white dungarees, and they just, they say they are unisex but they are not, they are made for men and they are really un-comfy, and I tried doing different things but you want to look smart and you want to look professional by, by wearing the bib and braces people know that you are a decorator so you can't just turn up in jeans and think oh these are comfy, I will wear my jeans cos it looks scruffy, it makes you look like an amateur. So, you need a uniform that, that people can recognise. So, it's just been frustrating me for a long time” [RuggedWear]*

So, there was some early assumptions that others within the same industry would benefit from her ideas. Yet she has also taken steps to question the extent of others in a similar situation. In considering this problem, she had carried out some product testing with potential customers, for instance:

*“I said would you be able to try them out for me [...] she has tried them {product a} all on and knows that they would be fine, she likes them and everything, so she has been trialling the {product b} for me”*

Also, she has begun to survey the market and was finding potential customers in other industries. For instance, she spoke of the number of other industries from her first survey and later in the interview spoke of other research that had extended her list:

*“[...] through doing my original survey looking at the market, I found crane drivers and chimney sweeps, honestly you name it there is women out there doing that job.[...] {another} survey though we found out that it was warehouses, factories a lot of outdoor work, gardening and landscaping, engineers, architects. The list just goes on and on [...]” [RuggedWear]*

As discussed in the Sub-theme on combining leisure interests above, SportTech was a leisure user within the targeted sport, so like RuggedWear the knowledge from personal involvement was being drawn upon to design the product and make early assumptions of the potential size of the market from their own user knowledge of the sport:

*“So we believe there is a market and we have also been through sort of different iterations of looking at the cost and we keep putting the price up because we believe it’s more of a high technical piece of equipment that is targeted at people with more disposable income, more of a ‘Mamil’, you know Middle Aged Man in Lycra, you know, it’s targeted at the gadget type person so yes we do believe there is a market but that is part of the crowdfunding experience is to test that” [SportTech]*

Also, like RuggedWear, he explained that they had carried out both formal market research and product testing with potential customers to establish who might be their target customer and how many there may be:

*“[...] we have done some market research so there is something like 60,000 people sign up each year in the UK alone to triathlons and there is several million swimmers in the UK alone, so even if you take a very, very small proportion of that we believe that it would be within the UK a reasonable sized market, when you go globally, we believe it should be, and this is the whole point of the crowdfund is to do some preparation for the crowdfunding to try and find people but then use the crowdfunding platform as a sort of spreading the word a bit broader [...]” [SportsTech]*

*“[...] about five different testers who are either swimmers or triathletes with coaches and to try out with these block models. But we have now got this functional demonstrator [...]” [SportTech]*

The product designed by CycleAccessory had similarly arisen from user experience and he was then was asked to supply friends:

*“[...] a friend of mine was doing an Iron man event in Lanzarote and wanted a work stand that he could, you have to strip the bike to get it on the plane, he wanted a work stand that he could take with him, he knew I had made something and asked if I could make something along similar lines that would fold down flat and that was the start of my business journey. It was successful he used it, his friends wanted some, other competitors wanted some, he was a regular competitor at sports events, cycling events.[...]” [CycleAccessory]*

Again, there is some suggestion that having been active within this sport gave him insight into the extent of the numbers active within the sport, yet he is to some extent making assumptions about the potential level of interest from demand experienced at events attended. Unlike RuggedWear and SportTech, CycleAccessory made no mention of carrying out formal market research, but did talk extensively about discussing business with those embedded within the

industry and the positive feedback making him feel it worth continuing, thus relying on direct feedback rather than formal methods:

*"[...] but you keep getting these glimpses of what it could become, the interest not just from you know the ordinary cyclist or the competition cyclist even but from people within the industry they like what I do, so it keeps me motivated to keep at it till it really becomes a business that can stand on its own two feet and you know really work." [CycleAccessory]*

For ExtremeSport, who was transitioning out of employment to take over an existing business, the existence of a market was more established. Yet, he explained, the current owner's interests had moved onto other projects, so they had not been promoting it, seeing a latent potential that he could revive:

*"get people talking about {company name} and knowing that it is back in business really, well it has never actually went away, but the current owner has not really been promoting it, not really pushing it over the last couple of years, he has just let it slide a little bit" [ExtremeSport]*

Further, he explained that the numbers of people participating in the sport had declined and, therefore, the importance for the future of his venture in attempting to contribute to addressing this himself. Like CycleAccessory, the knowledge of the perceived level of activity seemed to have also been obtained due to his leisure interest in the sport over several years, as he also made no mention of any attempt at formal market research:

*"[...] numbers have declined since the 1990's they have plateaued over the last few years at about 1000 people with pilot licences that renew them every year you could argue they are probably fairly active but its only 1000 people in the UK. [...] so, if it carries on like that then the current pilots all retire or get old and stop flying then, there has got to be more people coming into the sport, so I'd like to do my bit to get people in [to the sport]." [ExtremeSport]*

ExtremeSport makes a broad assumption that the sport is intrinsically attractive, and it is feasible to increase the number of sports participants, in envisaging how he wanted the venture to grow in the future:

*"[...] I think maximum maybe double the number of {product} so at the moment there are somewhere between one and two a month being built if I could get that up to sort of three or four a month or so then be employ somebody else to be working full time there that's kind of the scale I can realistically see it growing towards"[ExtremeSport]*

Like other participants, the product of CardGame2 had emerged from user experience as he had initially created the game as a present for a friend and, like CycleAccessory, had developed the idea responding to several people asking for copies. During the interview, he did not share any sense that any formal assessment of the market had been carried out yet also, like other participants, he was originally basing his assessments on information gained from industry forums:

*"I am signed up for all the main board game and table top {CFplatform} and all the forums" [CardGame2]*

Throughout the interview, CardGame2 was ambivalent about whether this product and the direction it would take was one they wished to pursue and, as he had freedom from income constraints (see Sub-theme combining leisure interests), it was easy to redirect his attention. He did share many activities he carried out that would, on the surface, suggest that pursuit of this opportunity was an aspiration due to the potential for personal enjoyment:

*"{will pursue this} until I get bored of it or until something else takes my fancy [...] I kind of, I can envisage it yes {replacing current job}, I kind of like, I don't sort of realistically consider that as something that's going to happen, it's like I am kind of doing everything you would do if that's what you wanted and you know I would obviously love that to happen because it would be work that I enjoy, but I am kind of, I am kind of trying to stay realistic about it" [CardGame2]*

His expectations were changing because of the RBCF campaign. Someone in Japan had contacted him and claimed there was demand in that market for English products. This piece of information was feeding into his on-going sense making of how the current product could be both expanded and would be attractive to him due to combining leisure activities:

*"actually what I might do, you know is, I might do another {CFplatform} project, possibly not that long after this one, but actually based on a Japanese crowdfunding platform and it will be for the Japanese translation of the game, so I will do a whole new {CFplatform} project but it will all be in Japanese for a Japanese version of the game and see what happens with that, I personally like the idea of it because I really like Japan, I actually have some family over there so if I could set up even a small, you know, give myself some kind of excuse to go to Japan on business that would be pretty amazing." [CardGame2]*

What is surprising is the apparent lack of actively searching for external environmental cues given he had studied a Master's degree in advanced management practice, although this is a process that has been criticised for conditioning graduates to conduct extensive analysis which have little advantage in situations of high uncertainty (Bhidé, 2000, p. 112). What is most relevant for the participant is not so much the current product and its potential market, but the learning and the desire to combine enjoyment with economic gain. Thus, some participants are using formal market research techniques, they are also relying on personal experience and direct contacts within their respective industries to base their judgement of the level of interest in their product.

Whilst discussing both the development of their products and their choice to use RBCF, the participants made particular comments about the challenge of transitioning from a prototype to a product that will sell, of taking your creative idea and making a "real product", it is too easy for the creator to be blinded by the belief that everyone should want it, and so the importance of gaining direct validation from potential customers:

*"part of our sort of development of our own product a way to take it beyond the, take it off the computer and put it into a real product"*  
[SportTech]

*"even though I feel like it should be for everyone, obviously as a designer I think everyone loves this game, but the reality is, is that it tends to sell best to families and to parents of kids, they're the actual main buyers of the game."* [CardGame2]

RuggedWear explained that it was upsetting to have others criticise and after a particular instance where she had to defend her choice of brand name, had reacted by writing a blog post about it:

*"I put at the end of that {blog post}, please be kind, please be kind, kind words is all I need, cos it really upsets you doesn't it when somebody says something nasty about your baby, that's all you need is a bit of kindness every so often you don't need to give me any money just kindness"* [RuggedWear]

CycleAccessory used the messages from a popular media show to reflect on and question his own motives and this he tied to why RBCF was important for him:

*“might be what they call ugly baby syndrome, isn’t it, you might be the only person that thinks it is a wonderful thing, you know, you see people, but I keep going back to Dragons den, I see people coming into Dragons Den and they must be the only person that sees that thing ever being a viable proposition, you can tell right from the get go it’s never going to be mass, it’s just not, and they can’t see it because, it’s the ugly baby syndrome, it’s their baby and they don’t want it to look ugly, you know they want it to be this beautiful, wonderful thing and it isn’t. So, then again, sometimes that comes into my mind, you know, am I kidding myself, have I got this ugly baby syndrome, am I the only one that sees it, and then you get something good happen and it carries you over that point [...] that’s the real bit with crowdfunding, that’s the real, that’s the absolute nub for me” [CycleAccessory]*

In addition to evaluating potential customers for their attributes, the participants are seeking direct validation of their products to overcome “*ugly baby syndrome*”. They perceive there is potentially an adequate market for their needs based on the knowledge gained from their experiences.

#### *Follow-on products*

When asked about the future of their ventures, the participants expressed much enthusiasm for extending the product range:

CycleAccessory and RuggedWear had both begun to consider the possibilities for other follow-on products:

*“[...] I have always made me own tool boxes, you know, I am a sheet metal worker [...] my tool boxes are quite unique [ ] I have got other ideas and things I want to make and things I want to try” [CycleAccessory]*

RuggedWear went on to describe in detail the potential for follow on products:

*“[...] different sorts of work wear, so more PPE based, stronger fabrics, outdoor trousers. [...] I have got an idea of how I can put knee pads on without, without pockets, so I want to develop that idea. [...] NHS uniforms anything that is caring industry or beauty or vets [...] shoes, there is architects and engineers, [...] female construction site workers who have to wear steel toe capped boots [...] I think they need to be redesigned so that we can get more women in {into working in these industries} [...]” [RuggedWear]*

CardGame1 explained that this product was perceived as a stepping stone into creating other types of gaming products:

*“[...] I still want to do the virtual reality stuff that’s what my company’s based on it, I mean the name {companyname} is because I want to create immersive games, and I didn’t do that because of the money situation so my whole strategy is that if I can create a product that can become profitable then I can use that profit to start the next more innovative product” [CardGame1]*

Whilst CardGame2 had explained how this product had emerged from a hobby, they had also been exploring the insight of others in the industry and believed to make this into a venture capable of supporting them financially it would be necessary to create other products:

*“just from what I have read and talking to other game designers, publishers is that in general, the opinion is, is that, that’s unlikely to happen unless you have several games on the go and you are going to need several income streams, [...]” [CardGame2]*

#### *Comments on market potential*

The key findings on market potential are that the participants are seeking direct validation of their products to overcome “*ugly baby syndrome*”, based on their experiences they believe there is a potential market and have a number of follow on product ideas to meet perceived market needs.

### 4.2.3 Bounded vision of the future

All the participants were the main or only worker in their business and so the vision and planning of the business at this point of the journey is assumed to be inextricably linked to the personal goals of the participants. During the interviews, I asked the participants what they felt the future of their venture might be. I did not specify a time scale and much discussion centred around the immediate concerns with activity involved in managing the RBCF campaign. However, there were both clear visions of possible futures where the venture might grow beyond the current state, and yet the way these would be played out were influenced by previous experiences. There was discussion of planning activities, although this was rapidly changing as new understandings were acquired.



*Visions influenced by experiences*

As discussed in the Sub-theme on creativity, ExtremeSport was influenced by his experience in his previous role where his creative ideas were constrained. He had expressed some knowledge on the state of the market and had discussed the constraints of number of potential people interested in taking up the sport, yet this was also tempered with relating it back to his own personal goal of doing something he was passionate about and so making enough to make a “decent living”:

*“I don’t think, it’s not going to grow to be a massive company [...] it’s not going to make my fortune I’ve got no illusions on that but if it can make a decent living for me and let me do something I am passionate about then that is good enough for me” [ExtremeSport]*

For RuggedWear, the experience of gaining freedom as discussed in the Sub-theme on personal satisfaction above along with experience she had when training to be a painter and decorator, which was with many who were from disadvantaged backgrounds, had significantly influenced her vision of her current venture. She expressed a very clear vision that was centred around her values and beliefs and was way beyond just making the initial product:

*“What I really want to do is bring construction into the UK, no, oh the factory, construction of the garments and so I want, this gets quite long and complicated, I’ve thought about it a lot, I want to be able to employ machinists to make the stuff in {city} and then have apprentice women that are maybe from difficult backgrounds and give them opportunities so that they can learn a trade, [...], I want to be able to showcase women in unusual jobs. [...] the more that we tell the next generation that there are women doing these jobs, the more that those kids think, oh, I can do anything, [...], there are other options for me, so that is the really important part of it” [RuggedWear]*

This vision places additional challenges on developing the venture above those faced by those motivated by economic outcomes (Renko, 2013). Fauchart and Gruber’s (2011) research finds that those focused on causes, which they term “missionaries”, direct their products to particular niche market segments, focus on socially responsible production and sourcing based on mission-led criteria, which tend to place constraints on growth.

CardGame1 had similar visions of growing their business to a particular point where a 'corporate structure' was needed but it still retained a 'lifestyle' feel, drawing this terminology from reading books written by successful entrepreneurs. Again, CardGame1 described an experience gained from previously working in a larger company, where she felt the way they were treated was not acceptable. This experience seemed to be influencing the vision, but also this was combined with a preference to be a creator rather than a manager:

*“Oh lifestyle or corporate, that’s the thing, [...] I think because we have got such a physical product, having a lifestyle business isn’t really what I want to do, eventually what I want to do, is probably build that corporate structure with a sort of a lifestyle feel to it, because I want to have that for all my employees at that point, but to build it so that I can come out of the business but I am running it, so I have got someone, like I say, silo that whole businesses, so what I want to do is be the creator of the projects” [CardGame1]*

SportTech talked about the challenges he had experienced having been working in the industry, which involved several similar agencies growing quickly and then collapsing, having to make people redundant, a situation he did not want to emulate:

*“so that’s why, it’s not a crazy growth that you see with some start-ups, you know, where they suddenly, next thing they have got fifty people and the bubble bursts. We have all been there and we don’t like that environment where you think you are working in a really good company that’s sound and three months down the line there’s redundancies, that is horrible, so we want to try and keep away from that” [SportTech]*

SportTech was one that actually referred to having a business plan to grow. Yet the intention was to remain small, sticking to their 'core skills', using their "agile network" and exploit the intellectual property being developed:

*“[...] people find it hard to believe that you can have breadth and depth, so we have deliberately kept to product design and creative engineering, [...] our core is that, and we feel it’s actually more believable to say, no that’s what we do [...], we have got our core skills [...] there is no need to bring it underneath the roof, one roof because at the end of the day we believe that exploiting our IP is where we are going to get the game changer, in terms of the business growth and making money, everything else is just, it’s size then and we have within our business plan our*

*growth rate and we believe that we will probably stop at about fifteen people, we won't go much bigger than that[.]” [SportTech]*

For CycleAccessory sales of other products had, in the last year, grown to the point of 'profitability'. The intention was to 'consolidate' and later talked about the enquiries being received from abroad that suggested there might be the possibility of export:

*“Yes I don't see why not (growing bigger), yes I mean so far nearly all my sales have been concentrated in the UK, I get some enquiries from abroad because you know I have got a website and anybody in the world can see that, but I think kind of next year I want to consolidate things a little bit because of how successful this year has been, I think next year I can become properly established in the UK and then look further afield that's the plan” [CycleAccessory]*

Yet, CycleAccessory was another participant with experiences of previous work in industry that had influenced the view about how to manage a business in the future:

*“{he would self-assemble<sup>20</sup>}, so that I don't have to worry about the guys grandmother dying for the third time, you know, because people are a problem aren't they, you know, when you are working in a, in any kind of environment where there are employees, there are always issues and it's, sometimes that can be the hardest part of business, is dealing with other people that you work with, you know, when I was doing the administrative work in ventilation, I found that the hardest part dealing with people who have issues” [CycleAccessory]*

The vision for CycleAccessory was inspired by the uncommon work practices of another company:

*“the way the business is going, it's going to come to the point where I have to have employees but I visited a business in Sheffield, Gripple and they are employee owned, each employee that starts has to pay a £1000 bond into the company, so that they have, but then they have an equal say in that business as well and I think, that for me, if I got to the stage where I needed employees that would be the way I went, so that the employees would have a vested interest in turning up and being switched on, because you can't have somebody coming in just to take up the space and just expect a wage at the end of the week or the end of the month, whichever, you have got to have engagement.” [CycleAccessory]*

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<sup>20</sup> Discussed at length having parts manufactured and he would assemble the final product.

CardGame2 was much more equivocal about the future:

*“I feel like it's just going to be good fun whatever happens, if I'm completely honest I don't see it as being like a major, I don't see it as making me millions or anything like that, or at least not just one game by itself but, you know I am going to keep hold of the project at the moment and you know, think of other games I could do, I think, if I do the {CFplatform} successfully, I think I will have a very, now a very clear idea of what exactly it entails to, to make a {CFplatform} successful and some ideas of how I could make something that might make a lot more money basically or be more successful on {CFplatform}” [CardGame2]*

So, CardGame2 was the least developed in his conception of the future for a venture, his narrative presenting some vacillation between being motivated by the fun or the money, thus being more uncertain about the desired future.

#### *Comments on Bounded Visions*

The participants explained how their previous experiences influenced the vision for their future venture. They expressed issues that had concerned them in the past and talked about how they would operate differently in the future.

#### 4.2.4 Sharing the vision or promoting the product

The material from the presentation of the campaign, project description and video, were compared with the interview material to understand the sensegiving (Corley & Gioia, 2011) communication to instigate backing. This revealed a notable absence of the vision for the whole venture in how many of the participants presented their campaign, most of them concentrating specifically on promotion of the product rather than the whole venture. In traditional settings, when seeking financial resources from external providers, the future trajectory is often communicated through the artefact of a business plan (Karlsson & Honig, 2009). As Navis and Glynn (2011) argue, the narrative provided is a “touchstone” for investor judgements. The RBCF campaign is the “touchstone” for the judgement of the backers.

#### *Campaign Presentation*

In his interview ExtremeSport conceptualised the campaign as presenting evidence of "being serious" about the future. In the campaign video, he shows

himself taking part in the sport and at work in an engineering test centre. Within the video he talks about his profession, education, and previous work in research for multinational companies in a related industry and the leisure interest as a user of the product: *“applying engineering skills to an activity I am passionate about”*. He incorporates video taken of himself as a child playing with toy models related to the industry. He talks about his wish to be actively involved in this venture for the next 30 years and explain extensively about the excitement of doing the sport the community benefits of being part of the sport and evoking a post ‘financial crisis’ theme *“instead of paying interests to bankers I would rather pay discounts to pilots”*. The narrative on the campaign mirrors that in the video. On the page he writes: *“{company name} is a vital part of the {sport} community. [...] I see the future of {company name} as being part of this community”* [ExtremeSport-Campaign webpage]

From the interview, RuggedWear wanted the product to help support the emancipation issue she cared about. In the video, she shows herself demonstrating the design process, briefly mention her profession. Much of the video is about the product, showing the type of people who would be customers doing their work whilst wearing the product. She talks about the number of professions that need a product like this and briefly explains the connection to the emancipation issues discussed in the interview that are an important driver of the venture, using historic images to illustrate. She does not mention her vision of developing manufacturing. The narrative on the campaign page has similar messages to the video. In the narrative on the page she writes *“{company name} aspires to become a brand [...] that marks you out as determined and proud to be whoever you want to be. Support this project and help build a movement”* [RuggedWear-Campaign webpage]

From the interview, CardGame1 wanted this to be a stepping stone product to their wider vision of immersive games. In the video the time is spent explaining and demonstrating the game in cartoon form or personally speaking to camera explaining more about the product. There is no explanation of their personal background, reasons for the business or potential future of the business. The campaign narrative gives the same messages as the video.

#### *Chapter 4 Findings: Theme 1 Multi-Dimensional Aspiration*

From the interview, CardGame2 wanted this as an experiment to see what the interest in the product was. The video shows extensively a wide variety of people playing the game in different situations, whilst they talk about how the game is played. He speaks to camera at the end of the video discussing how much he has tested it, and how he would ensure backers get the lowest price. There is no explanation of the personal background, reasons for the business or potential future of the business. The campaign narrative gives the same messages as the video.

From the interview CycleAccessory was creating handmade versions of the product and wanted to scale up. In the video he presents the product at the outset, explaining the connection to the idea from “a world’s leading cycle mechanic”. The camera then cuts to the cycle mechanic, (who is well known in the industry) speaking about the idea and creation of the product and how he uses the product at major cycling events including the Olympics. The product use is demonstrated whilst features are explained. There is no explanation of the personal background, reasons for the business or potential future of the business. The campaign narrative gives the same messages as the video.

Although SportTech did not carry out a RBCF campaign, there is some pre-campaign promotion on SNS and a dedicated website. This is all about the product and product tester-reviews. There is nothing about the background, reasons for the business or future potential.

All the videos included the participant present in the video, narrating the video and some spoke direct to camera. The focus of the participant’s communication shared with potential backers is about the current product, it’s usage and benefits. Only one participant explains extensively about their personal background and future ambitions.

#### *Comments on campaign presentation*

Although the participants have expressed their passions, aspirations and visions for their ventures, only one participant presented this information to the RBCF audience. None of the participants presented any form of future market assessment or predictions as would be found in a business plan. Despite this

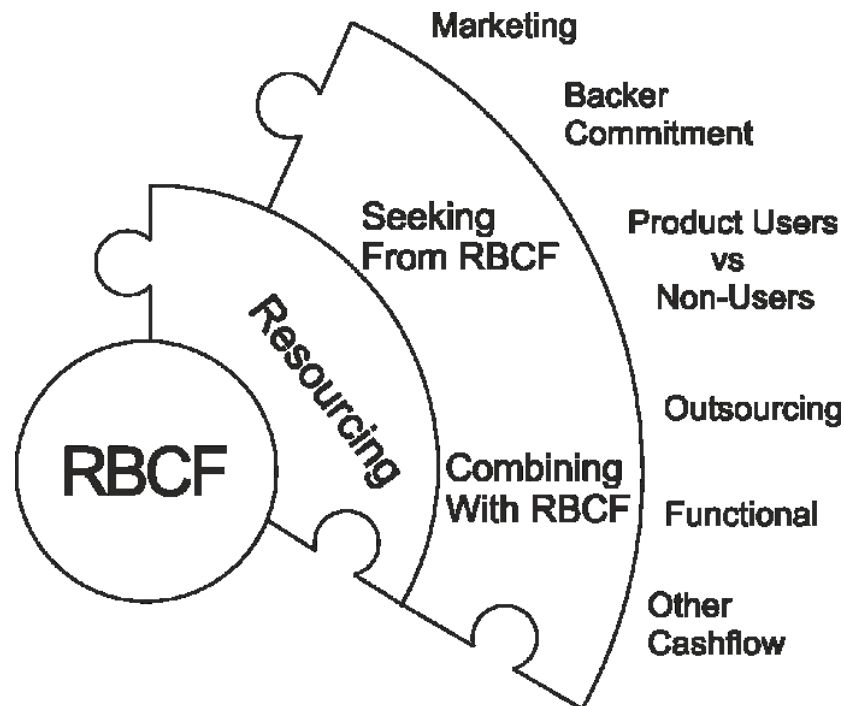
they received backer pledges and only one participant did not achieve the RBCF funding goal.

#### 4.2.5 Summary of Theme 1 multi-dimensional aspirations

This Theme has presented the findings related to the aspirations of the participants. The extensive findings show that the participants have multi-dimensional aspirations. This is because they are motivated by both the economic aspirations of seeking a market for their current and future product ideas and have personal aspirations of seeking personal satisfaction from taking responsibility, enacting their creativity through their leisure and social interests. However, this is not wholly reflected in the campaign presentation which is substantially different from the information that would be provided in a traditional business plan. These findings are discussed further in Chapter 5.

## 4.3 Theme 2 Complementary Resourcing

Figure 4-3 Theme 2 Complementary Resourcing



Source: Devised by the author and inspired by the hermeneutic circle

In the discussion of my preunderstanding in Section 1.5, I explored the hunch that in some circumstances the founders of a venture seek more than money from resource holders. Within the literature on angel finance the notion of “added value” is explored (Aernoudt, 2005; Collewaert & Manigart, 2016; Paul et al., 2007) and in the resources literature the concept of “multiplexity” of resources has been developed (Elfring & Hulsink, 2007). In the interviews I explored with the participants what they were seeking from RBCF and how it related to their start-up journey. Their discussion revealed not only what they were seeking from RBCF. They were also integrating the use of digital and face-to-face means and combining other resources with RBCF to create what they perceived to be a feasible way for them to operate. The combination taken together implies a complementary aspect and this is discussed further. Complementarities are present whenever bundling of processes provides more value than that provided by each separate process. The resources described by the participants when taken as a whole imply greater value is perceived.



### 4.3.1 Seeking added-value resources from RBCF

All of the participants had multiple motivations for carrying out a RBCF campaign. Yet the most salient of these was linked as explained by RuggedWear:

*"The whole point of doing it was to make me do the marketing to see if there was a viable business and to get enough interest out there to get pre-orders to pay for the first production run [..]" [RuggedWear]*

Others spoke about the money only partly being the reason, and it could be possible to acquire the money elsewhere:

*"[..] partly to test the market and partly to fund the tooling to make a small batch of product" [SportTech]*

*"[..] so financially I don't need the crowdfunding. I can raise the money I need to from the other sources." [ExtremeSport]*

*"I am not making money at all really it's so, but I am still willing to do it because I feel like there is some benefit to be had by [..] spread it as widely as possible to as many people" [CardGame2]*

*"which gives me no profit at all but it's proof of concept" [CycleAccessory]*

This linking together of the aspects of marketing resources, pre-order commitment and production are expanded on below.

#### *Marketing resources*

As shown in Theme one, the participants were concerned with being blinded by their own belief in the product or as one put it, "ugly baby syndrome", so an important part of the reason for doing a RBCF campaign was about marketing. The importance of marketing was explained as about acquiring personal investment in the brand, and the importance of involving many people.

ExtremeSport and RuggedWear saw using the RBCF platform as a good publicity and promotion tool, getting people invested:

*" I mean the money is important, but the publicity is useful as well[.] it gets people personally invested in the brand [..]" [ExtremeSport]*

*"[..] it's a good marketing thing I think, it gets people talking about {companyname} and it shows that I am serious that I have got a plan for the future[..]" [ExtremeSport]*

*"having a {CFplatform} to use as a promotion tool is good" [RuggedWear]*

CycleAccessory and CardGame2 pointed out that having engaged customers using the product, would self-generate more contacts and further marketing:

*"[...] if you have got that engaged customer base, who are going to take x amount of them away and show all their friends and all the rest of it, it's gonna be a self-generating thing then, your marketing has already broken the barrier" [CycleAccessory]*

*"I think another thing that I kind of expect to get out of it is making some new contacts and ideally actually generating some new business off it" [CardGame2]*

*"[...] doing the {CFplatform} has the sort of side benefit or side result of you're kind of automatically marketing it to a lot of people" [CardGame2]*

These participants, aiming to get as many backers as possible, was about the ability to get recommendations from product-users through the act of backing, using the product and providing feedback. The RBCF is only partly about money. Their concerns are about the proof of concept to overcome "ugly baby syndrome", promotion, obtaining engaged customers. The money in advance was useful to pay for the initial production run but the expectation was that RBCF would "automatically" market the product.

#### *Backer Commitment*

The pre-order is highly valued by the participants, described as "gold dust" and more valuable than money on its own. This was because of the money being provided in advance of any production and with a long delivery waiting time showing commitment by the backers. This provides information on the level of interest even if the campaign failed, and access to contact information for future sales. Two of the participants described this as follows:

*"[...] to see if people who said that they would be interested would actually take the bull by the horns and say yes ok we will support you" [RuggedWear]*

*"one to raise the money and two to get pre-orders and I think the pre-orders are more valuable than the money because if you have got people to pay to hand over money on a concept [...] it was people showing faith in an unknown that was the real test for me.[...] the pre-orders, that pre-order is gold dust isn't it [...] crowdfunding seems to be the right way*

*round, you are testing the market before, with actual getting cash in before you have actually made anything, it's a brilliant concept [...] if you fail, you made some kind of gauge of how it would be received [...] the biggest scoring point of any crowdfunding is the pre-sales because there is a market already there to tap straight into " [CycleAccessory]*

For the participants, backers have added “gold dust” as unlike other customers, they are prepared to wait for the product to be produced. The shortest timeframe for delivery was RuggedWear at two months and the longest was CardGame2 at six months. Thus, backers are in effect expressing commitment. Yet with this new access to a highly valued resource of backer commitment, the resource itself is volatile as, if the product is delayed or not realised, this can destroy that value very quickly. The participants were all aware of this challenge and expressed concern to ensure the rewards were fulfilled.

The participants spoke about the money not being the main motive as they could use other sources and that money was less valuable than the pre-orders. However, as CycleAccessory says, the difference is acquiring the cash and the backer commitment before anything is produced. For the participants this brings an element of certainty to the interaction and is combined with the expectation that these backers will “*show their friends*” and generate further engagement. For CardGame1 this went further as she felt the backers would deepen their relationship with her over time because she supplied a limited edition of the product:

*“[...] not only did they support me at the beginning and they have that sort of, I would say, affinity with me [...] they will get a limited edition of the game [...] it is a commodity [...] they are going to have the rarest copy of it” [CardGame1]*

As discussed above in the sub-section on Marketing resources, the participants believe that the possibility for a self-generating cycle which for CardGame1 was due to the affinity from supply of a rare version of the product. So, for these participants having the upfront cash, the commitment and engaged backers’ who recommend to others, is of value in combination.

For CycleAccessory, whose RBCF campaign failed to achieve the RBCF funding goal, value was nevertheless derived from having access to the backers contact information. After the RBCF campaign ended, he used the ability to

contact those who had backed to ask if they would buy a more basic version of the product, and by the time of the interview, money was being paid by many backers for this to happen. So, for him, the process had value in the commitment and loyalty which could be re-enacted.

The participants were seeking commitment from backers, demonstrated by backers of faith in a concept and this is highly valued as “gold-dust” more so because the money is provided prior to the production. Whilst this is also acknowledged as volatile until the product is delivered, they sought to generate an affinity with the backers with the expectation that they would show their friends.

*Nature of backing – product users or non-users*

The nature of backing was a concern for the participants. This was a further aspect of the desire to get as many backers as possible as discussed above. A particular concern was to extend the backing beyond their initial connections, be that family and friends or user communities. Yet it was also important to obtain backing of the product itself rather than donations. On completion of the campaigns, most of the backers were not family and friends. Regarding the numbers of people, excluding initial connections, who backed the projects, two participants described this as follows:

*“[...] about a third of the {backers} are family and friends” [RuggedWear]*

*“There was a lot of backers [...] that I don’t know, maybe sixty, seventy percent of the people” [CardGame2]*

The type of backing was as important for these participants, as getting as many as possible. They suggested that those who donate are have a different value to the product backers:

*“[...] people that know me would randomly put hundred quid towards it just because they know me and like me, or more in some cases, so that really helped get the money in but not increase the number of backers.” [CardGame2]*

RuggedWear received an anonymous donation of £3,500 from a friend. Without this donation, the RBCF would have failed to achieve the funding goal and being an “All-or-nothing” campaign would not have been funded, as per the

platform rules. Although she was grateful for the donation, she saw this as a problem for the marketing of the product:

*“[...] it was from a friend, but it was anonymous, I do know that it is her now, but at the time, and she doesn’t know that I know and I am not too sure what to do about that [...] we would have failed to achieve the target and that would maybe be telling us that this is not the right market or would it be telling us that I didn’t do enough marketing, so that was the whole point” [RuggedWear]*

ExtremeSport did not achieve the full RBCF funding goal, but he had signed up for a “Keep-it-all” campaign, so he received the partial funds that had been pledged by backers. Like CardGame2 and RuggedWear, his friends backed the project but through buying merchandise:

*“I got plenty of friends buying t-shirts” [ExtremeSport]*

As discussed in Theme 1 publicity was an aim for him. He felt this publicity aim had been achieved within the sport community, which was a different group from his friends:

*“[...] only regret I have got really is that it didn’t really get outside the {sport} community or outside the {sport} community and my group of friends [...] it was very successful within the {sport} community I mean, I think it probably reached ninety or probably pretty near a hundred percent of {sportparticipants} in the UK” [ExtremeSport]*

He had tried to interest people outside of the existing sports community by offering “taster days” but there had been minimal take up:

*“[...] I wanted to do with it was to drum up a bit of additional publicity for {sport} and that is why I was offering the taster days, [...] even though those weren’t particularly good for me financially from the crowdfunding point of view [...] nobody took up the tandem ones and only one person took up the taster day and that was a work colleague” [ExtremeSport]*

So, despite his efforts, backing had come from within his existing user community. The important consideration for these participants is that their product gets promoted not only by them but getting them into the hands of new users whose “affinity” can then be encouraged to make recommendations of the product to others.

Another backing issue touched on by participants was obtaining backers early in the campaign timeframe. This was another aspect of trying to influence both the algorithms and gaining more recommendations. These two participants were aware it that early backing played a role in their campaigns:

*“how the algorithms [...] work, that’s how you get on to the ‘projects we love list’, [...] favours you being successful in the beginning” [CardGame1]*

*“[...] touching on the whole funding in 24 hours versus not funding within 24 hours [...] I haven’t reached the 100% within 24 hours [...] then you are trying not to react, [...] you still have to come back and be relaxed and excite people about it” [CardGame1]*

*“[...]we didn’t get 20% very quickly and that was the whole thing wasn’t it [...]” [RuggedWear]*

The participants were keen to extend backing beyond their existing networks and gain backing from new sources, which they achieved to a certain extent. Backing was either from sports or games user communities, with friends backing merchandise up to about a third from family and friends. They differentiated the value of money donated to achieve the RBCF funding goal and the money provided by user backers. They had hoped the RBCF process would afford them the rapid publicity they expected.

#### *Comments on seeking resources from RBCF*

The key findings on seeking resources from RBCF are that the money is only part of the story. The participants were concerned to promote their products and obtain engaged backers who are expected to be proactive advocates. They valued user-backers over non-users. They expected the process to be more rapidly self-generating of advocates.

#### 4.3.2 Combining resources with RBCF

What became apparent from the findings was that a number of other resources were being combined with the use of RBCF campaigns rather than through the RBCF campaigns. This included outsourcing the production and the functional support resources. Further the RBCF campaign was not a discrete source of cashflow. Other sources were being utilised in conjunction with RBCF to manage the entire process of venturing.

*Combining with outsourced production*

Money from RBCF was being used for outsourcing the production of the stock, not for other costs. Yet as seen from Theme 1 the aspiration was to change from this method of production in the future:

*“I will just outsource as much as I can, and then final assembly and packaging done by me” [CycleAccessory]*

*“Well I am hoping that if we can get the {CFplatform} funded that will pay for the first production run” [RuggedWear]*

*“are keeping the numbers small enough so we can self-assemble and supply directly” [SportTech]*

Several participants alluded to this initial outsourced production run of their product as being expensive. RuggedWear explained that, in order to make this product viable in the future, there were choices to make about outsourcing production and the scale needed to make it profitable in the future:

*“I found a factory in Portugal” [...] it’s just the bloody cost of them, you know, I don’t want to go to China but it’s going to be expensive, so we are making about £10 a pair from them and if we sell them in bulk to businesses or stockists, we might make a fiver if we are lucky, so we will have to sell an awful lot, so slightly nervous at the moment” [RuggedWear]*

CardGame1 was concerned to get her orders to a level where the costs were less expensive and so she would achieve a greater margin:

*“I knew I wanted it to grow bigger than that and I wanted to get my cost point down [...] meeting new suppliers is the cost point that they are giving me are actually phenomenal when you get to 5000, 10000 units [...] the idea is not to just go for 1000 games but to go for 5000 games, it pushes my cost price right down and what I am looking at is a future because next year I am looking at putting a deal together with a distribution company [...] then of course my margins they are up slightly when I do that” [CardGame1]*

Not only was the production run expensive but for CardGame 2, to make the RBCF offer attractive to as many backers as possible (as discussed above), the price was being carefully considered, such as how to manage shipping costs:

*" [...] shipping prices, you need to make sure that they aren't expensive [...] you really want that shipping charge to be low or free if possible and in general keep prices of everything as low as possible" [CardGame2]*

CardGame2 also indicated he was concerned about the quality produced:

*"[...] dread the fact that I'll order a thousand and there will be some kind of errors some kind of printing error, particularly because I am not a professional graphic designer [...] why I might consider somebody more local where I could go and visit their factory" [CardGame2]*

RuggedWear also had concerns about using outsourcing from an ethics perspective but had also struggled to interact with them as the prototype had to be remade a number of times:

*"[...] apparently its really cheap in China and the Far East but I don't want to do that because you can't really be sure how ethical the factory is even if you visit it, they will spruce it up for you on the day that you go. You don't really know what conditions the workers are living in. I found a factory in Portugal.[...] It has to come back and forward three times [...]" [RuggedWear]*

In contrast CycleAccessory, having previously worked within a similar industry, so was embedded in his local network of producers. From this he could get the production done locally and the perceived extra price was worth paying as long as he can have a successful business:

*"[...] sourcing everything in {UK county}, all the steel parts, all within a 30-mile radius [...] I was keeping locally and right from the get go, that was something I wanted to do, you know keep everything within {UK County} if possible. [...] I could control it, if the supplier let me down, on quality, timing or whatever or we didn't get on [...] whereas if I had a supplier over in China and you've got to buy everything in a container load, [...] and it was useless what the heck to I do, [...] It may be I cut me nose off to spite me face, but I don't feel the need to do it, I don't feel the need to make a huge profit, I just want to enjoy what I am doing and make a successful business" [CycleAccessory]*

These participants perceive that combining outsourcing with RBCF means they can test the demand for the product in the market without having to commit to internal set-up costs or on-going costs of manufacture themselves providing them with flexibility. CycleAccessory also pointed out the trade-off between producing the product himself and outsourcing it:



*“[...] sometimes I think, should I really take it up, you know, ramp it up, and get some funding, get some real capital behind us [...] but then you have got to have a factory to keep it all in and you have got to have all this, it can become a bit of a beast that needs feeding all the time [...] would I be better just, you know, outsourcing all that kind of thing to people who are doing it day in day out” [CycleAccessory]*

CycleAccessory suggests committing to internal manufacturing would involve a “*beast that needs feeding*”, suggesting in that scenario running your own facilities can become an unwelcome burden when demand for products is unproven or can fluctuate.

The participants were arranging for their products to be produced by an external supplier after the RBCF funds were in place. They anticipated a small production run and the RBCF process meant the commitment to internalise production could be deferred until after the market proof was obtained. However, this involved trade-offs in volume, cost, quality control and ethics.

#### *Combining with functional resources*

Participants were taking advantage of support from their existing networks; for instance Table 4-1 shows support sought from their close ties:

Table 4-1 List of participants, supporter relationship and support provided

Participant	Relationship	Support
RuggedWear	Spouse	Finance director
	Adult Children	Online digital/SNS expertise
CycleAccessory	Adult Children	Online digital/SNS expertise <sup>21</sup>
SportTech	Friend	Patent attorney
	Employee	Marketing and digital communications professional
	“Agile Network” <sup>22</sup>	Research and crowdfunding
CardGame2	Friend	Sales expert
	Friend	Online digital/SNS expertise <sup>23</sup>
	Brother	Accountant
CardGame1	Friend/investor	Entrepreneurial experience
	Friend	Spreadsheets and project planning
ExtremeSport	Friend	Entrepreneurial experience
	Former Manager	Business Development experience

Also they were all receiving a significant amount of personal emotional support from their family and friends. Further, as they were taking advantage of various institutional and industry sources to support various activities, Table 4-2 shows the sources and what type of support was received:

<sup>21</sup> E.g. assistance with “Mailchimp and GDPR” [CycleAccessory].

<sup>22</sup> See Theme 1 sub-theme on personal motivations- creativity.

<sup>23</sup> E.g. SNS technical setup and creating a “presence...{and} a following” CardGame2”.

Table 4-2 List of participants, institutions and support provided

Participant	Support from	Support received
RuggedWear	University Support programme	Marketing research
	Local Government Agency	Business development
ExtremeSport	Local Government Agency	Finance Advice and Business transfer
CycleAccessory	Colleagues embedded in industry	Markets, product and pricing
	Small business support agency	Network facilitation
CardGame1	Online industry forums	Industry and product guidance
CardGame2	Online industry forums	Industry and product guidance

RuggedWear and CardGame2 were the two participants that had obtained a small amount of functional support from people they had connected to through their RBCF campaigns. RuggedWear was proactively asking for support, whereas CardGame2 received this by chance:

*"[...] so she just gave me loads of ideas that, some that I'd thought of and some that I hadn't, and she's just really kind and of her time and her thoughts and emailing me, I have just had this thought, you could do this. So that was really good and 'I can put you in touch with..', it might not be the right time but she can do eventually" [RuggedWear]*

*"[...] {an email from a peer} 'I don't have any money to back your project but here is some useful links about doing a campaign that might be helpful' and he'd sent us a load of, well I found actually very useful links and a list of, he had included a list of like journalist type publications like games news publications on the internet that might be worth getting in touch with" [CardGame2]*

There was a range of views, on whether proactively seeking external support was valuable to them, from being most valuable as:

*"{being saved from} wasting time" [RuggedWear]*

to having a preference for self-reliance:

*"[..] I do most of the things myself[..]" [ExtremeSport]*

The participants spoke about the downsides of interacting with both existing networks and new networks from RBCF campaigns. From existing networks, relatives without expertise or experience might still offer emotional support (K. S. Owens, Kirwan, Lounsbury, Levy, & Gibson, 2013), sometimes relatives could be sceptical (e.g. CycleAccessory's wife) or unsympathetic to the entrepreneurial experience (e.g. CardGame1's parents). Also, some, whilst able to help in one valuable functional capacity (e.g. finance knowledge) would not be capable of helping in another function (e.g. marketing or digital knowledge). Some connections may be limited in their capacity to help, their expertise limited by the context:

*"although his {the investor} knowledge is relevant, and I do listen to him, sometimes I don't think it applies to the digital age because he is not on any social media, he doesn't understand any of that social media stuff and he hasn't ever built a game" [CardGame1]*

Some institutional support was perceived to be limited:

*"[..] helpful but they can't tell you how to do anything" [RuggedWear]*

and the unknown trade-off of spending money on support when this puts pressure on the amount of funding needed:

*"you've got to factor that in [...] the numbers aren't going to add up [...]" [CycleAccessory]*

or pressure on personal needs:

*"I am not actually paying myself yet" [CardGame1]*

In a more detailed story, RuggedWear had outsourced and paid for website design but felt the work to be unsatisfactory. Yet with limited funds and now a wariness of this kind of support, decided she had to rewrite it herself:

*"The website we ended up doing ourselves, so that was a bit of waste of money, they did one but they were pushing to do it before we were ready [...] they were pushing us to give them information so that they could bill us and get rid of it a long time ago [...] so I have been having to*

*completely redo it myself and then and so just have to learn how to do that” [RuggedWear]*

A further downside from conducting the RBCF campaign was receiving unsolicited emails or being 'spammed' by those offering marketing services for RBCF campaigns. Several participants complained of this practice:

*“[...] launch a campaign and then you will get ten messages through of people trying to offer you marketing services [...] they all went into a spam box” [CardGame1]*

*“when you’re running a campaign, you will get a lot of spam emails of people offering to, you know they have got some magic formula that will get you a hundred backers in a day” [CardGame2]*

*“one of the drawbacks of running {RBCFplatform} campaign is you are a target so you get constantly bombarded by people saying I can help you with this, I can help you with the marketing on that, I have got so many backers and if you listen to them all, you’d part with thousands of dollars” [CycleAccessory]*

The participants all had skills in many technical areas but also lacked many skills relevant to the needs of setting up a new venture (this is discussed further in Theme 3). So, in many ways, seeking external resources was a critical activity for them, yet RBCF was not the medium through which these resources were being sought. The challenge for them is in finding and accessing appropriate support that they find beneficial: at a cost they find acceptable. Elements of technical and professional support was available from their family and friends and they sought support from a range of institutional agencies and other forums, although there were concerns about the applicability of advice to the digital environment.

#### *Combining with other Cashflow sources*

As described previously, the money realised by all the participants through the RBCF process was designated towards purchasing stock, and not towards any other costs they incur. Through the interviews it became apparent that the RBCF was not a discrete source of finance but one of several sources. The participants were using a variety of other sources of finance to cope with their on-going expenses whilst developing their venture. This included having living

expenses subsidised by others, using savings, generating income from other products and services, competitions.

Both RuggedWear and CardGame1 had their living expenses subsidised by family:

*“[...] now {spouse's} got a permanent job he has got money coming in so that covers us[.]” [RuggedWear]*

*“I personally I still live at home with my parents because obviously that's the best financial route to starting a business and having, I don't have to pay rent so it means I can spend more time putting more money into the business and growing it, in that way they don't monetary support me but they do in terms of living costs” [CardGame1]*

RuggedWear had savings accumulated from her previous business as a painter and decorator and SportTech had deliberately set about accumulating savings through the current business:

*“[...] we are just about debt free so; we have just finished paying our mortgage off and we decided that £10,000 was what we had and what we would invest [...]” [RuggedWear]*

*“we have been able to grow in a more organic way and we have always been very careful not to overstretch ourselves and we now have a war-chest [...] and now we have got a target this year to have equivalent of six months in the bank to put on the line [...]” [SportTech]*

Both ExtremeSport and SportTech were generating on-going income from other products and services and both CardGame1 and CycleAccessory had begun the process of developing multiple revenue streams:

*“the first couple of weeks into December we hit the best sellers list on Amazon and I have sold 650 copies of the {previous} game” [CardGame1]*

*“two years ago, we got asked if we could hire some of our equipment out for a corporate event” [CycleAccessory]*

*“We actually sell racking and we sold, we had a big order for {name} Ferries who were trying to promote cycling to the Western Isles” [CycleAccessory]*

Also, CardGame2 had sufficient income from contract work:

*“my job that I have at the moment pays pretty decent [...] I am a contractor, so I don't technically work for {multi-national company}, I just kind of help them with their projects” [CardGame2]*

Two participants had entered competitions:

*“a semi-finalist for a £25,000 [...] funding competition” [CardGame1]*

*“the {Government Backed funding competition} projects, when you are in a phase, you have a contract for that full phase, so you have eighteen months or six months guaranteed.” [SportTech]*

Two participants were obtaining loans, although these were government backed with special terms and an arrangement with the previous owner:

*“then I've got a {Government backed} loan that I am applying for” [CardGame1]*

*“I have got two loans effectively I have got the loan to the current owner and I have got the start-up loan {Government backed loan}, the loan to the current owner is shorter terms its three years as opposed to five years, it is also smaller value [...] {Government backed loan} £25,000 [...] no arrangement fee there is no penalties to pay it back early” [ExtremeSport]*

Only one participant had received investment:

*“[...] I had someone come along who's sort of an investor slash friend, so managed to put about £10-£11 grand into my bank [...]” [CardGame1]*

In the interviews I asked the participants about why they had not sought to use other methods to finance the product. The participants explained that, with an unproven concept and no market, it was too early in the process, too speculative, there was no business entity that other financiers would find acceptable:

*“We have always felt that banks are very, they don't quite understand what you are trying to achieve, it's just down to the person on the day, if they get what you are trying to do. I have had advice from my ex-boss, when we were at 'Innovate2017', where he said you can't do a business plan with the bank you don't have a business” [SportTech]*

*“[...] I didn't want to get into an overdraft to speculate on whether people would buy into it or not [...]” [CycleAccessory]*

*“I am sort of hoping that some dragon will come out and go that's a good idea [...] I would bite their hand off but yes then it's like they would want*

*50% of your business you know, you just don't know what they are going to ask for do you, so and because we haven't got a business yet, nobody is going to do that, so we have got to start selling before we can go to dragons and angels or whatever they are called" [RuggedWear]*

The notion of being "debt free" described by RuggedWear seemed to capture some of the sentiment expressed by the other participants that there is a pride in not being 'burdened' by debt. Interestingly, she also expressed the view that if a "dragon" came along, she would "*bite their hand off*" for the business knowledge they would bring. So, they were a desirable resource but not yet perceived as accessible due to the early stage of the venture.

ExtremeSport said he needed lending to support the purchase of the business from the former owner. His preference was to access the Government backed start-up scheme and to negotiate a 'buyout' loan from the current owner. Both were at a lower cost than from commercial lending. Within the video ExtremeSport says to backers that he would:

*"rather give discounts to pilots than interest to banks" [ExtremeSport-video]*

and during the interview he expressed the view that it was more valuable to have a pre-order which was:

*"massively better for the cashflow than a traditional loan" [ExtremeSport]*

For CardGame2, although cashflow from his contracting was satisfactory, he still expressed that the product was not worth financing through lending:

*"{until} I am sure that it's going to make return" [CardGame2]*

and clarified that once all the games were sold:

*"it will have been a profitable endeavour, but I don't know whether it would be enough [...] I just don't know if it's going to be kind of viable or if it's going to be something that's going to sustain itself" [CardGame2]*

He also expressed that a decision to get more funding would also depend on the ease of selling the product, as currently it was about him and his girlfriend significantly involved in promoting the product by dressing up:

*"wearing animal onesies and kind of getting people engaged" [CardGame2]*



As discussed in Theme 1, his preference was for achieving personal goals and combining his hobby with venture development, not simply seeking a financial return but also looking for an activity that was both challenging and enjoyable. So, for him what was “enough” was a combination of economic, social and affective.

RBCF was not the only source of cashflow. In all cases, the RBCF money is being deployed as part of a simultaneous mix of income, savings, non-commercial loans, investor and subsidy sources. Commercial lending was being avoided as unsuitable due to the perception that the banks have poor comprehension of innovation or participants valuing being “debt free”.

*Comments on combining resources with RBCF*

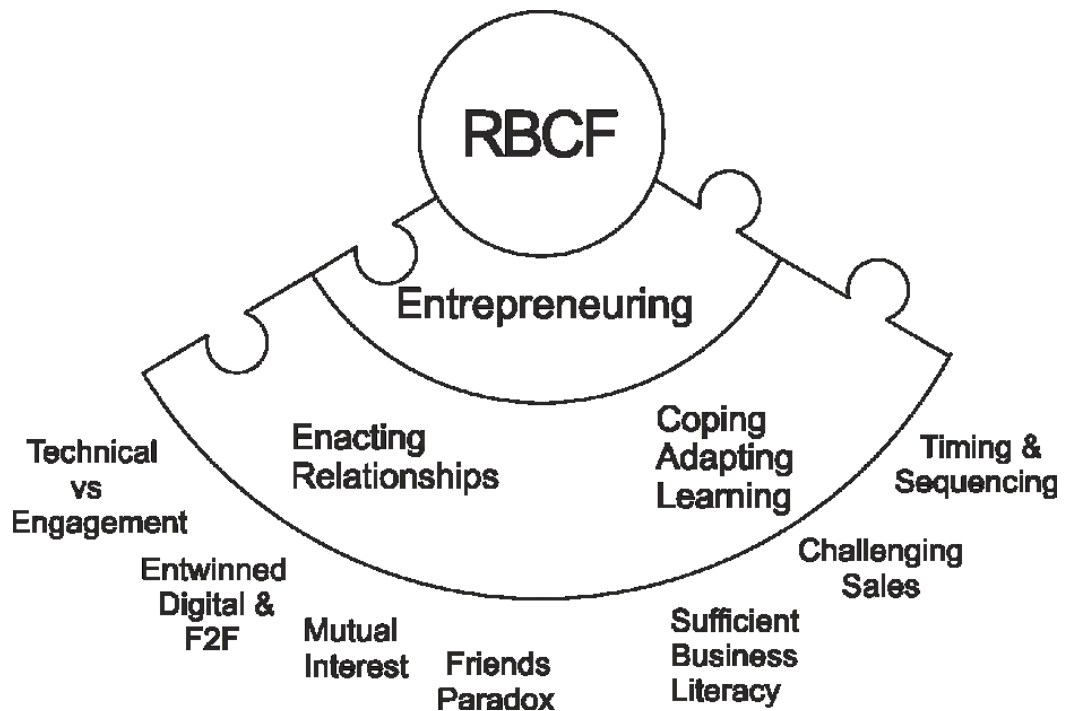
The key findings on combining resources with RBCF are that RBCF is not used as a standalone resource but is used in combination with outsourced production, functional resources from existing networks and other sources of cashflow.

### 4.3.3 Summary of Theme 2 complementary resources

This Theme has presented the findings related to the resources being sought by the participants. The extensive findings show that RBCF is used by the participants to obtain added-value resources and used simultaneously with other resources in combination and which are complementary in usage. RBCF is both a source of money and marketing. The participants seek publicity through RBCF to obtain committed and engaged backers of pre-orders who provide money in advance of production. They value user-backers over non-users for the “gold dust” of potential future promotion and advocacy. They combine the RBCF process with outsourcing production to switch the sequence of marketing and production and avoid committing to investment in internal production before obtaining proof of concept. Functional resources are obtained not from RBCF but predominately from their family, friends, and colleagues, and from institutions and topic forums. Cashflow and subsidies are obtained from multiple sources simultaneous to RBCF, with the RBCF money assigned to initial production. Together, these resources are complementary in the way they are being used. This aspect is discussed further in Chapter 5.

## 4.4 Theme 3 Practice of Entrepreneuring

Figure 4-4 Theme 3 Practice of Entrepreneuring



Source: Devised by the author and inspired by the hermeneutic circle

The interviews and online practices were analysed to understand the participants' approach to forming relationships in the context of accessing resources through RCBF campaigns. What is revealed in this data is that they are endeavouring to practice entrepreneurship (Steyaert, 2007), although entrepreneur is a phrase only one participant utilised. Their strategies are portrayed as lacking in knowledge and having to be creative and proactive in attempts to overcome limitations. Yet, also the practice entwines digital and offline activities.

RCBF was integrated into all the participants' venture creation strategies, as CardGame1 put it:

*"[...] campaigns for me are not really about just funding they are, they are about the wider strategy of building the business and putting my games out there". [CardGame1]*

RCBF was not talked about in terms of a separate activity but as one element of the enactment of the venture, with little distinction between the experiences of

starting the business or running a RBCF campaign. Nevertheless, participants described their experiences as an emotional rollercoaster due to learning to cope with ambiguous challenges and adapting to situations. The perception of these participants was that to enact a RBCF campaign involves commitment to preparation and a focus on developing both digital and face-to-face connections for a range of resources and the process becomes an intense learning experience. In describing a discussion with another person interested in doing RBCF, CardGame1 said that that a person would not really understand the experience:

*"[..]{until you} go on that button and you click, launch a campaign or start a project [..]" [CardGame1]*

#### 4.4.1 Enacting connections and relationships

As discussed in earlier themes, the participants had a range of motives for using RBCF. One motive was to increase the number of backers yet integral to the seeking and promoting process they were also seeking relevant support resources. They were mostly able to use SNS from a technical perspective, but their engagement online was limited. Much of the RBCF literature focuses exclusively on the digital environment; however, the participants used both digital and face-to-face processes to form new ties. A paradox was that when they spoke of forming ties the language gave no clue as to the medium through which that interaction occurred. Further, they spoke of digital 'friends', that in a face-to-face medium would likely be categorised as 'acquaintances' and therefore treated as 'weak ties' in research.

##### *Social media technical versus engagement practices*

The participants used SNS to promote their RBCF campaigns; yet, whilst the technical set up is mostly managed, the engagement with the audience to enact the campaign is limited in scope. The preparation for enacting the RBCF campaigns included creating videos and utilising SNS platforms. This activity took time and application of effort. Many of the participants chose to do preparation for the RBCF campaign themselves. Reviews of the platform usage reveals a dissonance between expectations discussed in Theme 2 marketing and enactment of the campaign.

For instance, CardGame2 describes doing all the graphics, getting reviews and creating the video himself:

*“for a large part it was me [...] making my little infographics to make things clear, researching how best to do things, sending the games out to reviewers, getting them on board with the game, making a video as well [...]” [CardGame2]*

The video production was straight forward for some participants. The reason was availability of existing resources, as they had material to hand and skills in the use of technology.

For SportTech, creating videos was part of their creative and high-tech process:

*“we have done a teaser video, which we set up for a recent exhibition. We have also had a set of postcards made that have augmented reality on them as well, so you can view them from your phone and it launches the video [...]” [SportTech]*

Similarly, for CardGame1, who was a 3D modeller by training, creating graphics, designing, and editing a video was part of her skill set. The video included herself and graphics of the game:

*“[...] I have done all the illustrations, I have done all the instructions on the page, I have done the set up, I have made the video and I have put the reward tiers in [...]” [CardGame1]*

When taking part in the sport for many years as a participant, ExtremeSport used current video technology to record the activity, which he then used in the campaign video. He felt he had the skills to produce the video himself:

*“[...] {video equipment} on the {sport Kit}, so I have got hours of {sports} footage [...]” [ExtremeSport]*

For other participants the video preparation was a lengthy undertaking as they included others in the filming, so had to organise their involvement, getting their agreement to be involved. Also, they had to learn video editing software or outsource and pay for the service. For CardGame2 this presented:

*“that was possibly one of the biggest sort of challenges [...]was not something that I did naturally either” [CardGame2]*

CardGame2 organised and filmed several sessions where groups demonstrated playing the game, to illustrate the value of the game. He then self-taught himself to use video editing software.

In contrast, RuggedWear outsourced and paid for photos and video recording and editing, but also spent time in involving others being filmed, as a demonstration of the product use and to illustrate the value of the product:

*“just ran around trying to get video footage of women doing jobs that had been wearing {product}” [RuggedWear]*

As part of preparation, CycleAccessory had previously been experimenting with creating videos for SNS to gauge audience reactions “*I’ve got a Youtube channel now*”. He had started by videoing the making of another product idea “*trying to train myself*” in using SNS. He conceived of and created the content, which included himself and an endorser but had outsourced and paid for production of the RBCF video.

So most of these participants felt they either had the skills to create the videos or were putting effort into learning the technical skills themselves. In Theme 2, Sub-section 4.3.2 combining resources, several participants pointed out the trade-off between self-reliance and outsourcing. RuggedWear had experienced paying for unsatisfactory service, CardGame1 was concerned of the trade-off between paying herself and paying others, and CycleAccessory pointed out that factoring in the extra cost of services would mean putting undue financial pressure on the RBCF campaign. The participants have chosen self-reliance in this situation.

Despite the espoused desire to connect to potential customers and increase the volume of user engagement (as discussed in Theme 2 Sub-theme on marketing resources), the participants were relatively limited in their use of SNS. The use of SNS was discussed in the interviews and subsequently the online platform activity reviewed to understand how this was enacted. All participants were using a variety of SNS to varying degrees, yet their personal activity varied considerably:

SportTech cancelled the campaign at the last minute due to receiving advice that their product price was likely too expensive for RBCF campaign success.

He had been an extensive user of several platforms, making use of them extensively when at exhibitions. He had planned to put a lot of capacity into SNS activity:

*“we will have to dedicate at least one person full time to just do the social media activities and engaging with people and making sure that the tribe is feeling loved.” [SportTech]*

ExtremeSport had not implemented any pre-campaign promotion. The reason he gave for this was he had only obtained access to the business SNS accounts directly before starting the RBCF campaign. He had not promoted the RBCF on his personal SNS. However, through his personal SNS, he had been interactive with the sports community as a leisure user for several years.

CycleAccessory managed various SNS accounts for several years. He had found it useful to learn about events, the organisers and names of people *“in the know”* and connecting with people in the industry. His concern was his struggle to get engagement hence the creation of a ‘Youtube’ channel (discussed above). These videos had been promoted on SNS in an attempt to engage with people who had aligned interests.

RuggedWear used SNS for about seven months to promote the product. She had used it to send a market research survey prior to the RBCF campaign and to find other people with aligned interests. For instance, she spent time pre-campaign proactively finding people she felt could be valuable to connect to with the aim of both learning from and promoting her product.

CardGame1 stated she was an extensive and long-term user of SNS platforms using them to both promote her work, learn, connect and engage with people with aligned interests:

*“[...] creating all the graphics and posting them all every day and talking to people, who are constantly on different social media platforms”*  
[CardGame1]

CardGame2 was the only participant who had started to use SNS simply because he was carrying out a RBCF campaign. He explained that he disliked SNS, it being *“quite alien to me”*. However, realising that RBCF is *“is essentially social media driven”*, had spent time mostly promoting the game for about six months. He had concerns about obtaining SNS engagement:

*“it just seems like an impossible task to be looking at some other people being designers and like, oh wow, they have got a thousand followers, how on earth do you get a thousand followers” [CardGame2]*

The participants' SNS platforms were reviewed to establish the publicly available activity that was taking place. All participants used at least one SNS platform, and the SNS posts they made immediately prior and during the RBCF campaigns were mostly fewer than three per day. Engagement through SNS performing information-sharing (Fischer & Reuber, 2014, p. 579), was also limited to less than eight for all of the participants. Those who shared multiple videos posted in various formats reached higher audiences, in a couple of cases reaching two to three thousand views. The majority of SNS engagement from backers and the crowd was in the form of compliments and any actual virtual dialogue from potential backers was rare and related to clarifying product features.

Comments posted by the participants on SNS during the campaigns included a mix of personal, industry related and campaign related material. Their comments specifically relating to the campaigns were mostly referring to the existence of the campaign with a link to the RBCF website. They also made comments about the numbers of backers so far and the number of days to go before the campaign ended and expressing appreciation for those who were information sharing and backing.

For example, SNS messages eliciting backing:

*“@{contact} lovely to meet you at #pdshow2017 and listening to me rattle on about my #{product} #WorkwearForWomen. Hope you can support me on my Kickstarter for all your female decorating customers by telling them about me! {web link}” [RuggedWear-Twitter]*

*“We've had a fantastic first day response to our #{RBCF platform} campaign. Thanks to everyone for their support so far #cycling #project {web link}” [CycleAccessory-Twitter]*

*“The countdown to our crowdfunding campaign is HERE! In 7 days we launch on @{RBCF platform}. Sign up to stay updated and receive your earlybird discount on #{product}, sign up here: {web link} #swimmer #swimming #Triathlon #triathlete #IronMan #wearables #WearableTech” [SportTech-Twitter]*

#### *Chapter 4 Findings: Theme 3 Practice of Entrepreneuring*

The participants' video and SNS practices are mostly described from the perspective of technical management and they are mostly self-reliant in developing the skills. The messages they put onto SNS are mainly conveying information rather than engaging in dialogue.

#### *Enacting digital and face-to-face domains*

All participants were engaged in both online and offline activities, combining them to achieve the aim of promoting the product and themselves as business people. Many were attending industry fairs, expositions, Christmas markets and doing other offline promotional activities, such as radio interviews and press releases, in the run up to the campaign and during the campaign:

*"I am also doing another games fair in March which conveniently happens just before the project finishes, this means we will be there for two days with maybe four or five thousand people and we will be able to directly get them to back the game" [CardGame2]*

CycleAccessory organised their own local event to promote the RBCF campaign using both offline and on SNS:

*"[...] we put a little gazebo up and made it an event and then we put that on Twitter and Facebook [...] invite a load of people and basically sell to them, if we don't sell the product, we sell ourselves " [CycleAccessory]*

CardGame2 and RuggedWear used industry shows to blend both offline physical promotions, online SNS promotions with generation of content for promotion:

*"show in Coventry, so I have put on twitter that I will be there wearing, so I have got a top with the logo on" [RuggedWear]*

*"if you go to a show [...] then you have loads of photos and videos and you can post that on the social media and it gives you that content" [CardGame2]*

CycleAccessory also expressed that it was important to use SNS to establish legitimacy of self:

*" the biggest help without spending money would be to grow your social media first and do it in a way that you are not trying to sell in your social media just trying to make people aware of who you are that you're a real*



*person that's doing things in [...] whatever your chosen field"  
[CycleAccessory]*

Two participants had encountered the online nature of RBCF as a barrier to initiating support. [ExtremeSport] was provided with connections to some high monetary backers by a person that avoided online activity. This person had heard about the RBCF campaign by word-of-mouth from mutual friends and being a trainer within the industry, had existing contacts to other people who were training in the sport and, therefore, requiring new equipment.

[RuggedWear] had received feedback from people who had attempted to use the RBCF platform but had failed to make it work for them and so had not backed the campaign:

*"nearly everybody that did back me it was first time {RBCF platform} backers [...] no-one understood {RBCF platform}, it was literally, it was hardly anybody who'd backed me, who'd previously backed somebody else on {RBCF platform}, so they didn't understand it, a lot of people tried to use the {RBCF platform} and didn't understand it, so they maybe wanted to buy a pair of trousers and a pocket but they got confused and gave up, so I think in shop terms, there were a lot of abandoned baskets"  
[RuggedWear]*

So, if the targeted audience avoids or struggles with the technology then they can influence on the progress of the RBCF campaign.

Participants felt using SNS to grow a community was an important activity. Yet they engaged in extensive offline promotion activity. However, both online and offline domains were used in a two-way flow of promotional information. Some of their audience either avoided or struggled to engage with the online environment.

#### *Forming relationships based on mutual interest*

As discussed in Theme 2, Section 4.3.1, the participants were aiming to extend their communities, particularly with those that would become users of their products. During the interviews, they described their strategies for building their communities in both digital and offline domains.

CardGame1 was attending shows to gain access to retail buyers and also using digital means to interact with both the retailers and what she referred to as her "audience":

*“I just picked up my fifth retailer in February and hopefully I will pick up two more maybe international buyers because of the shows that I have just done [...] I am talking to my audience and, you know, having that warm vibe with them, I also need to be on my emails and talking to my retailers and making sure they need new copies” [CardGame1]*

The product was important for CardGame1, in mediating the relationship with the audience:

*“the biggest thing that has come from my audience is that once people play it or they meet me they become like super fans, so I have had people who absolutely adore the game who then, they share every single post of mine or they write their own reviews and they are getting their friends to play it” [CardGame1]*

Yet, also CardGame1 had developed several online peer groups that supported each other's efforts to promote their games and stated that, as a result, interaction on her SNS had increased:

*“there has been 5 of us on Twitter and we have all been running card games at the same time, 4 of us in England and 1 in America and we have a little group on Twitter or a chat on Twitter and we're, you know 1 person is making all these graphics and saying he is sharing all these, we're all funded on this side and we just need to get you two funded and then we are sharing out posts and we're interacting and tagging each other” [CardGame1]*

*“I did a live stream with America and we played {product} with webcams and everything and there is a fantastic community [...] it's on a server called Discord<sup>24</sup> which is a gamers platform [...] on Discord is just fantastic everyone is so very supportive of each other” [CardGame1]*

So, for CardGame1 building these relationships involved interacting at shows and SNS activity. She talks of having a “warm vibe” with her audience and their willingness to promote her product even though they had not met her face-to-face.

CycleAccessory spoke about developing his relationships through social dialogue at events:

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<sup>24</sup> Discord is a Voice Over Internet Protocol Application (VOIP)

*“socialise in between the racing or in the evening when the racing has finished, you know, we stand around and chat and talk bikes and talk business” [CycleAccessory]*

CycleAccessory explained that the people he had developed relationships with were valuable for their position within the industry and so for his marketing strategy:

*“shakers and movers in the industry, you know who really hold some weight in the industry [...] I know them personally now, just by going to events, by being there and talking to them and getting out and meeting, which has actually been the only marketing strategy I have had, [...] rather than hoping by advertising in a magazine or whatever that it is suddenly, magically going to happen [...] it’s all been on the back of going out and, you know, on an almost weekly basis” [CycleAccessory]*

Although CycleAccessory had developed relationships within the industry, he also felt that the effort may not necessarily be beneficial:

*“You make new contacts all the time and you discuss your ideas and the rest of it and then sometimes you get, oh I can help you here and I can help you there and it doesn’t come to anything, so putting a value on a new contact is a bit difficult sometimes cos as I say people do promise things and don’t deliver” [CycleAccessory]*

So effort in building a community is made by CycleAccessory without knowing whether any benefit will emerge. Although his approach to building relationships seems arbitrary, he is focussed on developing personal relationships with “*movers and shakers*” within the industry, as discussed in Theme 2 on combining functional resources, through which he had obtained advice on pricing and marketing that he valued. Further, the relationships are based on mutual interest in the industry.

On the launch of the RBCF campaign, ExtremeSport’s strategy include making press releases and to engage through SNS. He utilised various special interest groups on SNS promoting the campaign and engaging in digital dialogue:

*“there is a lot of long threads of comments on all of those shares now, some people asking queries.” [ExtremeSport]*

Part of his stated aim was to get more interest in the sport from those not already taking part and yet had not achieved that aim. At the end of the

campaign, his perception of engagement was that most of the sport community in the UK and many in the worldwide community had been reached:

*"{You would} struggle to find a {sports participant} who hadn't heard I had taken over [..]" [ExtremeSport]*

Although he felt the campaign had been promoted by his friends:

*"friends shared it on Facebook quite convincingly" [ExtremeSport]*

The only backing he received beyond the initial user community was for merchandise from existing family and friends, suggesting that, whilst he believes in the effect of influence of friends doing promotion, the effect is limited. So, again there are mostly efforts to build up a community through dialogue centred on interest in the product.

RuggedWear also proactively searched for special interest groups on SNS, requested to join the groups and engaged in digital conversations with group members. One group in particular became animated about the name of the RuggedWear's product and subsequently gave product feedback:

*"Facebook groups are really good, [..] one for archaeologists, somebody had seen me on #ThisNorthernGirlCan {and made online recommendation} [..] I am used to talking to electricians and decorators and now I am talking to archaeologists.[..] {the admin of group said} right we have discussed the name, can we just get on with the discussion.[..] so then everybody was like yes, yes, can you do this, can you do that [..]" [RuggedWear]*

RuggedWear also proactively searched for potential valuable connections using SNS. For instance, she was trying to connect with a woman who was regularly making SNS posts about painting and interior design industry:

*"[..] so she tests things for people, I don't know what you call that, like an influencer or something" [RuggedWear]*

After a time of sharing SNS posts, they had arranged to meet face-to-face at an industry show. So, although she found SNS useful for developing her contacts, she also observed it has limitations:

*"you think social media is going to be the answer to all your problems but it's, it only does a certain amount, doesn't it" [RuggedWear]*

Further, she pointed out that, even though she had tried to set up “networks” with interested groups, she felt they were not all enthusiastic:

*“it was all about setting up the networks with women’s advocacy groups and trying to get them on board with what we are doing. I don’t know how successful we have been on that a lot of people didn’t get back to me and the ones that did were really excited about it but it’s not like everybody is excited about it” [RuggedWear]*

Therefore, those with a special interest in the product may or may not follow up the connection, but where connections are made, they can begin online and develop simultaneously online and offline. But again, the common factor in developing the relationship is that they have a shared interest relating to the product.

In contrast, CardGame2 was not as proactive, but had been approached by what became a valuable connection at a show:

*“I also met someone at a games fair, at the first games fair I did and he runs a big channel called coaching for geeks and he kind of does like sort of personal development sessions sort of directed towards geeky people, he did an interview, podcast thing with me which he put on his channel and he also gave me some advice as to how to build up some sort of practical little tips for building up your followers as well [...] he just found us at our stall [...] he gave us his business card [...] I have done another interview thing with him more recently and he is going to post it out on his channels” [CardGame2]*

So, for CardGame2 this connection, began offline and developed into an online relationship, yet was centred around an overlapping interest in teaching and learning to promote the product. Whilst SNS was important to the process, for CardGame2 it was also about the engaging in many different online domains:

*“ [...] you have got to have lots of friends on Facebook, lots of people on Twitter, lots of people on Instagram and also be engaging in all the forums and all that kind of thing” [CardGame2]*

ExtremeSport and CycleAccessory had described spending years personally engaging with their user communities, so building not only friends but acquaintances and used these to enact the RBCF campaigns.

The participants used both online and offline strategies to extend their communities. There was a focus on developing the relationships around the common interests such as sports.

*Paradox of 'friends' and 'acquaintances'*

The participants made use of their existing networks both online and offline to promote the campaign. They referred to friends often in terms of people that were close to them, and as shown earlier (see Theme 2, 4.3.2 Combining with functional resources), some of these were people who were providing expert or experienced knowledge resources, in particular ways that sometimes the value may be reduced in certain contexts, such as offline versus online entrepreneurship knowledge. Yet during the interviews, the term 'friend' sometimes meant people they had only connected with on SNS, so more of an acquaintance than what might be perceived when discussing friendship:

*"most of the people who have backed me are very close, either close to me because they have met me at a show or something or its one relation away from someone I have met, because they have told their friend"*  
[CardGame1]

*"making these almost friendships with people [...] that you have got this commonality with"* [RuggedWear]

*"[...] you actually end up sending messages or otherwise getting the attention of people that you have in your Facebook friends that you have possibly not really spoken to for years and years [...] people that I have only met once so they are still not really friends but they are people that I did add to Facebook yes so, I think these days this is very common, for everyone I know has a lot of friends in their Facebook group, in their Facebook list that they are not really friends they are just almost acquaintances or people that you add there are a lot of people, that you've possibly not even spoken to its just the way social media is these days, you know, people add people you know, they do that very easily really"* [CardGame2]

CardGame2 also talked about contacting all his old school friends who he had not contacted for many years, thus could be described as latent. These 'friends' were connected via SNS, thus were seen by the participants as being easy to contact and energise into "liking", "sharing" and backing.

For these participants, there were both 'latent' connections that they perceive could be encouraged to supporting the campaign, as well as new connections met fleetingly at industry shows and other events, who were described as 'almost friends'. Connections with both could be facilitated and maintained by digital means.

In contrast, CycleAccessory described creating relationships with “*movers and shakers*” in the industry. One in particular, who was a marketing manager of a bicycle company, that he described as having an initial, long, face-to-face conversation with at a show. He describes this connection as follows:

*“everyone in the cycling business knows {connection’s name} and he knows pretty much everybody that is worth knowing, super guy, super friendly and helpful” [CycleAccessory]*

Subsequently, CycleAccessory describes the first meeting and he maintained the contact through connecting on SNS and meetings at other events:

*“{first meeting of contact} said, I can’t handle your product because there isn’t enough profit in it for me, but if I can be of help any time just give me a call and he give me his card, and from that day on we have become friends” [CycleAccessory]*

CycleAccessory further described consulting this person at various times, as he had become “*a bit of a mentor*”. Again, like the other participants, there is mutual interest in the specific industry, but here there was an opportunity to initially interact more extensively and face-to-face. Notably here, unlike the other participants, the relationship develops quickly into a supportive one, rather than being latent “friends” or fleeting interactors.

For these participants, there were both 'latent' connections that they perceive could be encouraged to supporting the campaign, as well as new connections met fleetingly at industry shows and other events, who were described as 'almost friends' the nature of the relationship giving rise to a paradox. Connections with both could be facilitated and maintained by digital means.

#### *Comments on enacting relationships*

Whilst the participants felt SNS was important to grow the community, they used both online and offline activities to promote the products, yet used online

less to engage in dialogue. The strategy to create relationships was based on common interests. Both latent and new connections were used to promote, yet there was paradox in conveying the nature of the relationship.

#### 4.4.2 Experiential coping, adapting and learning

With limited sources of expertise to draw from in their context, learning from the everyday experiences occurs and the participants described situations and ways they dealt with them. For the participants this was about uncertainty, the unexpected, the extent of the challenge and managing through being creative and do as well as they can, given this situation:

*"we do our best stumbling around in the dark." [CycleAccessory]*

*"you learn all the little bits and pieces of skills that I didn't know I needed, and you learn how difficult it is to do" [CardGame2]*

*"I need somebody to tell me that I am doing the right thing cos I am just making it up as I go along really." [RuggedWear]*

For these participants, whilst faced with uncertainty, unexpected challenges and constrained resources, they continue with their actions regardless of these conditions. The participants felt challenged to cope with the timing and sequencing of activities. They felt particularly challenged to carry out the activity of selling. Yet, despite these challenges they described how they were tackling the challenges through proactive learning. These descriptions suggest the participants feel they are not yet experienced enough to identify as being in an 'established' business but have started their journey, albeit apparently lacking in knowledge of how to achieve that.

##### *Timing and sequence of activities*

The timing of the whole process of RBCF and simultaneous activities was challenging for the participants. For example, organising the production of prototypes for RuggedWear had hit problems and so had delayed the start of the RBCF campaign from the summer to just before Christmas. This did not help the campaign as she realised many potential backers would be discouraged:



*"[...] not rich so they are not going to spend money on themselves just before Christmas.[...] but I knew that" [RuggedWear]*

Also CardGame2 felt the ideal time would have been the run up to Christmas, but some work obtained from attending a fair had delayed the RBCF campaign to beyond Christmas. He described the intention of waiting until the following Christmas. However another similar product appeared on RBCF, which was not successful but made CardGame2 feel the opportunity may pass to another competitor:

*"[...] so, that really put pressure on me" [CardGame2]*

So, he felt he had to change the timing of the campaign to February instead, so as not to miss the perceived window of opportunity.

ExtremeSport tied the RBCF campaign with the transfer in ownership of the business, making several press releases promoting both the transfer and the RBCF campaign. He spoke of "*Blitzing*" the campaign preparation in a few days between gaining access to the business and starting the RBCF campaign, suggesting that it was important for the timing to make the most of the newsworthy publicity. Again, there is a perception of there being a window of opportunity that could be missed.

CycleAccessory had a combination of other work to manage and felt that holidays periods were not good for RBCF campaign success, so chose to run the campaign when his capacity allowed:

*"I'd heard bad reports about trying to launch something over a holiday period [...] {need to} have time for a run up to the {RBCF platform} campaign so we knew we were going to get busy into May and June so we kind of aimed for April when we could actually man it"  
[CycleAccessory]*

CardGame1 wanted to gain from the publicity at an event after the RBCF campaign so felt under pressure to make that happen:

*"I also realise I am running against the clock because I want to release my card game in May and the amount of time it takes to create the game, so I needed to release the campaign in February [...] then I can also promote it at the UK Games Expo" [CardGame1]*

*Chapter 4 Findings: Theme 3 Practice of Entrepreneuring*

The choice in when to carry out the campaign is challenging due to uncertainty. They take action despite perceived windows of opportunity and feel combined pressure from the external environment and co-ordination of their activities.

*Challenging sales activities*

The participants particularly expressed frustration on learning of how much effort they felt it takes to sell:

*"[...] trying to build up a tribe of followers that's partly what I wanted to do is build a tribe of women who were behind me, which I did to a certain extent just not enough [...]" [RuggedWear]*

*"{at an industry exhibition} I will try and go up to every woman that is there and say, did you know, [...] then go into a corner and take a big deep breath, I don't like this part, I know decorating I don't know marketing" [RuggedWear]*

Also, selling can be a frustrating process when selling face-to-face to individuals works, yet is time intensive, and what you feel is needed is to be able to sell online to many people which is less time intensive:

*"[...] so when I am in front of someone [...] they like my personality [...] more likely to go and back me because they had a really nice experience {compared to} [...] most amount of people behind it, in the shortest space of time" [CardGame1]*

When asked how they felt about the RBCF campaign process, RuggedWear's reaction was initially very emotional but as she spoke she reflected on the value gained in the process:

*"Rubbish! I thought it has not worked, but it's been a waste of time but not a waste of effort because it was a really good process of doing all that marketing, in hindsight." [RuggedWear]*

CardGame2 expressed both the challenge of being pushed to do activities that are outside the comfort zone with little alternatives:

*"[...] all that salesy stuff that's all new stuff for me and stuff that I am not naturally comfortable with [...] there is the sort of the uncomfortable factor that you're kind of asking a lot of people you know for money and also going on about something which goes against my natural instincts to keep, you know, talking about and keep trying to push my game" [CardGame2]*

*"[...] leverage any type of social media connection [...] I don't think there is any short cut around that, that is the, that's the sort of biggest challenge of the whole thing really particularly if you don't really like social media."  
[CardGame2]*

The participants did not directly refer to the hours spent on the campaign but used emotive language to describe the process. CardGame2 described it as "intense" and a "rollercoaster" and CardGame1 described needing a break "taken a little bit of a break because I need to sort of readjust". RuggedWear seemed quite conflicted describing RBCF as "a waste of time [...] but not a waste of effort" and "wouldn't recommend it" due to the amount of pre-campaign marketing needed to get early backers (see Theme 2, Sub-theme seeking resources).

The participants feel challenged by the sales process, yet persisted to meet this challenge.

#### *Becoming sufficiently business literate*

During the interviews, despite the expressed frustrations, there was also much discussion of proactive learning about business topics. The participants describe being very proactive self-learners of skills they perceive they need for their ventures:

*"I need to start paying for those adverts on Facebook and pushing it out, but I have only just figured out how to do that on Friday, that will be next week's work" [RuggedWear]*

*"I do it {promotion} all myself and that is where I am going wrong [...] to take it to the next level, that's why I am going to this thing about marketing next week to see if it is something I could learn or whether it would be better to just, you know, employ maybe a freelancer marketer to, to do it properly and do it justice" [CycleAccessory]*

So, there is reflection on whether outsourcing a function is better than trying to persist in self-learning, but more understanding of the process is felt to be needed before that choice can be made.

Several participants acquired tacit knowledge of both business practices, selling and how to use RBCF through vicarious learning by observing other sales people and other RBCF campaigns and reflecting on these examples:

*" [...] {at a course} this woman was saying, 'we are five years into our business [...] and we have just got a very reactive approach to our exporting' and I am thinking, I am only one year in and I am trying not to have a reactive approach" [CardGame1]*

*"[...] I looked at a company called {company name} and they were just so successful very quickly [...] look like they know what they are doing, they must have really thoroughly planned it beforehand" [RuggedWear]*

*" [...] another friend as well who is naturally amazing at selling things, so he has given me inspiration and sort of shown me, well I have just watched him selling things, watched him selling my game and just try and copy exactly what he does and I can't do it anywhere near as confidently or as effectively as he can but you know, but I can do my best[...]" [CardGame2]*

*"I look at other projects that are kind of similar or other ones that are successful and try and copy what they're doing" [CardGame2]*

Yet, also learning through the interaction with the audience helps to develop skills:

*"think doing the updates and doing the personal messages to backers, it's a kind of teaching me to be, pick my words more carefully about what I want from people, so you know, I don't just ask for money, I tell them why I need money and what it's going to do and kind of, sell the idea a bit more" [CycleAccessory]*

CardGame2 pointed out the variety of new experiences and unexpected situations that can lead to learning and which he felt could be additive:

*"One of the interesting things about this whole project is all these new experiences and the way it pushes you to do things that you have never really done before, it is kind of quite addictive thing to become involved with because of that, because of lots of varied experiences, lots of unexpected situations that come as a result of doing something like this" [CardGame2]*

Further, as RuggedWear describes, acting and then reflecting on action leads to learning:

*"I probably reached hundreds of people, thinking that was great and then realising it's not enough, it's really not enough cos you, say if I had, well maybe I did get, reach a thousand people and 10% of them decide to buy {product}, it's only 100 {product}, you have got to reach thousands to get thousands of orders. So that's obvious when you start talking about it." [RuggedWear]*

Through the actions of enacting their new ventures participants were learning about selling but also about other business skills such as financial management:

*"[...] looking into all the finance, so I went from not knowing very much about how to get any sort of finance to knowing the pros and cons of all the different options[...]" [ExtremeSport]*

*" [...] then work with the person that I owed money to and use a payment plan [...] financially, whilst I was saying I was not good with money, I am good with finding problems, solving problems [...]" [CardGame1]*

There were concerns about the volume of information needed to understand how to run a business and the speed at which that information could be absorbed:

*"I guess there is always more to do there really isn't there, it seems like a never-ending lump of stuff, like business services and compliance, [...] trying to keep abreast of everything that you are supposed to be doing just seems a never-ending, a never- ending task really" [ExtremeSport]*

*"it's all been a massive learning curve" [RuggedWear]*

This was about learning to become a business person for CycleAccessory:

*"[...] can I quote for all your other events [...] I quoted, they liked how we worked when we did the first one and we've got a nice relationship going so, you know, it's learning to be a business man" [CycleAccessory]*

The participants show their proactive learning to meet the new challenges of business creation.

#### *Comments on experiential coping and adapting*

The participants express the challenges of timing of activities, learning to sell and learning business literacy, yet they meet these challenges and persist in the enactment of their ventures.

### 4.4.3 Summary of Theme 3 practice of entrepreneuring

This Theme has presented the findings related to the entrepreneuring practices of the participants. The extensive findings show that the participants' RBCF campaign is enacted both online and offline in a two-way flow of information.

Online is through the RBCF platform and other online domains including SNS, forums and VOIPs. Offline is through industry events, selling fairs and self-generated activities. Relationships are built around common interests. Both latent contacts and new contacts are used for promotion activities online but there is a paradox in the language of 'friends'. The participants find the timing of activities, selling and business literacy challenging to enact but persist. Together these findings demonstrate their practices. These aspects are discussed further in chapter 5.

## 4.5 Summary of Findings

The participants provided rich and complex narratives, discussing their aspirations from multiple dimensions, the resources being sought from and combined with RBCF and their challenges to enact and learn from RBCF. The findings reveal many nuances in the lived experience of the participants and, in some cases, their actions or experiences deviate widely and in others there is a similarity. For instance, ExtremeSport was the only participant that clearly articulated his future vision within his campaign materials, while all the other participants focused almost exclusively on promoting the product. Whereas all the participants were seeking to encourage new product-users beyond their pre-existing connections family, friends, and user communities. The participants are enacting the RBCF campaigns through both offline and online domains. The discussions around the nature of the connections they were making has become blurred by the terminology used in the online domain. Yet in all cases backing is obtained despite the challenges of the process. The following chapter discusses these themes and, following the Hermeneutic process, seeks to abstract from these themes some overarching elements that connect the themes and create a holistic understanding of the lived experience of the participants.

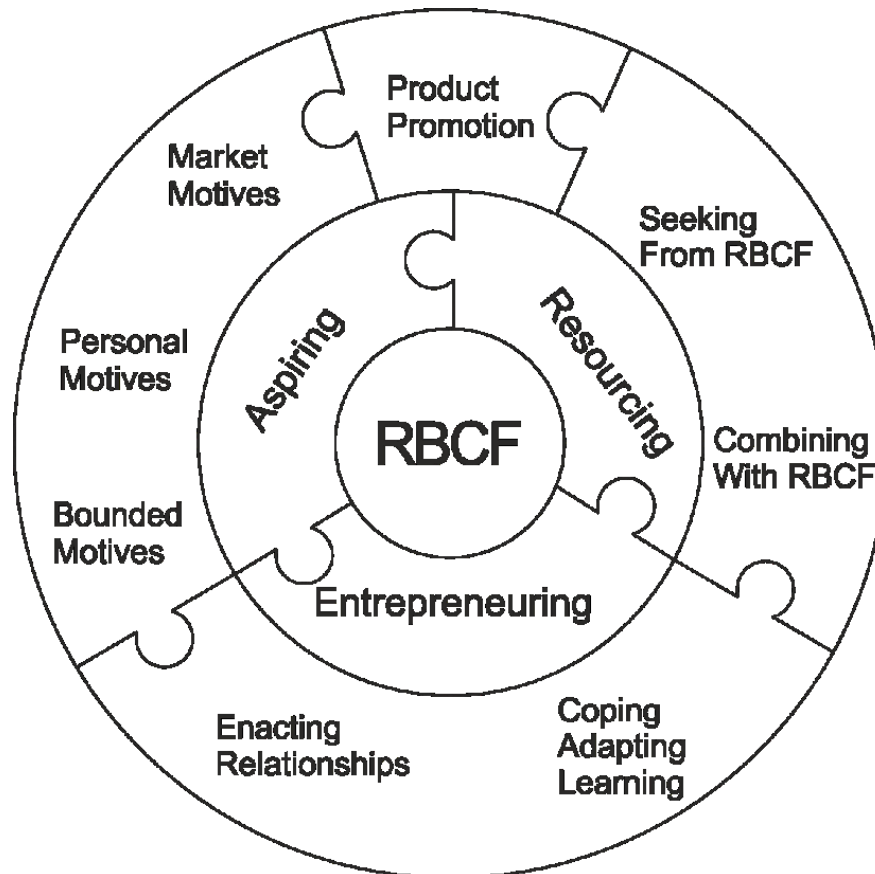
## Chapter 5 Discussion

### 5.1 Introduction

The aim of this thesis was to explore the lived experience of using RBCF for acquiring resources by nascent entrepreneurs. This chapter interprets and discusses the findings presented in Chapter 4. Initially, I shall explore the discourse of the participants gathered into each Theme, drawing upon literature from the review and new literature where it is relevant to the concepts raised in the findings. Then I express what I have interpreted as the meaning of that discourse, theme, and the connections I see between them. Each theme discussion is summarised and related back to my preunderstandings. This is offered as one interpretation of the lived experience of the participants. From a hermeneutic perspective, the development of the research involves the literature being used as a thinking dialogue rather than being restricted to the beginning of the study (Smythe & Spence, 2012, p. 22).

From the findings, we can see the three themes of aspiring, resourcing and entrepreneuring. These are presented in Figure 5-1 to show them as pieces of a jigsaw fitting together to represent the interaction. The three themes are discussed in depth in the three sections below, but briefly, the participants are aspiring to create market-traction for their products as well as to meet personal outcomes. These aspirations are bounded based on their prior experience. In terms of resourcing their ventures, they utilise RBCF to market the product to gain product-user backer commitment and to gain non-user backers to reach the funding goal. Concerning their entrepreneuring activities, the participants seek out those with mutual interests, through a combination of digital and face-to-face means. They believe they are making substantial efforts to engage, although the digital engagement is relatively low. The experience is intense, they must make choices about timing, learn selling techniques, and become sufficiently business literate to cope. They cope by “doing” the activities. The themes are summarised, then a further section takes those hermeneutic parts and a further section explores them as a hermeneutic whole, considering the inter-connectivity.

Figure 5-1 Summary of themes



Source: Devised by the author and inspired by the hermeneutic circle

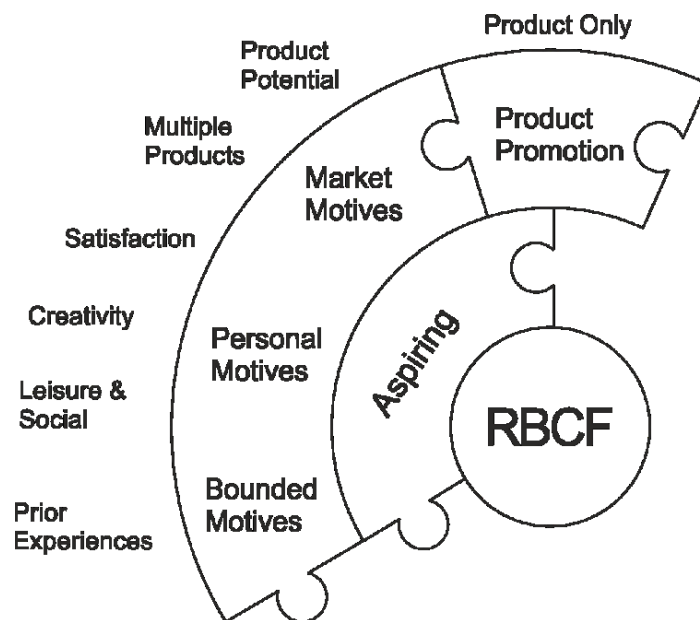


## 5.2 Discussion of Theme 1 Multidimensional Aspirations

### 5.2.1 Introduction

In Chapter 4 important findings were presented that showed, whilst the participants have multi-dimensional aspirations, including both economic and personal aspirations, these are not the subject of the presentation on RBCF (Figure 5-2). RBCF is used to present the product and only one participant included more information about his venture aspirations. None of the participants presented the extent of information that might be provided in a traditional business plan. The participants are motivated from multi-dimensions as they have economic aspirations to develop a range of products in their fields. They also wish to satisfy their creative aspirations which are drawn from their personal leisure and social activities. They wish to derive satisfaction from taking the responsibility for the venture which is envisaged to be different from their prior work experiences. These findings are discussed in more detail below. Then finally, I discuss the findings in relation to my pre-understanding.

*Figure 5-2 Theme 1 Multi-Dimensional Aspiration*



Source: Devised by the author and inspired by the hermeneutic circle

## 5.2.2 Personal Satisfaction, Enjoyment and Control

The participants seek satisfaction from creating ventures based on taking responsibility and enacting their personal values and beliefs. Previous experiences have an influence on how they view the future of their ventures. (See Section 4.2.1 pages 122 to 127). The comments from the participants convey a sense of what is important and valued by them. They talk about being in control of the nature and direction of their venture. What they express is the chance to pursue directions that have personal meaning for them, whether that direction is where their effort is focused, or the types of products they believe will be viable. What they seek from their venture is freedom to organise and conduct business through flexible approaches that suit their personal values and beliefs. They seek to shape the venture and their role in that venture in a way that both challenges them and gives them personal satisfaction. In making these choices, there is also an acknowledgement that there are tensions, alternatives to be weighed against forgoing opportunities that they perceive have some alternative source of value for them. So, whilst they may be taking risks in promoting their projects, they derive a deep sense of personal satisfaction from the activities.

The participants' expression of the choices was often through comparisons to a previous experience and they are making assumptions about the future, that their desire for personal satisfaction can be met through their venture, yet also they may feel more determination to prove the choice was correct. In making the choice to pursue these ventures, the participants are committing personal resources and time resources. They all have education and skills that would enable them to pursue alternative employment opportunities. So, the situation for these participants is not one of necessity, where push factors dominate, such as redundancy, where survival and support of oneself and family is the main driver and failure could mean starvation (Carsrud & Brännback, 2011; Morris et al., 2018). For several complex reasons, including satisfaction, enjoyment, control, flexibility, they have decided to pursue the venture. Whilst much research focuses on the economic outcomes of entrepreneurship (Pfeffer, 2008, p. 148; Watson, 2013), other research has shown how 'lifestyle' entrepreneurs are motivated by a mindset that values self-fulfilment and quality of life (Marcketti et al., 2006; Morris et al., 2018).

### 5.2.3 Creativity

The participants derive personal enjoyment from a passion for design and making time for being creative (See Section 4.2.1 pages 127 to 131). For these participants, creativity can come both from long-held passions, for instance in sports (SportTech and ExtremeSport), product development and design (CardGame1, CycleAccessory and RuggedWear). From recent reflections and appreciative feedback from customers, they express that it is important for them to have responsibility for it and make time for creativity. Feedback from customers on their creations was helping to raise self-esteem and generate deep satisfaction and overall, they express the desire for being involved in a purposeful activity. A study into entrepreneurial behaviour in New Zealand, examined the claims to an entrepreneurial identity. This study showed that creativity was perceived as the most important feature of being entrepreneurial as it allowed the entrepreneurs to develop new insights and challenge existing ideas (Kirkley, 2016). The researchers expressed the view that these express claims are part of the narrative that can sustain an entrepreneurial identity. The expression of this identity is seen to be necessary to convince stakeholders, through her behaviour, that they are indeed entrepreneurial. Interestingly, only one participant, CardGame1, referred to herself as an entrepreneur, referring to their *“entrepreneurial skills”* and comparing themselves to parents who *“aren’t entrepreneurial or don’t understand quite what I am doing”*. She sought out those that provide support and understanding for entrepreneurs. All the other participants used personal pronouns to describe their skills and activities and so are not self-identifying as entrepreneurs. However, according to the research of Morris et al.(2018) their respondents, who described themselves as creative and independent, were categorised in their framework as ‘Lifestyle’ entrepreneurs, with a low entrepreneurial orientation.

The insights from participants of seeking enjoyment, creativity, purpose and derived from leisure activities accords with Cardon et al’s (2009) conceptualisation of entrepreneurial passion. Cardon et al. (2009) define entrepreneurial passion as “consciously accessible, intense positive feelings experienced by engagement in entrepreneurial activities associated with roles that are meaningful and salient to the self-identity of the entrepreneur” (Cardon et al., 2009, p. 517). They argue that passion influences persistence and

creative problem solving and if combined with a particular identities (Inventor, Founder, Developer) will play a role in effective opportunity identification, venture creation or venture growth (Cardon et al., 2009). Yet being passionate may also undermine ventures, as Carsrud & Brännback (2011, p. 13) point out, for example, a musician may pursue this at any cost making economic viability challenging. Further, Welter (2011, p. 171) points out that businesses associated with leisure activities struggle with legitimacy. So, although backing was received, the participants may face legitimacy challenges of being accepted as viable in the future.

All the participants convey a sense of seeking meaningful activity, the combination of needing to work to gain a sense of personal satisfaction, yet also finding pleasure in the work either from a creative perspective or from a freedom and empowerment perspective. They describe identifying with a community and developing their products because of that involvement. So there is a combination of personal driven logic and community driven logic to their motivations.

#### 5.2.4 Combining Leisure and Social Interests

The venture ideas of the participants originated from their own leisure or social interests (See Section 4.2.1 pages 131 to 132). Over time, taking part in the leisure activity or, in the case of RuggedWear, experiencing the struggles of women in non-office roles, they have gained insight and identified opportunities to pursue through venturing. There is not a simple boundary for these participants, between leisure activities pursued for purely hedonic reasons or societal concerns pursued for altruistic reasons, and the personal initiative associated with entrepreneurial behaviour (Hahn, Frese, Binnewies, & Schmitt, 2012). They describe a community-driven logic, wishing to be part of, and offering products to their communities (Gruber & MacMillan, 2017).

The idea of combining leisure activities with making a living accords with my own personal experience. I worked for several years for a charity that used 'outdoor experiential learning' to develop the soft skills of young people defined

as “NEET”<sup>25</sup>. Most of the project workers were employed based on their skills and qualifications in the outdoor leisure pursuits industry, for instance climbers, canoeists, and cavers. These people often expressed the satisfaction of utilising their long held personal interests in a way that combined an income with their leisure interests and mirrors the views expressed by the participants.

Whilst Shah and Tripsas’s (2007, p. 124) conception of a user entrepreneur, as those who use the product or service in their day to day life, somewhat overlaps with Cardon et al.’s (2009) passionate entrepreneur, the activities envisaged have differences to the participants context. The user entrepreneur is drawn from those who identify opportunities from day-to-day activities, in the case of Shah and Tripsas’s (2007) research, this is baby products. The passionate entrepreneur is conceptualised as being passionate about either inventing, starting ventures or developing ventures (Cardon et al., 2009). Other research on choosing entrepreneurial careers connects the expression of personal interests to a sense of accomplishment (Callanan & Zimmerman, 2016). Two studies find direct links between leisure interests and the development of new ventures. Mathias, Williams, and Smith (2015), in their study on entrepreneurial action, find that those with ventures derived from hobbies continue to pursue their passions through the venture without regard for economic benefits. The second by Fauchart and Gruber (2011) considered the sports manufacturing industry and found that the nature of the venture was influenced depending on three distinct identities. One identity was of those who had been strongly engaged in a sport domain. The idea for a venture was developed from this experience. The customer involvement within their sports community enabled higher quality customer care.

The participants in this study, who combined their work and leisure interests, were in the industries of sport and gaming and from my previous experience those combining work and leisure were in the sports industry. On the current largest RBCF platform, categories that are popular include Film, Dance, Art, Design and Technology (Mollick, 2014). This suggests that RBCF is a way for those who wish to combine their user interests and work, find RBCF a useful

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<sup>25</sup> NEET is a UK Government acronym for Not in Employment, Education or Training. <https://www.gov.uk/government/publications/neet-data-by-local-authority-2012-16-to-18-year-olds-not-in-education-employment-or-training> Accessed 27 October 2018.

resource because the backers, as providers of finance, have either less interest in the long-term venture ambitions of the entrepreneurs and simply want access to the product or their intrinsic values, beliefs and leisure interests are aligned with the participant and so feel empathy, identifying with the aspirations and want to support that ambition (Fehrer & Nenonen, 2019).

### 5.2.5 Perception of a Potential Market

RBCF is being used by the participants to achieve direct validation of their products and overcome “ugly baby syndrome”. In ugly baby syndrome, product developers see value in their own creation because they have sunk costs in the form of time, frustrations, and emotions into it. They ignore the problems and limitations of their idea and believe others will see the same value. This is also referred to as founder bias when referring to new ventures, and as Coleman (2005) observes; “no-one ever has an ugly baby”, thus founders act like proud parents, seeing their creation as without fault.

The participants in this study have the founder bias tendency as, based on their experiences, they perceive a potentially adequate market for their needs (See section 4.2.2 pages 132 to 139). Yet they also recognise this founder bias in themselves, therefore suffering from the anxiety that no-one else will see the value in their products. For these participants, the notion of seeking direct market validation from potential customers is important because this positive signal by key external actors acts as a ‘proofpoint’ providing demonstrable third-party evidence of the value of the concept (G. Fisher et al., 2016). This external evidence counteracts the tendency towards founder bias.

It also goes beyond the approach of identifying potential customers by their personal attributes, roles, and identities. Carrying out formal market assessments are promoted as necessary by training programmes (Bhidé, 2000, p. 112; Karlsson & Honig, 2009) and by those seeking reassurance before making investments. Formal market assessment is an activity that according to research, would influence professional investors who make high-value investments. These investors are most impressed by the ‘preparedness’ of the entrepreneur, in the coherence and logic and supported by evidence such as assessment of the market (X. P. Chen, Yao, & Kotha, 2009). Yet research

shows that market potential and market testing being two of the most difficult aspects to accomplish (J. D. Owens, 2007, p. 243). The participants are seeking to obtain some plausible gauge (Weick, 1995) of the existence of a market for their product and doing this through multiple activities which for them included carrying out RBCF. A strong element of the motivation of these participants to use RBCF was to meet this challenge. This is discussed further in section 5.3.3.

The product that was being promoted by these participants as part of their RBCF campaign was not standalone but part of an on-going development and a future extending the product range and thus the development of their ventures. The expression of potential and extension of product ranges suggest they are seeking a prosperous future for their venture rather than this being a one-off event or hobby with no future. As such, they describe an economic self-interest logic (Gruber & MacMillan, 2017). Research on the early development of start-ups and on small businesses suggests that product range extensions are one important element of building a commercially sustainable and prosperous business (Ashworth, 2012; J. D. Owens, 2007). Here the participants are expressing their hopes for the future and sensemaking about how they will shape that future, yet they are also in a context where they need to present themselves to external resource holders, whose perception matters if they are to engage as backers. Whether the participants perform some assessment of potential and, if so, how they chose to present that future has mattered in other contexts, such as accessing venture capital (Gruber, 2007).

My former experience includes many situations where the search for some “rational”<sup>26</sup> evidence that would apparently reduce the uncertainty of the potential outcomes was part of the accepted process of evaluation of planning choices (Gruber, 2007). Yet the context was one of relative stability in terms of ongoing trade, compared to the situation of a start-up where a regular trading pattern has not been established. This stability gave the resource of time to find the evidence. Also, the context was one of making decisions within a group, be it a management team or a governance group. This meant the evidence was as much to convince these stakeholders of the acceptability of taking risks rather

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<sup>26</sup> This is the approach to strategic planning which falls within the formal synoptic paradigm and contrasts with more emergent styles (Gruber, 2007, p. 785).

than it being an individual activity. In contrast the situation of the participants is one of instability with uncertainty around the potential for ongoing trade. Some prior research suggests that developing formal evidence positively influences economic outcomes, but this is based on data from VC-backed ventures (Gruber, 2007) who are in a very different economic context from this study's participants. Winch and Maytorena (2009) maintain that there is a decision-making distinction between situations of risk and uncertainty and say that:

*“where risk is the odds of a future event occurring given adequate data on its past occurrence, and uncertainty is a judgment about whether a future event might occur based on inadequate or unmeasurable data”*

Winch and Maytorena (2009) suggest that 'social sensemaking', that made in interaction with others, may be more appropriate in situations of uncertainty and ambiguity, whereas 'behavioural sensemaking', that made using data and analysis, may be more appropriate in situations of risk. In the case of the participants, there is both use of behavioural sensemaking in exploring existing data on the markets and social sensemaking in turning to RBCF to market their ideas.

### 5.2.6 Visions Influenced by Experiences

The participants draw on previous experiences to describe how these have influenced their vision for the future venture, particularly how they are choosing to operate differently in the future (See Section 4.2.3 pages 140 to 143). Most of the participants compare previous experiences they had and were seeking to operate their businesses differently. For ExtremeSport, he had previously felt creatively constrained so was seeking enough venture growth to make a “decent living”. RuggedWear had trained by the side of those from disadvantaged backgrounds and this, along with her revelation that her freelance work gave freedom from undesirable social structures, inspired the current venture. Yet the nature of the venture being envisaged would likely bring challenges to growth. CardGame1 had alluded to unacceptable treatment at a previous company and hinted at, therefore, wanting a “lifestyle” character to her business, suggesting a desire to limit the “corporate” character. For SportTech the “crazy growth” problem was being tackled by emphasis on “core skills” and developing the “agile network” to deal with growth in demand.



CycleAccessory's previous experience was a problem of engagement of staff, so he envisaged growth but through an alternative way of engaging that is unusual style of business. These visions, whilst showing the ambitions of some to scale up their trading to a higher level, there is a preference for the business to be bounded by their on-going personal business goals, personal motivations, and lifestyle choices. These choices are more nuanced than a purely economic approach, the participants have many dimensions to the vision of their future venture.

The act of drawing comparisons to previous experience, or retrospective sensemaking (Maitlis & Christianson, 2014) has been identified by previous research into lifestyle entrepreneurs which has shown how life events provided insights for the entrepreneurs (Marcketti et al., 2006). Other research on early-stage owner managers finds that previous experience influences decision making. So prior experiences with either family and friends, hobby communities, work experience in particular industries, influenced a variety of choices, including the nature of the market focus, the nature of the community they worked within, and the nature of the economic focus (Mathias et al., 2015). In conceptualising the entrepreneurial lived experience, Morris et al. (2018) argue that the pre-venture experience likely determines the saliency attached to on-going events. In comparing the entrepreneur and scholar conceptualisation of growth, Achtenhagen et al. (2010, p. 309) find that although entrepreneurs are aware of attributions of venture growth to job creation by policy makers, they perceive providing employment not only as risky, but emotional due to the closer interaction and involvement in changes in staff levels.

The personal motives are important to understand the nature of the venture and the envisaged development. Wright and Stigliani (2013, p. 4) point out it is not firms who make decisions about growth, but individual entrepreneurs; therefore, it is important to understand individuals' perceptions of trajectory. They may forgo opportunities in favour of fulfilling personal motives (Marcketti et al., 2006), yet the participants' ambition for growth is not stagnant, negligible or minimal. Nor is it aimed at vigorous and significant growth, seeking to turn the business into a "commodity" and earn a payoff from selling ownership, referred to as an 'exit' (Aernoudt, 2005; Ibrahim & Rogers, 2008). The 'payoff' currently envisaged here is a combination of moderate economic return, retained

ownership and is bounded by their personal motives. This accords with the findings of Zimmerman (2009) who found a range of motives of entrepreneurs, some preferring growth within personally defined boundaries and where others seek scaling to an 'exit event'. The ambitions also need to be considered in the context that they are no longer confined to "bricks and mortar", but are creating the venture within the digital environment and have many options to develop multiple revenue streams, technological or functionality development as sustainable strategies (Ashworth, 2012).

### 5.2.7 Campaign Presentation

Despite the aspirations expressed by the participants, only one shared this information with the RBCF audience. Although a traditional business plan might include information such as future predictions, none of the participants presented such information. The campaign information was confined to information regarding the product in most cases. Even though this is a significant difference to a traditional business plan, backer pledges were received and only one participant's RBCF campaign did not receive the full funding (See Section 4.2.4 pages 143 to 145). Those seeking financial resources from traditional investment communicate their intended ambitions for their ventures using a business plan (Mason & Kwok, 2010) which is a normalised way of communicating venture strategy (Balogun et al., 2014). The narratives in a plan includes subjective quality signals based on characteristics of the founder and assessments of the future and opens them to evaluation by the few potential investors (Cornelissen & Clarke, 2010, p. 548; P. H. Kim, Buffart, & Croidieu, 2016; Mason & Kwok, 2010). Research on pitching to investors suggests that passion receives less interest from investors than preparedness represented by quality of the business planning, its coherence, and connection to the broader context (X. P. Chen et al., 2009). In contrast, whilst the participants in this study have passions, aspirations and visions and have carried out at least some form of assessment of the potential future, these aspects are not being presented in every case, to the RBCF audience. Although one participant discussed their future plans and founder credentials within the video and narrative, no one presented any form of future market assessment or estimated numbers as might be presented in a formal business

plan (G. Fisher et al., 2016; Maxwell et al., 2011; Stokes & Wilson, 2010). Despite this, all participants obtained backer pledges. Only one participant failed to reach their goal in their RBCF campaign so did not receive the finance via the RBCF campaign. This suggests that backers were happy to back the product, irrespective of the aspirations of the participants. This is contrary to other RBCF research that finds failure to explain use of funds would lead to campaign failure (Hobbs et al., 2016, p. 158), yet reflects the guidance of crowdfunding advisors on the importance of articulating the value proposition (Fehrer & Nenonen, 2019).

### 5.2.8 Summary of Theme 1 discussion

The information provided by the participants points to their current identity being based on strong personal satisfaction motives which are not purely economic. Weick (1995) argues that who you think you are shapes how you understand and enact events. The participants have all drawn retrospectively from personal experiences, placing them in context with their life experiences and personal motives and assigned meaning to them (Weick et al., 2005). From this retrospection and comparison, they are choosing pathways that more strongly meet their preference for freedom to choose the direction of their venture. The participants have placed value on freedom from social structures, on creativity and pursuit of their passions in leisure interests, deriving their products from personal experience as users (Shah & Tripsas, 2007). Their visions include both economic outcomes and seeking a sense of purpose. They also perceive a market potential for their ideas and have ambitions to extend their product ranges, so there are aspirations to grow their ventures beyond the current state and derive an economic return. However, this is tempered with an awareness that their own creative mindset may be distorting the viability of their current product, as in "*ugly baby syndrome*". Thus there is a perception of the need to seek direct feedback from product-users through RBCF.

Yet these aspirations are bounded by self-imposed limits on the nature of their ventures. So, there is an interest in prosperity and enduring sustainability of the venture met by retaining ownership. This resonates with other research that finds creative entrepreneurs seek a fair compensation for the creative value provided to customers through reciprocity rather than customer exploitation

(Marcketti et al., 2006). Yet also resides in the grey area where low levels of follow-on activity and determination may result in actors described as “dilettante dreamers” or “hobbyists” and raises questions about the identification of nascent entrepreneurs (Davidsson & Gordon, 2012, p. 856). The participants’ hopes, and dreams are not simple but are complex, formed from multi-dimensional aspirations (Wach, Stephan, & Gorgievski, 2016). Their complex journeys may get waylaid in the future for any number of imperceptible reasons and their entrepreneurial aspirations become invalidated and not surviving, yet they currently display aspirations and so should not be dismissed from the entrepreneurial designation.

Despite these passions and visions for their future, when seeking backing through the RBCF campaign, the focus of the campaign is on the products being promoted rather than a complete picture of the vision of the venture. The participants seek to overcome “ugly baby syndrome” through ‘social sensemaking’ (Winch & Maytorena, 2009) and achieve what is conceptualised as “market-traction” (see page 27). Professional investors deem market-traction a critical factor in assessing the quality of a funding opportunity (Maxwell et al., 2011), yet it is one of the most difficult to accomplish (J. D. Owens, 2007, p. 243). Nevertheless, as Fisher, Kotha and Lahiri (2016, p. 390) note this is one ‘proof-point’ out of multiple factors of legitimacy considered by investors. Backing was received despite most of the campaigns not including other ‘proof points’ such as the feasibility of future-plans and predictions in traditional financing situations (Hallen & Eisenhardt, 2012). In other situations, the need to convince resource holders of the feasibility of the future of the venture is an important activity (Cornelissen & Clarke, 2010, p. 548). Rindova et al. (2009, p. 483) argue that in seeking external resources there is a compromise between the personal motives and the form a venture can take in having to conform to alleged market realities. In these situations businesses begin to take on homogeneous qualities and follow taken-for-granted routes to legitimacy as they begin to adapt their visions to these demands (Navis & Glynn, 2011; O’Neil & Ucbasaran, 2016; van Werven, Bouwmeester, & Cornelissen, 2015). Contrary to this, with gaining financial resources from RBCF, the participants have in a sense either deliberately or unconsciously been able to side-step these isomorphic pressures on their businesses.

For the participants in this study, the campaign focus is mostly on the legitimacy of the product being promoted which limits the evaluation by potential backers to that criteria only. This implies the legitimacy of the whole venture does not matter. RBCF, as seen in its literature, is being used by established multinational companies (T. E. Brown et al., 2017), newer ventures seeking \$100k (Lehner et al., 2015), but mostly by those obtaining only a few thousand (Thürriidl & Kamleitner, 2016). The participants raised £10k or less, and their currently bounded motives would suggest the growth trajectory would not align with traditional financiers such as Business Angels (Bellavitis et al., 2017; Fraser et al., 2015; White & Dumay, 2017). If, for instance, new ventures seek Angel finance, criteria would focus on the attributes, social competencies of the founders and their predictions for economic return. The payoff for the Angel is in the growth of the venture to a market size valued by professional investors with a pecking order hierarchy of modes of finance (Clark, 2008; Mason & Kwok, 2010; Paul et al., 2007; Politis, 2008). Thus, founders meeting this growth criteria align with the motives of the Angel financiers and, in contrast, backers have accepted the information about the product as aligning with their interests. Yet also, if participants chose to pursue traditional finance in the future, the backing from RBCF would give them the legitimacy of a 'proof-point' that surpasses predictive approaches (G. Fisher et al., 2016, p. 390).

On reflecting on this theme and the findings, what is most surprising is how relatively recently scholarship has begun to understand and explore the influence of personal passions and prior experiences on the nature and trajectories of new ventures. This understanding needs much more development as initial decisions and choices about the nature of the business can create path dependency and homogenous ventures.

In my pre-understanding, I focussed on my involvement in a community project that raised part of the finance needed for a building purchase through "Community Shares". I observed how the social vision had an impact on the future finances and how the project was seeking shareholders that appreciated and accepted this impact and were attracted to providing a dual role of financiers and providers of professional skills. I expected that the nature of the ventures using RBCF would have some bearing on the process and attraction of backers. The community project involved presenting a full business plan

*Chapter 5 Discussion:*

demonstrating a modest financial return. In contrast, the participants were presenting only the product for exchange, as in a customer relationship albeit with a product that had not yet been manufactured. Only one participant talked about the long-term in his video. So mostly the backers are not being incentivised by the long-term vision for the venture, only by the value they perceive in the product. This is in contrast also to RBCF research that shows backers becoming more deeply involved (Quero & Ventura, 2015). So providers of financial resources through RBCF have more heterogenous interests than traditional providers and balancing the aspirations of the entrepreneurs and the backers becomes a more complex interaction (Ford & Mouzas, 2010; Håkansson & Ford, 2002; O'Neil & Ucbasaran, 2016).

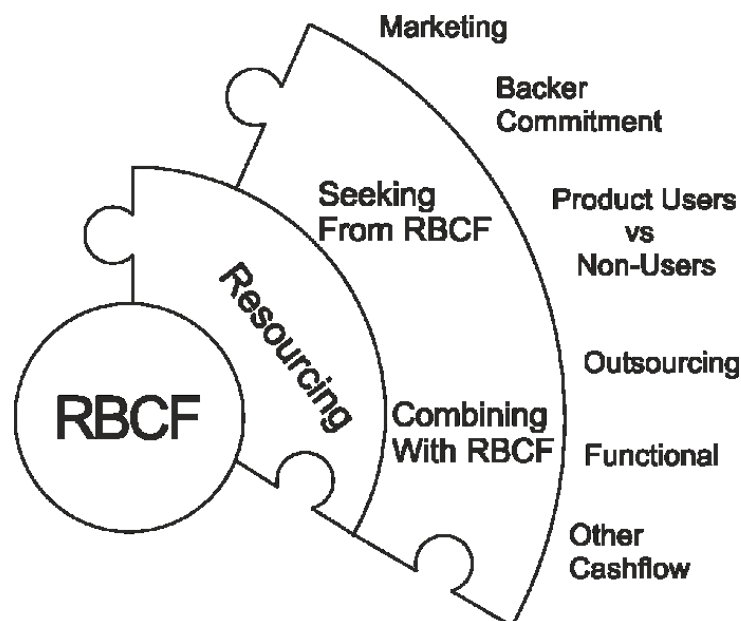
In summary, the aspirations of the participants goes beyond being dreamers or merely surviving (Davidsson & Gordon, 2012, p. 856; Morris et al., 2018). There are aspirations to develop a viable though bounded venture, based on their values, beliefs and inspired by prior experiences and leisure interests. Thus there is personal, community and economic logic to their aspirations as user entrepreneurs (Shah & Tripsas, 2007). However, the RBCF campaigns are predominately focused on the single proof point of the products, showing that there are heterogenous interests among backers compared to traditional financiers and enabling avoidance of isomorphic pressures.

## 5.3 Discussion of Theme 2 Complementary Resources

### 5.3.1 Introduction

An important finding as presented in Chapter 4 is that RBCF is used to obtain added-value resources and combined with other sources of resources (Figure 5-3) to create a complementary assemblage of resources valued by the participants. RBCF is both a source of money and marketing. The participants seek publicity through RBCF to obtain committed and engaged backers of pre-orders. The participants value the backers for providing money in advance of production. They value user-backers over non-users for the “gold dust” of potential future promotion and advocacy. Additionally the participants combine the RBCF process with outsourcing production to switch the sequence of marketing and production and avoid committing to investment in internal production before obtaining proof of concept. Functional resources are obtained not through RBCF but predominately from their family, friends, and colleagues, and from institutions and topic forums. Cashflow and subsidies are obtained from multiple sources simultaneous to RBCF, with the RBCF money assigned to initial production. These findings are discussed in more detail below. Then finally, I discuss the findings in relation to my pre-understanding.

*Figure 5-3 Theme 2 Complementary Resourcing*



Source: Devised by the author and inspired by the hermeneutic circle

### 5.3.2 Marketing Resources

The participants expressed that the RBCF campaigns are only partially about the money. They spoke about “*ugly baby syndrome*”, in other words, their ideas being great in their own eyes but not by anyone else. Thus they wanted to obtain “*proof of concept*” to overcome this barrier. They sought-out publicity and promotion and wanted to obtain “*engaged*” customers. The money was considered useful to pay for the initial production run by the participants. They expected that RBCF would help “*automatically*” market the products. (See Section 4.3.1 pages 148 to 149). The participants referred to obtaining both money and marketing from RBCF. They perceive RBCF as an effective way to achieve publicity and promotion, a way to “get people talking” about their products, so raising awareness and thus making new contacts particularly those who would be “*invested in the brand*”. Further, they believed RBCF would be a “*self-generating*” way to market or of “*automatically marketing*”. The crowdfunding literature has begun to explore how the market is approached using RBCF.

Crowdfunding is often considered as mainly a tool for fundraising and used for marketing purposes by large and multinational established companies (T. E. Brown et al., 2017). For large scale start-up projects in technology sectors, RCBF campaigns can attract mainstream media attention (Lehner et al., 2015) and can create a large number of backers that become an inexpensive marketing asset (Stanko & Henard, 2017). These stories may have fed the mainstream media narrative of how RBCF may be a source of brand awareness and “automatic” marketing mentioned by the participants. In this study, the participants believe that RBCF will help their marketing efforts, despite them being start-ups with comparatively modest resources. Previous research has shown that smaller scale projects raising \$7k on average do utilise the RBCF for marketing (S. Chen, Thomas, & Kohli, 2016); however, the results showed how the appeal mode and message frame mattered to the success of the RBCF campaign. So, whilst RBCF is used for marketing by all companies whether multinational firms, large scale, or modest start-ups, the ability to enact the marketing appropriately is of importance. This issue is discussed further in Theme 3 (Section 5.4.7).



### 5.3.3 Backer Commitment

The backer's faith in the concept is highly valued as "*gold-dust*", and this is enhanced because the money is provided prior to the production. The participants were aware of the volatility of this commitment until the product has been delivered. They sought to generate an "*affinity*" with the backers with the expectation that, as product-users, they would be willing to show their friends. (See Section 4.3.1 pages 149 to 151). The commitment of backers is likened to "*gold dust*" by the participants for several reasons. The act of public commitment in RBCF is seen as a key element (Hobbs et al., 2016, p. 158). It is identified as important for interaction in psychology. This is because in the act of commitment, particularly when explicit and public, individuals become bound by their actions (Weick, 1995, pp. 156–157) and they need to act consistently with those actions (Cialdini, 1985, p. 96).

The participants perceived backers as showing commitment to "*faith in an unknown*" and willingness to "*take the bull by the horns*" by providing money through backing. The participants perceive backer-commitment to be important for their start-up journey and seek to gain as many backers as possible to benefit their ventures through the on-going engagement with those customers. The participants' assumptions on the volume of backers is supported by previous research showing the volume of backers rather than the value, is associated with post-RBCF campaign venture success (Stanko & Henard, 2017). The participants were concerned about the volatility of this commitment and viewed delivery of their products in the future as highly important to mitigating this risk. The operations literature shows that customer purchasing behaviour is affected negatively by problems with online order fulfilment (Rao, Griffis, & Goldsby, 2011); also, as it would be a unique opportunity to develop a trading history, it is a critical activity in the start-up journey (Atherton, 2012; Cosh et al., 2009) as one source of legitimacy of the venture. Thus that initial commitment by the backer to this process is a highly valued resource.

As discussed above, the participants were trying to obtain publicity for their product, assuming "*automatic marketing*" would occur. Part of wanting to obtain as many backers as possible is this would mean their project being selected by the algorithm of the website for extra promotion (Orlikowski & Scott, 2015, p.

22). The numbers of backers are also publicly visible (Colombo et al., 2015, p. 78), so, the act of “*faith in the unknown*” by the backers is a public act that becomes part of the legitimacy process in both the direct backing and in indicating support to other potential backers. In this sense, backers are also in themselves a valuable signalling resource which has been shown to play a role in the indication of the quality of large-scale technology projects to professional investors (Roma, Messeni Petruzzelli, & Perrone, 2017).

Part of the value of commitment was due to the importance of backers’ pre-orders, or willingness to pay in advance and wait for months for products to be delivered. Projected timeframes for delivery were between two and six months. In previous research on digital start-ups, upfront cashflow is highly valued by founders for contributing to market-traction and the likelihood of survival (Zaheer, Breyer, Dumay, & Enjeti, 2019, p. 268).

Thus the commitment by the backer is a highly valued, though volatile resource, critical for the development of trading history. The public nature of the backing is a signal of legitimacy. Also the willingness of the backers to pay in advance and wait for delivery is a further signal of faith and potentially contributes to the survival of the venture.

#### 5.3.4 Nature of Backing

An important aspect for the participants was the publicity and promotion to expand the volume of interest in their products beyond their existing communities. They aimed to gain backing from new sources, and this was achieved to a greater or lesser extent. Backing was received either from within their pre-existing user communities or from family and friends backing merchandise who represented up to about a third of backing. The participants distinguished the value of the source of money between that provided to help achieve the RBCF funding goal and the money provided by user backers. They hoped to receive more publicity through obtaining backing early in the process, but this did not occur. (See Section 4.3.1 pages 151 to 153). The participants were seeking to obtain as many backers as possible for publicity, rather than simply raise the funding. Research showing the future performance of venture is influenced by the number of backers also demonstrated that the most valued

aspect of RBCF is the ability to build awareness with potential customers (Stanko & Henard, 2017). In the marketing literature, building and expanding new customer relationships is conceptualised as market development, an important foundation for the start-up for its future growth and as such a long-term investment (W. Lam & Harker, 2015, p. 330). Yet obtaining what are referred to as “arms’-length” market based ties (Uzzi, 1997), or “cold ties” (Hite, 2005), is one of the most challenging activities for a start-up (J. D. Owens, 2007, p. 244). The findings show backing was obtained from substantial numbers beyond family and friends and from user communities. The challenges of instigating backing are explored further in Theme 3 where the selling activities is discussed.

Those who had existing wider user networks within their field of activity accessed backers mostly from within that community of interest, e.g. ExtremeSport and CycleAccessory. These participants were not relying on family for pre-order backing as their products were specific to the sports partakers. Similarly, SportTech, although he had postponed the RBCF campaign, was aiming at building a community which he referred to as a “*tribe*” of followers as potential backers. He was targeting only the sport partakers for pre-orders and was not planning to offer donation or merchandise reward options. The other participants had products that might be relevant to family and friends as well as a wider specific interest group. It was more feasible to for these entrepreneurs to promote pre-order product backing to family and friends, yet they were still seeking to obtain backers from a new product-user audience. Both RuggedWear and CardGame2 estimated backing from family and friends to be around a third of the RBCF goal. This is different from the assumption in the RBCF literature that family and friends are promoted to first place (Ordanini et al., 2011).

There are two issues here. Firstly, the participants were primarily seeking product-user backing to generate commitment and recommendations. However, non-user backing was still seen to be relevant for achieving the RBCF funding goal and, therefore, helping the venture. Secondly, is whether the product was relevant to the backer. For instance, whether they were a sports partaker or aspiring to be one or whether they were a player of card games or aspired to be one. If not, the backer might provide non-user backing or backing

of merchandise where the participant had set this up as an option for rewards. Although research shows that the volume of backers is influential to the future development of the venture (Stanko & Henard, 2017), that research did not distinguish between product-user backers and non-product backers. In all cases, the critical issue is whether the reward of the product has relevance for the backer. For some participants, family and friends are considered to play a role in product backing if they are a user or an aspiring user of the product. But if they are not a product user, then non-user backing from family and friends that helps achieve the RBCF funding goal still has value. However, it does mean that whether the family and friends groups overlap with user groups would have an influence on the participants' marketing and promotion of their RBCF campaign and future marketing goals.

Although a high volume of backers was sought, another part of the backers being likened to "*gold-dust*" was the value of potential future user recommendations. The participants' ideal scenario is new product users who were preferred for their critical role in generating recommendations and influencing future sales or as described above 'market-traction' (see Section 2.2.1). The user-product backers were preferred by the participants as a critical resource in the validation of the product and as voluntary user-advocates, with the potential to generate recommendations which influence future sales. This role of the product-user backers is recognised in the marketing literature where engagement marketing is shown as adding value beyond financial patronage, by providing network assets and persuasion capital (Harmeling, Moffett, Arnold, & Carlson, 2017). Harmeling et al. (2017) define persuasion capital as the degree of trust, goodwill and influence a customer has with existing or potential customers, as they possess greater authenticity as willing product advocates. In RBCF research this persuasion capital is seen as an inexpensive network asset that enhances market-traction (Stanko & Henard, 2017).

In three of the cases, the RBCF the backing amounts were falling short of the funding goal being sought. In all these cases, the type of RBCF sought was "all-or-nothing" meaning the risk was that where the funding goal was not achieved, none of the backing would occur so no money would change hands. In the case of RuggedWear, without the knowledge of the participant, a friend donated the shortfall. In the case of CardGame1, she used money received

from a loan, during the campaign timeframe, to "cross-subsidise". In the third case, discussed above, the commitment of the backers to CycleAccessory's product meant that, although the RBCF campaign 'failed', he was able to continue with an alternative version of the product outside of the RBCF platform.

The benefit of donations and cross-subsidy was that, those with "all-or-nothing" campaigns, were helped to meet the funding goal and ensure the backer money was received. The problem of donations and cross-subsidy is that this highlights the limits to interest in the product. A donation might signal a belief in the participant from a third party but a cross subsidy merely ensures that the funding goal is achieved, thus resulting in less symbolic capital (Lehner, 2014). Of course in both instances, the possibility is then to claim that a successful RBCF can influence the future perceptions of the project (Wehnert, Baccarella, & Beckmann, 2018). So, although the participants perceived the funding goal achievement as valuable for several reasons, the participant who failed to achieve the RBCF funding goal was still able to make use of the connections obtained.

Some participants were particularly seeking to acquire backers early in the campaign (Agrawal, Catalini, & Goldfarb, 2010). This is because the participants believe it generates self-sustained backing and marketing and was perceived as their project being selected by the algorithm of the website for extra promotion (Orlikowski & Scott, 2015, p. 22) helping influence others to back. These participants were seeking early backing yet had vastly different expectations of what achieving that entailed, from 100% in 24 hours [CardGame1] to 20% "very quickly" [RuggedWear]. Although early backing is a factor in campaign success, achieving this is objective challenging (Colombo et al., 2015; Li et al., 2016; J. D. Owens, 2007, p. 244). Although they were aware of the effects of early backing and the potential impact on the platform algorithm, none of the participants achieved significant early backing. Lehner, Grabmann and Ennsgraber (2015) researched four companies well known in the ICT industry. They point out the value to these cases of the early backing enthusiasm of the immediate network of the founders. This early backing propels awareness by the crowd and by news and media during the campaign. However, these four cases came to RBCF with prior substantial seed funding

from Business Angels and existing awareness in the market and raised between \$621 thousand to \$10 million through RBCF (Lehner et al., 2015), thus were significantly different in size of campaign to this current study. Narratives of this benefit of RBCF may have fuelled the perception of the participants of this feature of RBCF, yet not distinguish between the relative sizes of campaigns. What the RBCF literature does not yet acknowledge is the fast-moving changes (Morgan-Thomas, 2016, p. 1129) in technology and the development of the platforms and which can be seen in the concerns of the participants on the algorithms. The comments by CardGame2 and CardGame1 are about the number of visitors pushing the project up in the platform rankings, and relates to the platform itself utilising algorithms that automate the ranking of campaigns (Tran, Tsuji, & Masuda, 2009). These algorithms rely on user-generated content and in combination with users shape what becomes visible (Orlikowski & Scott, 2015, p. 22). In contrast, Mollick (2014) refers to the RBCF platform staff making preferences for ranking projects. So, these rapid technology changes makes it difficult for literature to keep pace.

Therefore, the participants were seeking to obtain backing from beyond the pre-existing networks, yet for some those networks included user communities. Family and friends were involved in backing but to a lesser extent than suggested by previous RBCF research. Further, the role of family and friends in backing is influenced by the relevance of the reward being backed, i.e. donation or product. Those who back as a donation are valued for helping to achieve the RBCF funding goal and as a network asset for the promotion of the campaign, whereas those backing the product were valued in addition to being a network asset for their potential to be a product advocate and provide persuasion capital from the perspective of the user of the product. The expectation of early publicity from the platform algorithm is naïve and potentially driven by media narratives promoting RBCF.

### 5.3.5 Combining with Outsourced Production

The participants were organising a small production run from outsourced suppliers for the products being promoted on RBCF, once the funds from RBCF were received. This freed them of the need to invest money in establishing production facilities. One participant described the burden of facilities as “*the*

*beast that needs feeding*”, which was a risky undertaking prior to gaining “*proof of concept*”. However, whilst reducing the investment pressure, using outsourcers involved perceived trade-offs in volume, cost, quality control and ethics. The cashflow obtained from RBCF was being directed towards outsourced production. (See Section 4.3.2, pages 154 to 156). Whilst outsourcing has been defined as a transfer of existing internal activities to an external provider and has mostly been researched in larger corporations (Hätönen & Eriksson, 2009), the participants were accessing external providers from the outset. The focus here is on the initial flexibility as ownership of production facilities is an unnecessary burden at this initial stage (Croom, Romano, & Giannakis, 2000, p. 74). The demand for the products is unproven at the earliest stage of venture creation. RBCF involved a time delay before market-traction will occur as, even when the RBCF campaign is done, the products still need to be delivered and used, for the backers to supply recommendations and influence others to purchase. As there is an extended timeframe for the delivery of between two and six months (see Sub-section 4.3.1 on backer commitment), the participants have a reduced risk of long-term investing in set-up costs until the sales cycle can begin in earnest. The participants designate the RBCF money towards paying for the initial production run.

Outsourcing is an activity demonstrated by previous research on virtual markets. Virtual markets of public companies have been characterised by the reduction in transaction costs and increased returns to scale, allowing for the practice of outsourcing to be used by more firms, increasing ability to exploit those opportunities (Amit & Zott, 2001). Using web technologies also allows micro-firms to identify and to access sources of external expertise that they do not possess which enhances capability without recourse to long term commitments (Barnes et al., 2012). Small scale production has reached a point where it is accessible to the smallest of micro-firms, making it feasible for the participants to test an idea without commitment to any production scale. The participants talked extensively about evaluating and balancing order quantities, shipping costs, timing, and quality concerns. For instance, quality is both a concern for the producer and the design capabilities of the participant. Whilst accessibility to outsourcing is appreciated for making RBCF delivery feasible, the cost of this small-scale production was perceived to involve little or no profit

and potentially need supplementing, in the initial stages. However, this aspect is also compared to the cost of setting up a production facility, with one participant referring to it as the “*beast that needs feeding*”, thus that investment could become an unwelcome burden until proof of concept and, therefore, market-traction initiated. The cost of outsourcing is perceived to be relatively high and some adaption of the RBCF is perceived to be required to achieve the minimum order scale and make the RBCF process feasible. Yet the cost is also perceived by the participants to be an initially acceptable ‘price’ for the proof of concept, commitment, and persuasion capital. This also means there is less pressure to finance production setup costs through the RBCF, the money needed is only for the initial outsourced production run. In Theme 1, Sub-section 4.2.3 on the bounded vision, the participants talked about their future vision of developing their own manufacturing facilities and, therefore, the current outsourcing activities are envisaged as a temporary solution to the initial problem of gaining the first customers and market-traction.

This combination of outsourced flexibility and testing of the market have been found as critical elements contributing to the survival of businesses (J. D. Owens, 2007) and facilitated further by the context of e-business (Amit & Zott, 2001). Whilst they perceive that the price is still relatively high, the participants see it as worth paying for the flexibility to combine with RBCF, gain proof of concept, whilst avoiding the financial burden of funding initial production set-up costs. The activities of outsourcing and cashflow management have been found as important strategies through research in other fields (Amit & Zott, 2001; Barnes et al., 2012; Bhidé, 2000) but not as yet considered by RBCF literature.

### 5.3.6 Combining with Functional Resources

Whilst the participants stated that they held many appropriate skills, they lacked many skills and knowledge that was relevant to creating a new venture (as discussed further in Theme 3). So for them a critical activity was seeking external resources. At this stage, these skills gaps were being filled from a combination of sources but not proactively through RBCF. Support that was obtained through the RBCF campaign was incidental. Support being sought included help on digital activities, spreadsheets, sales, marketing and finance,



advice on patents, pricing, crowdfunding techniques, entrepreneurial and business development, and facilitation of introductions. (See Section 4.3.2 pages 156 to 160). This support was partly sourced from a pre-existing network of family, friends, and colleagues and partly from an available ecosystem of local government agencies and industry forums. The challenge of utilising this support network was the concern over advice being too ambiguous, the applicability to the digital environment or the balancing of costs and benefits. They found part of the challenge of using RBCF was becoming a target for companies offering crowdfunding promotion and sales support. Through RBCF, they are '*spammed*' by other parties offering costly help, so they felt they would be challenged to notice anything of value amongst the volume of messages.

The RBCF literature suggested that those using RBCF may benefit from several forms of added value beyond the finance patronage (Hui, Greenberg, & Gerber, 2014; Quero & Ventura, 2015; Roma et al., 2017; Stanko & Henard, 2017). However, through the RBCF campaigns, the participants mostly concentrated on what they perceived as the main activity of promoting the product. Most of the functional support was being sought either from their pre-existing networks or from the local ecosystem of recognised and trusted providers of support to new ventures. Two participants obtained some help but certainly not the amount suggested for instance by Quero and Ventura (2015) who found evidence in the creative industries, of collaborative behaviours, such as co-ideation, co-design, co-testing, and co-launching. This suggests that support may occur between parties involved, but that it might be a coincidence that RBCF is involved or may have less of a role in co-creation than is apparent. Additionally, some of the participants in this study were more self-reliant, or had previously developed existing support networks, so RBCF is not perceived as useful for the purpose of gaining functional support. As discussed in Theme 3, the participants were combining the digital and face-to-face activity so making it less clear how these activities function separately.

One notable aspect of the findings is the use of family and friends. In many cases, these were people with long term experience, trained professionals and in possession of highly valuable skills and knowledge (see Table 4-1, page 157). Some research considers the contribution of friends and family to be of low value. For instance, Riding (2008) suggests that;

*“it seems reasonable to expect that friends and family may often lack the assessment and legal skills necessary to protect themselves and to value accurately an opportunity in which they may invest” (Riding, 2008, p. 357)*

In some ways the contribution of family and friends is derided by the terminology of “friends, family and fools” (Bellavitis et al., 2017). In contrast, in a case study of a young entrepreneur, the parents provided their prior relevant professional skills in helping the son to develop and scale up the business (Jones & Li, 2017). The participants of that study perceived highly valuable support available from family and friends apart from potential for backing. For instance, one participant used the financial skills of her husband who was a finance director employed elsewhere, yet she sought marketing support from a University support programme. The value being sought from relatives was in relation to the specific relevant knowledge held (Macht, 2011; Sætre, 2003). So, contrary to the suggestion that family and friends are not valuable, the participants were receiving valued professional and technical skills and knowledge from family and friends where they held the relevant skills, as well as valuable donation or product-user backing. The difference to other contexts is that family and friends are only supplying a relatively smaller proportion of help, which is supplemented by using agencies or forums, and they are less than a third of the backers, and values are significantly lower (£4k-£10k) than traditional investments studied by Riding (2008) where values averaged over \$56k Canadian dollars in 2005.

### 5.3.7 Combining with other Cashflow Resources

The participants were not using RBCF as a standalone source of cashflow. All were deploying the RBCF money as one element of a simultaneous mix of income, savings, equity, non-commercial loans and subsidies. They felt that commercial lenders had a poor comprehension of innovation or they valued being “*debt free*”. (See Section 4.3.2, pages 160 to 164). The combination of sources of cashflow means the money from RBCF could be utilised for the production with less pressure to cover other living or business expenses. Participants saw their ventures as underdeveloped so not currently of interest to other financial resource providers, thus they perceive this as a barrier to accessing Angel finance (Fraser et al., 2015). Notably, none have utilised

mainstream banks, as lending was from other more flexible sources and trust in mainstream banks was low (Jonsson & Lindbergh, 2013). Moreover, no participant mentioned evaluating the relative cost of each source of finance and all advice for finance was drawn from external sources. This corresponds to the findings of a government report on accessing finance (Breedon, 2012).

These attitudes seem to be less about an evaluation of cost, financial stress, autonomy, control, and a hierarchical preference for finance, as considered by Pecking Order theory (Cosh et al., 2009; Paul et al., 2007), but a sentiment of assessing the overall contextual fit and added-value. RBCF is not a substitute but complements other sources as they are multiple cashflow resources that are used simultaneously. Yet another notable contrast to previous research on early stage finance is that the participants were not aspiring to have high-growth businesses and were outsourcing production, whereas previous research on Pecking Order theory was on manufacturers and high-growth firms (Cosh et al., 2009; Paul et al., 2007). The findings in this study more closely resemble other small case study research on new ventures that finds a variety of patterns of financing (Atherton, 2012). The use of cashflow management techniques is also consistent with several aspects of 'financial bootstrapping' (Winborg & Landström, 2001), such as advances from customers. The complementary use of cashflow sources adds weight to the notion of the interconnectedness of financial sources (Drover et al., 2017, p. 1845).

### 5.3.8 Summary of Theme 2 discussion

RBCF is complementary for the participants because it integrates the use of several resources which on their own may not function as well and, therefore, consist of added value. The participants are concerned that their products are not "ugly babies" (See Section 4.2.2), so they need user-backers to prove that there is a market. The participants express that this current production is a small batch and so high cost per unit, yet as per Theme 1, they see a future where, with product proof and, therefore, growing market-traction, they can scale the production and achieve a more profitable outcome (see Theme 1, Sub-section 4.2.2). RBCF is, therefore, valuable for avoiding the burden of setup investment. The short timeframe of the RBCF campaign influences the speed of generation of proof-of-concept (see Sub-section 3.10 between 30 and

42 days). Weick (1995, p. 55) argues that sensemaking is about plausibility not accuracy, and about seeking what is “attractive, emotionally appealing and goal relevant”. Speed is favoured over accuracy because quick responses can shape events and influence meanings (1995, p. 57). Therefore this initial stage conforms to Weick’s assertion on plausibility, as I see it as plausible.

Participants take initiative, shaping the market and influencing the future potential rather than attempting to ‘accurately predict’ based on assumed demand. Then they combine accessible functional support and outsourced production to enact the process. They support themselves financially with multiple sources of cashflow whilst in the process of the RBCF campaign.

The participants were using RBCF for marketing purposes by seeking publicity and support mostly from “*engaged*” user backers. Engaged user backers were valued differently from non-user backers, as users are expected to become a source of critical persuasion capital, a projective strategy to convey viability (Rawhouser et al., 2017, p. 5). This expectation of contributing voluntarily to the firms marketing function through advocacy (Harmeling et al., 2017) either through SNS sharing (Smith et al., 2017) and/or positive product recommendations (Harmeling et al., 2017). This was expected to self-generate future sales and build trading history. Gaining a trading history is a critical activity in the start-up journey (Atherton, 2012; Cosh et al., 2009) as one element of many ways legitimacy is evaluated for the venture (G. Fisher et al., 2016). The new customer relationship is recognised in the marketing literature as a critical foundation for new ventures (W. Lam & Harker, 2015, p. 330), yet the new product development literature finds establishing the market potential and managing the marketing and manufacturing interface are a few of the greatest challenges for new ventures (J. D. Owens, 2007).

The user backers were also valued for providing cashflow in advance of production, thus demonstrating faith and commitment to the product. Patient capital is a concept proposed by Sirmon and Hitt (2003) in the context of family firms. They define patient capital as financial capital that is invested for longer timeframes than typical financial capital and suggest it is more relationally based. The value to firms of the longer timeframe is allowing for more innovative and creative strategies. In contrast, the RBCF user-backers are customers rather than investors yet are similarly accepting relatively long

delivery timeframes. Thus adapting the concept to this situation of advanced payment for a product suggests the notion of 'patient cashflow'. Patient cashflow is sourced from external providers and used simultaneous to other sources of cashflow which is contrary to the hierarchical strategies suggested by pecking order theory where internal sources are used first (Cosh et al., 2009; Paul et al., 2007). Rutherford et al. (2017) argue that ventures utilising external finance send a legitimacy signal of high quality to other resource providers. The participants gain proof of concept and potential persuasion capital through RBCF and so would initiate market-traction. Although the participants made no mention of follow on finance or resource needs, their choice to combine outsourced production with RBCF would, in combination, contribute significantly to the development of their trading history from the market-traction. This element of legitimacy would potentially reduce barriers to accessing resources and, in particular, finance resources in the future (Baldock & Mason, 2015).

Despite the RBCF literature suggesting that many activities took place in RBCF, for instance advice on crowdfunding process, exporting, product feedback, co-creation, providing promotion and connections (Gerber & Hui, 2013; Hills, 2015; Lehner et al., 2015; Quero & Ventura, 2015; Stanko & Henard, 2017), this was not the case for the participants. Although promotion and connections were primarily sought, none of the participants sought out product feedback, co-creation or advice through RBCF. The participants were trying to increase user backing beyond their initial community to extend their benefits from the persuasion capital. Non-user backers were valued for the financial support to achieve the RBCF funding goals, and provide a viable source of network asset or bridging social capital through SNS (Harmeling et al., 2017; Smith et al., 2017). However, non-user backers were not expected to provide the added-value of persuasion capital (Harmeling et al., 2017) from the perspective of a user-backer.

The notion of patient cashflow is similarly irrelevant as non-users are not backing the products. Further, in these findings, the participants were seeking functional resources from their existing networks and from previously known organisations. They mostly found the RBCF environment created unsolicited "spam". This raises several questions for me, including how valuable are non-user backers as network assets or bridges and how entrepreneurs deal with

overwhelming offers of ambiguous value in conditions of constrained resources? These questions warrant further investigation.

RBCF was being used in combination with other resource: outsourced production, functional and cashflow resources in ways that gave them flexibility, avoiding the financial burden of investment in setup costs of production (Amit & Zott, 2001; J. D. Owens, 2007). Whilst small scale production is now available to micro-firms, and participants perceive that the price is relatively high, it is also seen as worthwhile for the flexibility to combine with RBCF for proof of concept. For the participants, both functional and Non-RBCF cashflow resources are sourced from family and friends and are highly valued. Yet, in contrast, the participants felt that whilst cashflow contributions from family and friends to the RBCF campaign was valuable, as discussed in Section 5.3.4, user-backers held greater value for their persuasion capital potential (Harmeling et al., 2017).

This aspect adds weight to the notion discussed in the literature review (see Section 2.5) that cashflow from non-user family and friends is a “hygiene factor” which, in its absence, contributes to financial distress yet needs complementary persuasion capital added to become developmentally valuable. Whilst some scholars have argued that those who rely on resources from family lower the survival chances due to over-embeddedness (Aldrich & Martinez, 2001, p. 15), more recent research finds the opposite. Research on the role of families in start-up businesses suggests that contrary to network theory, strong family ties, external to the business, can provide high quality, heterogeneous resources at low or no cost, which contributes to the survivability of the business (Anderson et al., 2005; Sirmon & Hitt, 2003). Yet, also recognised are the hazards of family involvement in the potential for conflict. Similarly research on the contribution of Angels, suggests that the greater involvement beyond the transactional supply of money can be a source of both value and frustration (Macht, 2011; Sætre, 2003). What connects these points is that the participants are drawing resources from sources that are ‘relevant’. For instance, in a business based in the cycling industry a non-cycling family member can provide professional advice relevant to their key skills but cannot provide authentic user-backer persuasion capital. Yet both are needed.

However, what is less clear from these findings is how much overlap there is between, for instance, knowledge providers, non-user backers and user

backers and what is their role in gaining market-traction. Thus, the role of RBCF is not simply a source of finance but it functions as a complementary activity. The overall value obtained was in the complementarity of marketing, commitment, cashflow resources and outsourcing that together provide a flexible activity valued for the interconnections between the different activities.

My preunderstanding was based on my lived experience of proactively seeking out valuable resources but also the experience of others self-selectively offering their skills to a project they felt an affinity with. I perceived that participants would seek “added-value” from the RBCF campaign backers: instead, it was being sought mostly through other means, such as directly from agencies, forums, family, and friends. The added value they sought through RBCF was product promotion and product advocacy. Yet, it was interesting in the findings that resources were being sought from where the participant believed support appropriate and relevant to their needs could be obtained. For instance, some family and friends were supplying highly technical expertise in their specialist functional fields, yet if they were not also product user backers they were not necessarily the most sought after RBCF backers and, therefore, resource relevance is essential (Macht, 2011; Sætre, 2003). From reviewing the online conversations on RBCF and the SNS posts, no online posts mention aspects such as feedback, co-creation or offers of support. From my project experience, the discussions regarding seeking added value were enabled by being relatively geographically proximate. So “self-selectors” would have a face to face conversation with a member of the project team before getting more deeply involved. Quero & Ventura (2015) found that the RBCF participants co-created via SNS and forums, yet this was within the creative industries and may be pre-existing practices transferred from other domains into the RBCF domain. So there may be impacts on the RBCF process from the industry context.

A further aspect to my pre-understanding was the proactive aspect and assumes that there are others better qualified than I am to do some tasks. This aspect was echoed in the case of RuggedWear, whose spouse was supporting with their financial knowledge, yet she was seeking assistance from a university support programme to help with the market research. However, it was contradicted by ExtremeSport, whose response was self-reliance. Reflecting on this and as discussed in Section 1.5 on my preunderstanding, I was aware that

*Chapter 5 Discussion:*

in comparison to the participants I had time to spend on seeking out resources, yet here there are two quite different responses to the context. For me, this aspect raises the question of why and when is an entrepreneur willing to seek support and when do they recognise when something is beyond their capability. Considering my own approach to seeking out resources, I was able to negotiate resources face to face and ask questions directly to gain information for evaluation of resources. I currently feel less comfortable transferring this process to an online environment as is suggested in Quero & Ventura (2015), yet this can overcome the geographic proximity issue, so I need to explore and gain more experience in being active in co-creative situations online.

In summary, the participants seek SNS bridging and potential persuasion capital, obtain hygiene cashflow and patient cashflow from RBCF but prefer patient cashflow; then, by combining RBCF with outsourced production, functional support from existing networks and cashflow from alternative sources, the participants are gaining flexibility and relevant resources that interact to provide for their unique needs.

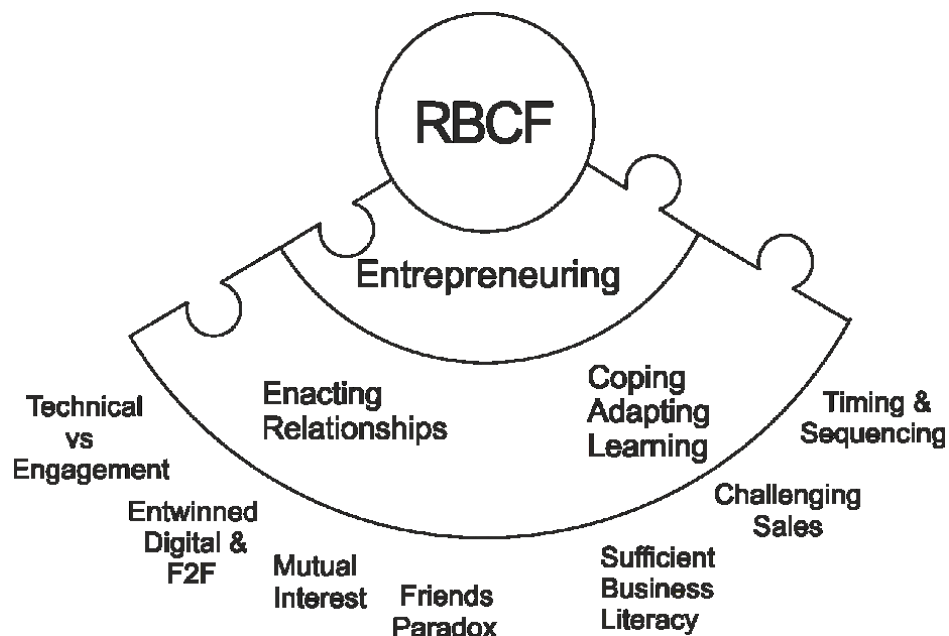


## 5.4 Discussion of Theme 3 Practice of Entrepreneuring

### 5.4.1 Introduction

Chapter 4 presented important findings that showed the entrepreneuring practice of the participants. The findings (Figure 5-4) show that promotion information is created bi-directionally between online and offline domains. Online domains include RBCF forum, SNS, forums and VOIP. Offline domains include fairs, industry events and self-generating networking. Common interests are the focus of the interactions. Latent and new connections are used for promotion, but the language used to describe them creates a paradox. The timing of activities, selling and business literacy all prove to be challenging for the participants, yet they persist in the creation of their ventures. These findings are discussed in more detail below. Then finally I discuss the findings in relation to my pre-understanding.

*Figure 5-4 Theme 3 Practice of Entrepreneuring*



Source: Devised by the author and inspired by the hermeneutic circle

### 5.4.2 Social Media Technical Versus Engagement Practices

The participants are mostly self-reliant on their technical management of video and SNS. SNS posts were mostly projective messages rather than

engagement in dialogue. In the Theme 2, Sub-theme on functional resources, it was noted that some participants preferred self-reliance and that there were sometimes trade-offs between the cost and the satisfaction gained from using outsourced functional suppliers, such as marketing professionals or website designers. Again, in creating their videos or using SNS platforms, the participants mostly rely either on their existing technical skills or try to learn the technical skills themselves. (See Section 4.4.1, pages 166 to 171). So, the participants are willing to spend their own time and effort learning. However, it is not evident from the findings whether this was because they enjoyed learning, whether they felt they might gain from this learning in the future, wanted some control over the process being learnt, or whether it was only because they were conscious of costs. In Theme 2, Sub theme 4.3.2 on combining with outsourcing, it is possible to see a concern with cost, yet also with convenience, quality, and ethics. Further in Theme 2, Sub-theme 4.3.2 on combining functional resources, they show a concern with the limited value of some connections and poor benefits received from others. So, in combination the participants find the convenience of learning preferable to the complexities of engaging with others.

It was notable that the participants believe that their level of activity and the information shared on SNS to be sufficient to elicit engagement with the audience. Yet direct dialogue with the audience was rare, and most SNS activity was information sharing on the existence of the campaign. As shown in networking research, these material artefacts, such as videos and SNS, can play a pivotal role in communication of new projects, reducing information asymmetry and mobilizing commitment (Lamine, Fayolle, Jack, & Byrne, 2017). RBCF research shows that building a pre-campaign community is beneficial to allow a variety of contributions from stakeholders (Quero & Ventura, 2015, p. 131), and SNS and videos play an important role in achieving performance when carrying out a RBCF campaign (Mollick, 2014; Zheng, Li, Wu, & Xu, 2014). Chen, Thomas and Kohli (2016) note that pre-campaign SNS marketing has not been researched. However, they do also observe that recommendations from practice include an SNS marketing campaign prior to the launch of 9-12 months, with curated content and 8 hourly posts. Research into digital entrepreneurship on the use of SNS suggests that, whilst visibility in a digital environment is highly challenging to achieve, creating a vibrant digital

community is necessary (Hair, Wetsch, Hull, Perotti, & Hung, 2012). This requires high volume messaging to influence higher volume audience responses (Fischer & Reuber, 2014). RBCF campaign creators have reported spending 2-11 hours a day marketing (Hui, Greenberg, & Gerber, 2014). Moreover, research suggests that SNS information sharing in the order of 1,000 to 10,000 are more likely to achieve campaign success (Lagazio & Querci, 2018). Whilst sharing a campaign over an SNS network (e.g., Twitter), therefore, plays a significant role in RBCF, the participants' enactment of SNS was far less extensive than these suggestions and mostly involved projection of information rather than interaction. Efforts are made, in some cases for months in advance. Some have spent years building up connections through user communities or former common associations, such as school, yet for leisure reasons rather than initially for business. The participants convey a sense that they believed the time they dedicated to promotion of their campaign was the most they could do, indeed as shown below, in the Sub-theme on coping, there was a sense of extreme challenge that they had made the best of. They convey a sense that they believe adoption of the technology is important for their venture, yet there are a combination of trade-offs as discussed in Theme 2 as to their ability to resource this activity (Morgan-Thomas, 2016, p. 1126).

The participants' preparation process was quite different to previous research findings. One previous RBCF study considered the stages of work involved where the first three stages involved preparation, material testing and publicity (Hui et al., 2014). Preparation was about obtaining advice on how to carry out a campaign, the authors noting that, despite the availability of online platforms providing advice, few within that study used those resources. For material testing, the authors described this as reviewing prior to launching the campaign and found participants were using close family and friends were reviewing material. In the third stage the authors described publicity as taking place during the campaign and did not mention their participants carrying out any pre-campaign promotion. In contrast, within the findings, participants made no mention of any specific online RBCF resources, although CardGame1 and CardGame2 both mentioned online gaming forums where advice could be accessed. The participants made no mention of who they used to check their material, and nearly all participants described spending months making efforts to promote their ideas and products prior to launch of the campaign. The

differences between the previous study and this study partly reflect the focus on obtaining product-user backers and develop their user communities, as discussed in Theme 2. Yet there may be other reasons why the approach is diverse, such as being proactive in gaining connections prior to the campaign. Therefore, the process of preparation for a RBCF campaign needs further investigation to understand why there are different approaches to this activity.

### 5.4.3 Enacting digital and face-to-face domains

Participants saw RBCF as part of a collection of activities, both online and offline, that they combined with two-way promotional activities to try to achieve more impact, yet also in some situations the online nature of the activity could create obstacles to realising backing. (See Section 4.4.1, pages 171 to 172). In other research on the use of RBCF campaigns the study participants discussed projecting their marketing messages using SNS, email, and sending press releases to news media outlets to reach a wider audience (Hui et al., 2014), whereas the participants in this study were integrating face-to-face activities, such as attending industry events, with the digital mediums, using both mediums to cross publicize to the other medium. The comment made by CycleAccessory about showing he was a “real person” captures the attempts of the others to present themselves as authentic, by combining both online and offline activities. Through images, video and dialogue they are establishing evidence that they are authentic and genuinely attempting to develop a new product. The participants in this study were combining physical meetings and digital activity dynamically which does not suggest there is a direction of effect but an ongoing dynamic of resourceful and prospective sensemaking and sensegiving (Maitlis & Christianson, 2014). Few studies consider the integration of digital and face-to-face mediums and how they might interact and only fragmented research on the implications of physical distance (Zahra et al., 2014). However, some authors have begun to consider activities from a sociomateriality perspective to understand how work is made to function when considering technology (Orlikowski & Scott, 2008). The research into sociomateriality shows that participating in online communities is complex and dynamic and is in need of a deeper understanding (G. Harris & Abedin, 2015).

#### 5.4.4 Forming relationships based on mutual interest

The strategies that the participants took to extend their communities included offline and online interactions and these occurred in many domains. The focus was on developing relationships based on common interests, such as sports. (See Section 4.4.1, pages 172 to 177). Offline included attending industry shows and networking events and online included SNS, online forum groups, “live-streams” and “podcasts”. Information sharing and dialogue is conducted both digitally and face-to-face and is on-going, simultaneous, and bidirectional, aiming to nurture connections. When combining with events and shows, the intensity of interaction can increase. For instance, RuggedWear described the interaction with the archaeologists Facebook group as initially intense, with much dialogue about her product name before they began to provide backing and product feedback. Only CardGame1 had connections of over 13,000, and the other participants did not have the strong interactive community described in other research prior to the RBCF campaign (G. Fisher, 2012; Quero & Ventura, 2015).

As discussed in Theme 1 on the campaign presentation, the dialogue is mostly centred around shared and overlapping interests in the product in these online and offline domains, rather than the future visions for the venture. Here, the participants are consistent in attempting to have interactions with people who already have an existing mutual interest related to their product, and therefore, narrowing the audience to those user communities that are active within an industry or niche space. Therefore, as the participants have described, they expected the mutual interested audience to serve them by backing and by voluntarily promoting the product through offline word-of-mouth or online sharing of posts.

In the Crowdfunding literature, Ordanini et al.(2011) have described a three stage pattern where the first phase is friend-funding, backing of people close to the entrepreneur, then a second phase where word-of-mouth communications begin to access a wider crowd, then a third phase where those with no original connection to the entrepreneur begin to back them. In contrast, in these findings, the participants were initially all utilising their pre-existing contacts, which included user communities contacts from attending industry shows prior

to the campaign, only some using family and friends, so developing their contacts with no pre-existing connection before the campaign commenced. Further, the mutual interests prime the making of new connections and increase the speed at which connections are being made.

The participants describe some attempts to promote in the online domain without focus on common interests, relying instead on leveraging pre-existing connections within SNS to promote or “share” their message and bridge to other individuals or ‘cold ties’ (Hite, 2005; Jack & Anderson, 2002). Yet this strategy is less effective as the participants report it did not produce any backers when these non-user communities were used. The strategy of focusing on user communities with mutual interests is analogous yet parallel to prior research on network ties that finds that participants seeking those with common set of personal values and identity (Phillips, Tracey, & Karra, 2013; Steier & Greenwood, 2000), although not based on interpersonal similarity of age or gender (Grossman et al., 2012). It confirms the value of focussing the participants precious time on their mutual interests.

#### 5.4.5 The paradox of 'friends' and 'acquaintances'

The participants had both 'latent' connections that they perceive could be encouraged to supporting the campaign, as well as new connections met fleetingly at industry shows and other events, who were described as 'almost friends'. (See Section 4.4.1, pages 177 to 178). Connections with both could be facilitated and maintained by digital means. Yet, despite the latency and fleeting nature of these contacts, they were being leveraged by the participants to become supporters, particularly if they had mutual interests in the product or to act as “bridge” (Jack & Anderson, 2002) to others with mutual interests, through the act of SNS information sharing.

The paradox demonstrated by these participants is the difficulty in conveying the nature of the relationships they have with their contacts. The language of SNS has entered the common lexicon, particularly for the situation experienced by these participants, yet it causes confusion as to the character, and therefore, the inference that the participant wishes to convey about the relationships. CardGame1 refers to those who are “close” to her as including those “one

relation” away. CardGame2 and RuggedWear refer to online connections as “almost” acquaintances or friends. These online connections are based on common interests or a belief that there is a common reason for connecting, but the descriptions of the participants suggest fleeting interactions and vague reasons by their connections for connecting. Yet, they *are* creating connections instantly, through the facility of SNS. Those connections are perceived as being more relaxed and less utilitarian.

In contrast when CycleAccessory refers to creating his connection with a new mentor, this suggests a clear mutual interest and expectation of mutual benefit and subsequently more regular interaction. This connection is, however, also made instantly and maintained through SNS. This connection of CycleAccessory is also in contrast to his other comments of forming relationships (see Sub-theme 5.4.4), where he pointed out that he is willing to make an effort to connect to others without knowing the benefit even though he felt that some connections “*don’t deliver*”, thus are speculative connections.

It is also notable here that connections made through online media can remain latent, as “almost friends”, yet with an apparently identifiable, although easily broken link through SNS. In comparison, a connection made face-to-face may be perceived to exist yet have limited ability to interact. Connections are somewhere between a close personal relationship, a purely exchange relationship, or a latent connection, without a clear concept to describe them. This latency of old school friends and work colleagues has been found in prior research (Jack, 2005). Yet in other previous research ‘friends’ have been assumed to be strong ties (Adler & Kwon, 2002; Hanlon & Saunders, 2007; Hite, 2003). In their conceptual discussion on digital networks, Smith, Smith and Shaw (2017) identify SNS connections as being “retrievable”. This “retrievability” affords speculative connection finding; i.e. ties believed to be of benefit to the venture can be identified more quickly at a lower cost. The language used by the participants raises the paradox that the adoption of technologies has become so ubiquitous (Morgan-Thomas, 2016) that it is now difficult to distinguish the nature of the media or domain used to create and develop connections and relationships. Participants have some difficulties in assigning categories to their connections, calling them “almost friends” or “almost acquaintances” and conceiving of those “close” to them to include those

who are one step away. These connections' interactions may be fleeting or more extensive and vary in intensity over time. Further expectations of benefit can range from ambiguous to obvious, yet ambiguous connections are maintained. This finding suggests that describing connections needs more complexity than the binary terms of weak or strong.

RBCF research has shown that a large social network is required to influence the outcome of RBCF campaigns (Mollick, 2014) and that sparse networks are important (Hekman & Brussee, 2013). However, the data for these studies is drawn from campaigns and SNS after the campaign has occurred and considers an SNS connection as binary. In contrast, the participants in this study had connections prior to the campaign which were both active and latent SNS connections and combinations of offline media that connected users to online activity. Further, they were attempting to build those networks proactively throughout the campaign and the relationships vary dynamically in the quality, level of interaction and intensity. Therefore, the nature of the networks is potentially considerably different even over a short period of time.

#### 5.4.6 Timing and sequence of activities

Time is perceived by the participants as a highly constricted resource and choosing when to carry out the campaign is a choice made more challenging by uncertainty. The participants feel the pressure of perceived windows of opportunity for their products, related to seasonality, competition, newsworthy activity, and related publicity opportunities. This aspect was combined with attempting to coordinate their other activities and choices about where to allocate their limited capacity. Yet they have acted, despite these challenges. (See Section 4.4.2 pages 179 to 181). Whilst windows of opportunity are conceived of as time-sensitive and time creates multiple and competing demands on resources, very little published research considers the concept of sequencing of activities, despite the impact it may have on access to resources (Zahra et al., 2014). Much of the RBCF literature is based on extracting data from the online platforms and so there is little research that considers the activities that surround and enact the campaign. RBCF literature that considers the entrepreneurs' perspective of using RBCF did not consider the challenge of



deciding when the campaign should happen (Hui et al., 2014). So, this is another aspect of the preparation process that requires further investigation.

Coordinating the activities was about the participants maximising the value of the window of opportunity to gain market validation through obtaining user-backers. So it would seem reasonable for the participants to want to obtain the most value out of the process and not diminish the value of this resource by selecting their perceived best window. However, they felt this presented a challenge to integrate in the flow of activities. The context they are in is highly uncertain as, without sales of their product, the venture becomes unlikely. Corley and Gioia (2011) argue that being sensitive to retrospective cues and developing trends (in this case prior market trends) is important, but in an uncertain environment acting to influence those trends through prospective sensegiving (in this case RBCF campaign) can reduce the ambiguity. In carrying out the RBCF campaign, the participants are taking the opportunity to learn effective entrepreneuring habits through experimentation and find out if their products are effective in the market (Aldrich & Yang, 2014).

#### 5.4.7 Challenging sales activities

All participants expressed how challenging and frustrating the sales process is and yet they all persisted with enacting that process, continuing to promote their campaigns throughout the campaign timeframe, finding the energy to meet the challenge, despite being pushed beyond their comfort zone. (See Section 4.4.2, pages 181 to 182). Thus, they demonstrated determination to succeed by overcoming the resistance in the face of a perceived unpleasant process. The selling activities described include attending shows and creating online dialogue and are conducted face-to-face and through online interaction. These involve the participants directly in interactive relationship building with a lot of people. Further, the campaign is restricted to a month. In this context, there is a challenge to focus their time and effort, as well as learning an activity that they find difficult. Again the limited RBCF literature that considers the entrepreneurs' perspective of using RBCF finds that entrepreneurs experience the process of campaigning, particularly asking for money to be emotionally exhausting (Harburg & Gerber, 2015). As discussed in Theme 1, Sub-section 4.2.2, the participants were concerned to overcome the "ugly baby syndrome" by

obtaining market validation of their products (Maxwell et al., 2011), one of multiple 'proof-points' (G. Fisher et al., 2016, p. 390). This is one of the hardest activities (J. D. Owens, 2007, p. 243), and the challenges with selling due to a lack of prior experience are found in other research on new ventures where weak selling skills contributed to exiting entrepreneurship for employment (Hanage, Scott, & Davies, 2016).

Further, as discussed in Theme 2, Sub-section 4.3.1, the participants had an expectation that RBCF will provide "self-generating" promotion, which - given the limited SNS enactment - suggests that they would struggle. However, as shown in Section 5.4.4, the focus on user communities with mutual interests is more successful. Yet, even with this reduced audience frame to user-communities, there was still a perception of challenge to sell. This resonates with the finding that social competence plays a role in the effectiveness of their selling activities (Baron & Markman, 2003). The participants also show that they are experiencing the emotions associated with rejection and the short timescale of the campaign, despite backing being achieved from a substantial number of backers beyond their family and friends. Bhidé (2000) states that entrepreneurs require the capacity for self-control and resilience in the face of challenges to secure resources. This is because the entrepreneurial journey involves difficult demands and rejection, particularly as sales is a relational process where interaction with customers is ongoing (Bhidé, 2000, p. 109; W. Lam & Harker, 2015). So the participants show an emerging appreciation of the demands of selling.

#### 5.4.8 Becoming sufficiently business literate

Although the participants expressed challenges and frustrations within the interview, they were also concerned with coping and adapting to meet the uncertainties with creative actions and proactive learning, seeking out opportunities to develop their business skills (See Section 4.4.2, pages 182 to 184). As pointed out on page 179, participants express concern that they are "*stumbling around in the dark*" and "*making it up*". This suggests that they feel burdened by being novices in many business skills and knowledge domains, yet also "*make the best of it*", through proactive learning. They feel there is an unexpectedly large volume of knowledge to learn and, although much is learnt

at speed, so while they are proactive in their willingness to learn, there is acknowledgement of the amount of knowledge that is unknown. They make self-directed learning efforts to observe and interact with others with learning in mind, attend courses, taking inspiration, and moreover act with a reflective mindset. They begin to learn about the various functions of a business through these actions and are surprised at the unexpected volume of things they feel they need to know. They learn through these actions what works for them sufficiently in their context. They perceive these actions and reflections as propelling them forward with their venture and in becoming business literate.

Yet, it is also evident that they need to know sufficient knowledge to progress. For instance, they describe their challenges with the selling process, which does not make them expert sales people but does allow them to acquire enough ability within their context to continue to progress, developing habits and routines (Aldrich & Yang, 2014), such as reflecting on what works. Penrose (1959) argued that the managers' abilities are the main constraint to venture success. Yet, the human capital of soft skills, and functional and technical skills, take time to develop and learning from experience is important to the success of ventures (Macpherson & Holt, 2007, p. 178). This study's participants are at the initial stage of their venture and perceive that a lack of skills is challenging. However, the limited skills and knowledge that they possess and enact is enabling them to find solutions and gain some market-traction and facilitating continuing progress for their ventures. During new venture development activities this combination of tacit, formal learning and reflection has been recognised as critical (Aldrich & Yang, 2014; Jones, Macpherson, & Thorpe, 2010).

#### 5.4.9 Summary of Theme 3 discussion

The participants were practising entrepreneurship because they were proactive in both enacting new relationships and developing their learning to manage the activities. The use of RBCF is discussed by the participants as an integral activity in starting their venture. Many of their activities overlapped, and during the interviews I found the need to clarify how the activities interacted, notably the term "friend" was paradoxically no longer people who were close connections. The participants made efforts to manage the technical aspects of

the RBCF campaign and SNS was being used to maintain connections and leverage latent and new connections, mostly being self-reliant on their own technical skills to achieve this objective. They believed they made sufficient efforts to engage online, yet this online activity was relatively limited in comparison to industry recommendations. Their use of online and face-to-face engagement was entwined, particularly in relation to activities, such as industry events and shows. Face-to-face activities were used at these events to create online content, to generate online sharing and online sharing was used to invite face-to-face engagement. The strategy for engagement was about mutual, aligned interests, relating to the product and the industry, although was projective information rather than dialogue through SNS and RBCF forums. The participants expressed that the campaign process was intense. They were challenged to make uncertain choices about the timing of the campaign in relation to other activities and the best time to foster engagement with backers. Both selling and learning to be business literate were also challenging, and the coping mechanisms was proactive “learning by doing”.

Connections are described in language that suggests that there are overlaps between family, friends, and users. However, the reference to “friend” has a suggestion that this is not an easy concept to convey. Further complexity is added in that in the context of user communities’, and since connections created between people - both online and offline - can be initially fleeting or intense. Another aspect is the speed of the developing relationships. This is not constant but a range of pace and variable intensity which also depends on mutual interests. Participants have existing connections that are active or latent and new connections that have ambiguous or obvious benefits so become active or latent. These latent connections are now maintained as connections through the affordance of SNS (Morgan-Thomas, 2016). Previous research on ties assumes they are binary; - weak or strong (Adler & Kwon, 2002; Hanlon & Saunders, 2007; Hite, 2003) - yet these findings suggest that ties are far more dynamic and complex especially with the added dimension of digitally enabled ties.

An interesting aspect about these findings is the perception by the participants that the technical creation of promotional material is enough for engagement, yet they perceived a challenge to sell both online and offline. Also they have an

implicit assumption that SNS connections will share their content as there is no mention of their enactment strategy but an assumption of “automatic marketing”. The strategies to enact relationships with their potential backers included using activities on other online platforms and offline activities. The alternative online platforms included online forums, VOIP<sup>27</sup> and SNS. However, the volume of messages was limited compared to industry recommendations (Lagazio & Querci, 2018) and projective rather than dialogue. These platforms afford the participants ‘relationship development’ features, such as efficient connectivity enabling social interactivity, and user profile features, such as profile shareability enabling easy sharing of personal content (Smith et al., 2017, p. 22). For instance, RuggedWear was joining relevant topic groups on Facebook, and using Hashtags (#)<sup>28</sup> on Twitter, to join conversations with audiences around relevant topics (Fischer & Reuber, 2014, p. 581), thus proactively aligning her interests to those in the audience. Then by proactively engaging in conversations with that audience, with the intention of discussing her product, she was able to influence audience members to become backers of her RBCF campaign which was a mutually dynamic relationship (Ford & Mouzas, 2010, p. 958). Participants were also using SNS and email to contact industry specific magazines and other press, referred to as “*the shakers and movers*” (see Section 4.4.1), for both reviews and promotions to industry-specific audiences, which could also be cross-posted within SNS. The SNS process helps create digital relations as it affords the participants ‘interoperability’ or sharing across multiple platforms and network transparency through visibility across audiences (Smith et al., 2017, p. 22). The interaction activities are conducted by the participants mostly through SNS or other platforms or offline, rather on the RBCF platform. Thus, despite the limited dialogue, messages can be projected across many domains. Interoperability affords the ability for participants to share links to other platforms and offline domains, mitigating the poor level of dialogue and so influence the behaviour of potential backers to engage with the RBCF platform. They talk about “*stumbling around in the dark*” which suggests that the participants are constrained by their own knowledge and choices. They could make a choice to outsource the functions of engagement and selling, to others who are more

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<sup>27</sup> VOIP - Voice Over Internet Protocol

<sup>28</sup> Hashtag (#) is a keyword assigned to information as an aid to searching (Small, 2011).

skilled at these functions. Yet this may also influence whether they are perceived as authentic and could hinder their own reflections and sensemaking from the personal interactions.

Also, in Theme 1, the Sub-theme on campaign presentation, I noted that the content of the videos mostly concentrated on the product and its virtues, rather than describe their venture goals and personal credentials. The participants' assumptions around the ease of access to the market using RBCF, poor selling skills and their low level of SNS dialogue suggest limited prospective enactment (Maitlis & Christianson, 2014) and reveal a dissonance. Yet, despite this aspect the campaigns generated new product-user backers, although not enough to meet the RBCF funding goals in all cases. As discussed in Theme 2, ExtremeSport failed to reach the full RBCF funding goal but because he used a "keep-it-all" style of campaign, he received the funds anyway. The others used "all-or-nothing" style campaigns. CycleAccessory failed to reach the RBCF funding goal so didn't receive funding through RBCF. RuggedWear received substantial donations and CardGame1 used a loan to "cross-subsidise" to reach the RBCF funding goal so both did receive the RBCF funding. So, although these campaigns received product-user-backers, they did not persuade enough product-user-backers to cover the full funding goal. This study did not aim to explore the relationship between marketing strategy, marketing capability and successful RBCF campaigns, yet the findings suggest there is a relationship that need further investigation.

The participants are mostly learning through personal experimentation, making choices about the timing of the campaign, and learning about promoting and selling by doing, observing, and interacting. They feel there is a high volume of business knowledge needed and much that is unexpected and ambiguous, requiring creativity and intense learning to cope with to the best of their ability. The participants portray experiencing a dynamic and intense learning environment, yet what is not clear is whether that is related to the use of RBCF or simply the nature of the earliest stages of a new business. This is because the practice of using RBCF is entwined with their online and offline promotions so are mutually dependant (Morgan-Thomas, 2016; Orlikowski & Scott, 2008). However, as the campaigns are limited to specific timeframes (e.g. 30 days), this could indeed add to the pressure perceived.

They were also challenged to perform selling activities which resonates with similar research into lived experience of nascent entrepreneurs (Hanage et al., 2016). In that case, the findings demonstrated that the entrepreneurs used social capital to access financial and mentorship support poorly. In contrast, the participants were coping with these challenges through “learning by doing”, gaining inspiration from friends and reactions from the audience of potential backers, finding ways to enact their campaign in absence of knowledge, thus creatively coping with ambiguity (Keating et al., 2014). Within the personal interactions learning, and reflections are facilitated and enable the participants to make sense of the development of their products and ventures. As user entrepreneurs, the passion is to share the solution with others and this passion has been suggested to enhance engagement in activities that become meaningful to self-identity (Cardon et al., 2009; Shah & Tripsas, 2007). As passion-driven user entrepreneurs, the participants are clearly playing a key role in enacting their environment and in doing so discovering the constraints and opportunities and ‘creatively coping’ with an ambiguous environment (Chia & Holt, 2006; Keating et al., 2014; Weick, 1995, p. 31).

Considering my pre-understanding, my role in the community project was mostly in business planning and loan negotiations rather than the promotional and engagement activities. Like the participants, I would feel like I was “*stumbling in the dark*” if I had to engage directly in promotion. My main experience is grounded in building relationships with the intention of procurement of services from a few sources but, in contrast, the participants are focused on locating and winning many customers. What is notable in comparing my community project are the parallels. Differences were the strong community following prior to launch of the Community Share Issue, which included news coverage of a disputed planning permission. In comparison, most participants had built up small online communities of mutual interest with little or no press coverage. Also the project shared a business plan projecting the future vision. However, in parallel, although the community project was substantially larger in financial value (circa £500k for building purchase), as were the participants’ situations, the project only just met its funding goal and there were struggles to promote it. There was also similar intertwining of online and offline activity. For instance, the SNS was used to project information about the Share Issue and Open days and not for online dialogue. Other online

### *Chapter 5 Discussion:*

tools, such as email and face to face meetings, were used for answering questions and dialogue. Also the SNS messages projected were about the product, that of keeping a building for local craftspeople. In contrast there was a difference in the domains for promotion strategies. The community project were not targeted in attracting the community to visit the project physically and online, whereas the participants proactively sought out domains, both online and offline where a user community could be found, for instance industry events and Facebook groups. Notably the community project decided to invest money in a media specialist, whereas the participants were predominately self-reliant. This aspect highlights that the knowledge or resourcefulness of the participants to envisage ways to enact their ventures that both avoids costs and provides learning opportunities. As discussed above, it confirms the value of focussing precious time on narrowing the audience frame to those with mutual interests and reflects the proposition that those with higher resource constraints are more creative (G. Fisher, 2012). For myself, there is value in interacting with those facing uncertainties to understand how their strategies vary from mine.

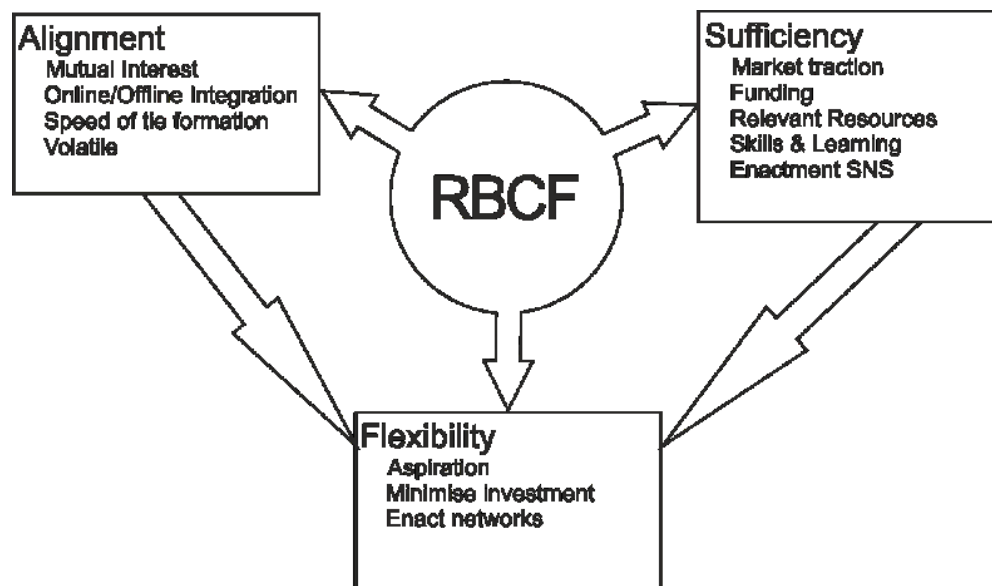
In summary, RBCF is part of an intertwined online and offline interoperable process, with the participants focussing their constrained time by seeking out an audience with mutual interests. Interoperability of the domains contributes to overcoming the poor selling skills. Relationships are developed that are more complex and dynamic than suggested by the attributes of strong or weak. The participants' user-passion, creativity, proactivity, and willingness to learn all contribute to progressing their ventures.



## 5.5 Interaction of the themes

Whilst the three themes identified provide detailed insights for particular aspects of the lived experience of the participants, there are some overarching qualities to the themes. The following discussion of their Alignment, Sufficiency and Flexibility demonstrates the interaction between the themes and is derived from considering the hermeneutic whole of the lived experience of the phenomenon of RBCF. The interacting concepts of the themes are incorporated into a diagram shown in Figure 5-5. This diagram illustrates how the discussion in the chapter on Findings has been synthesised to understand the relationships between these concepts.

Figure 5-5 Hermeneutic interaction of themes



Source: Devised by the author

### 5.5.1 Alignment of interests

An aspect that connects the themes is alignment. Weick et al.(2005) suggest that one way an organisation can be described is by the quality of interaction between the people who share mutually reinforcing values and interpretations (2005, p. 73). With the limits on their personal time and skills being critical to the emergence of the venture (Penrose, 1959), the importance of focusing their energy on those who hold mutual interests is prudent. When asked about the comparisons between having money from RBCF or money from traditional

providers, the participants did not make evaluations of the comparative costs or benefits as my pre-understanding suggested. Instead, they referred to these sources as lacking in understanding of the product, as influencing speculative behaviour, and lacking in interest in pre-trading ventures and needing more certainty around making a return (see Section 4.4.1). These attitudes suggest that the participants perceive these resources providers as unaligned with their current needs. In contrast they valued patient cashflow (see Section 5.3.8) which was intended for outsourced production (see Section 4.3.2) and the participants expressed eagerness to ensure fulfilment of the rewards and concern not to be using the funds in unacceptable ways. This finding suggests that the patient cashflow aligns to the needs of the participants, who are at the early stage of developing their ventures and require cashflow to pay for outsourced production.

*Alignment of interests identifies “qualified leads”*

The backers were perceived to be highly valuable, being referred to by two participants as their “tribe” (see Section 4.4.1, page 169; and Section 4.4.2, page 181) and as “almost friends” with common interests (see page 177). One participant described backers as “Gold dust” (see page 149) for their potential to provide not only payment in advance of delivery, or ‘patient cashflow’, but also for their potential to provide ‘self-generating’ and ‘automatic marketing’ (see page 149) or ‘persuasion capital’ (Harmeling et al., 2017). To obtain these backers, the participants were seeking those with mutual interests in and enthusiasm for the industry within which their product was based. This suggests a consumer rather than investor relationship (Chan & Parhankangas, 2017). Thus, I will refer to these as “qualified leads” meaning a contact who has been selected for viability as a potential customer through criteria. “Qualified leads” have a number of dimensions of social capital including shared language and codes, norms and openness (Nahapiet & Ghoshal, 1998) through participation in mutual interest communities (Shah & Tripsas, 2007).

The participants concentrate their time on searching for “qualified leads”, increasing the likelihood that they make connections with those who have potential to become “early adopters” of the RBCF product (Pedersen, 2005; Van Oorschot et al., 2018; Wozniak, 1987). Early adopters are considered to be

### *Chapter 5 Discussion: Interaction of the themes*

those who perceive the usefulness of a product and are influenced to use it by external factors (Pedersen, 2005), yet the stream of literature on innovation adoption does not take account of the actors' enthusiastic predisposition towards activities. So, for instance, four of the participants were personally active in user communities (see Section 4.2.1). This involvement gave them ready access to an audience of already self-selected enthusiastic "qualified leads" with pre-disposed aligned interests such as cycling, extreme sports or gaming. What they describe was the need to extend the backing beyond their current connections. The extent (strength or weakness) or nature (personal versus business) of the participants' relationships with these communities is not clear from the interviews.

#### *Alignment of offline and online domains*

The RBCF campaign was enacted in both offline and online domains. The process to engage with 'qualified leads' online included joining special interest groups on SNS and online forums. Also making use of digital keywords in SNS such as hashtags (#) to align themselves to their specific interests (see Section 4.4.1). Offline activities included actions that afforded the targeting of "qualified leads". For instance, the participants were all regularly attending industry related events and networking events (See Section 4.4.1) where they were proactively interacting with the enthusiastic audiences. Further to these aspects, these offline events were being used bi-directionally with SNS and the RBCF platform. For instance, they were proactively utilising promotional material generated by taking photos and video at the offline event and posting it on SNS. Thus creating a digital artefact (Nambisan, 2017) from an offline action and creating offline face to face interaction at events by posting event attendance on SNS. As discussed in Section 3.6, there are few studies that explore the integration of offline and online sociomaterialities (G. Harris & Abedin, 2015; Orlikowski & Scott, 2008), and therefore, this form of enactment behaviour by entrepreneurs requires further exploration.

#### *Alignment and speed of tie formation*

Research into tie formation suggests that tie strength is based on the frequency of contact, emotional intensity, degree of intimacy and reciprocity (Elfring & Hulsink, 2007). It is impossible for entrepreneurs operating under uncertainty to

### *Chapter 5 Discussion: Interaction of the themes*

know who will become new customers (Engel et al., 2017) or how quickly they will progress from initial awareness to backing. The participants demonstrate several instances where mutual interests have created ties, as backers or supporters, relatively quickly. For instance, RuggedWears' SNS conversation with archaeologists elicited backing. CycleAccessory describes meeting a marketing manager at a show who instantly became friends and subsequently a mentor. CardGame2 describes meeting a business coach at a show, who quickly become a provider of digital support. These examples suggest that, where there are mutual or relevant interests, the needs are aligned and the speed of the formation of tie is increased. In other words, the bonding social capital is enhanced (Adler & Kwon, 2002).

#### *Alignment is volatile*

The participants expressed concern for the volatility of the backer commitment, being anxious about the future delivery (see Section 4.3.1) in that, if the subsequent product failed to materialise, the patience could easily be strained. This concern is recognised within those utilising bootstrapping behaviours where, in the context of lack of formal contracts, over-reliance on the patience of a resource provider may cause the relationship to deteriorate (Vanacker et al., 2011). In a comparable way, the RBCF campaign sets a level of psychological expectation that may be more easily damaged due to the level of trust being afforded to the participant. The participants were keen to mitigate this risk.

Thus it is argued that RBCF is a multiplex resource providing more than one purpose (Newbert & Tornikoski, 2013). This is because the cashflow supplied by the RBCF campaign is aligned to the needs of the participants as it supplies patient and aligned cashflow with the potential for persuasion capital. In combination with outsourced production it aligns with the need to test that market without the commitment to set-up costs for production. In combination with SNS, it aligns with the need to broaden networks to engage with new backers and affords the ability to provide signals about the nature of the entrepreneur and the product. These signals provide information for the assessment of alignment and thus increase the speed of the formation of ties.

### 5.5.2 Sufficiency

A further aspect that connects the themes is sufficiency. Weick et al.(2005) suggest that when they are sensemaking actors engage in ongoing circumstances from which they extract cues and make plausible sense. In this study the sensemaking of the participants is *sufficient* for their current needs. As discussed above, the limits on their personal time and skills is critical to the emergence of the venture (Penrose, 1959). Whilst persisting with reliance on sufficient skills and knowledge has been found to constrain growth beyond the condition of smallness (Anderson & Ullah, 2014), the initial stages of gaining market-traction are being overcome with a sufficiency of resources.

#### *Sufficient market-traction*

As discussed above in Section 5.2.7 on campaign presentation, the participants were presenting the product rather than the vision of their venture. This finding suggests that at this stage these participants could sufficiently engage simply in the market-traction of the product and not have to engage with legitimising the whole proposed venture or its predicted future state (Überbacher, 2014). Whilst the participants had multi-dimensional aspirations for the future of their venture, all but one focused their RBCF campaign on only promoting the product not the whole venture, yet still received backing.

The participants' concerns were for confirming that their product is not an "*ugly baby*" but is valued by a sufficient proportion of their potential audience (see Section 4.3.1 Backer Commitment): thus gaining sufficient market-traction and the potential for persuasion capital (Harmeling et al., 2017). This finding was further illustrated by their disappointment in receiving donations rather than product-user backers (see Section 4.3.1 Nature of backing). The participants were also concerned to extend the interest in their product beyond their pre-existing contacts to gain sufficient product-user backers to meet their funding goal and gain product-users who were a sufficient number of new ties. The implication of the value of new ties over existing contacts is the value of potential persuasion capital, as those with no prior connection to the participant may be more legitimate arms-length persuasion capital than those with a pre-affiliation. The market-traction begins the process of providing critical trading history.

*Sufficient funding*

The participants funding goals were small values compared to other sources of seed financing (see Section 2.5.1 Seed finance sources). As discussed in the findings, the funding was being directed towards the initial production run of the product, which the participants perceived to be relatively costly compared to higher volumes. The implication is that the funding is sufficient at this point to create the initial production and not enough for any other costs. As the findings show in Section 4.3.1, they perceive there is no money/profit to be made, and in Section 4.3.2 they were relying on other sources of cashflow to support their other costs and living expenses. RBCF complements other sources of finance as it provides added-value of patient cashflow and potential of persuasion. The findings correspond to other research that shows entrepreneurs raising external finance from multiple sources simultaneously (Atherton, 2012; Bellavitis et al., 2017). This finding implies that their RBCF funding goal is insufficient to finance the whole venture. However, the combination of external finance, bootstrapping and other cashflow sources is currently sufficient for them to manage financially whilst they seek market-traction for their RBCF product. In this context, this finding also implies that the disappointment with the non-user backing also arose in that whilst it would help pay for either production or other costs, there is no added-value from potential persuasion capital. This is because even if the non-user backing helps pay for the minimum production run, they would still need to find customers for the products that are not allocated to backers. This would involve more time, effort, and possibly expense to implement.

*Sufficient relevant resources*

The participants show that they draw a variety of functional support from their family and friends along with agencies and forums. It was also notable that those family and friends described by the participants are those who have the skills and experience that are relevant to the perceived current needs of the participant (e.g. SNS skills to promote the RBCF campaign). Two participants mentioned family that they had specifically avoided or excluded from direct involvement due to their scepticism (CycleAssessory's wife see Section 4.3.2) and their poor understanding (CardGame1's parents – see Section 4.2.1). These family members provided indirect support - for instance, in the case of

### *Chapter 5 Discussion: Interaction of the themes*

CardGame1 she lived at and worked from her parents' home. Similarly, CardGame1's "friend/investor" provided valuable direct support of investment finance and entrepreneurial advice, yet CardGame1 felt the quality of advice was constrained by the lack of digital expertise. Many of the participants also spoke of the trade-off or compromise between obtaining paid services. For instance, RuggedWear described an incident where she used a website design company (See Section 4.3.2) yet felt the quality obtained was poor. Similarly, several participants received unsolicited offers for marketing assistance due to their use of RBCF platforms (See Section 4.3.2). This finding raises the question of what is sufficient quality, relevance and volume of support and at what cost? Therefore it was a critical challenge, particularly when quality, relevance and the right amount is cognitively constructed and highly contextual. In the context of initial venture creation, participants in this study are seeking sufficient resources to make progress with their venture. From a dynamic viewpoint, they may subsequently choose alternative sources from family and friends, as cashflow allows.

### *Sufficiently skilled and learn experientially*

Many of the participants maintain that they rely on their own skills to enact their RBCF campaigns. For instance, they describe creating all the campaign materials themselves including the text, pictures, and videos; promotion activities such as creating "*Youtube channels*"; engaging on SNS and online forums; attending industry shows and doing all the "*salesy stuff*". Yet there were concerns about being novices "*stumbling around in the dark*" or "*making it up*" (see Section 4.4.2), and making product errors due to lack of design skills (see Section 4.3.2). Also as shown in Section 4.4.1, the enactment of SNS was substantially less than practice advice suggests. These actions are reminiscent of the notion of getting lost as an act of sensemaking (Colville & Pye, 2010). Colville and Pye (2010) draw from Weick's story of soldiers getting lost in the Alps and using a map to navigate their way, that was later found to be a map of the Pyrenees. They use this analogy to explore the notion of becoming lost and compare this to organisations facing change and contending with unpredictability. Here the need to find your identity and become resilient against the unknown involves a period of getting 'lost'. Thus enacting the environment based on what they are currently capable of, or improvisation

(Weick, 2006), is sufficient for the participants to progress until they gain market-traction. Subsequent legitimacy (Überbacher, 2014), social competence (Baron & Markman, 2000) and/or positive cashflow enables them to explore external resource provision. They utilise their pre-existing skills in the process of enactment and develop new knowledge of what is sufficient to achieve momentum (T. Baker & Nelson, 2005).

The participants reported incidents of experiential learning during the RBCF campaigns, including “*figuring it out*”, reflecting on others stories, observing the behaviour of experienced actors, interacting with audiences offline and online (See Section 4.4.2). Whilst they report concerns about their novice abilities, this proactive learning of business literacy feeds the sensemaking process in a double-loop where the learning is transformative (Argyris, 1977, 1982). This venturing behaviour conducted with multiple aligned and unaligned audiences provides a dynamic and flexible domain to make sense of what matters to themselves and to their audiences (Ford & Mouzas, 2010; O’Neil & Ucbasaran, 2016). It affords sufficient space to make sense of and find a balance between their identity and enactment choices and the expectations and legitimacy perceptions of audiences (A. D. Brown, Colville, & Pye, 2015, p. 271; Ford & Mouzas, 2010; Weick et al., 2005). Penrose (1959) argued that the key constraints to growth were the skills of entrepreneurs. Yet her research was rooted in the growth potential of industrial firms of mid-20<sup>th</sup> Century. The participants in this study are seeking initial market-traction from an aligned audience.

Despite these differences, Penrose’s (1959) argument that entrepreneurs need the skills to recognise and enact on opportunities has an underlying assumption that the actor possesses those skills. If we assume that these skills can be acquired, then prior research suggest that the firm requires absorptive capacity which is influenced by the engagement of the entrepreneur in critical reflection (Jones et al., 2010; Macpherson & Holt, 2007). The participants are pro-active in their critical reflection, and the campaigns were within a short timeframe (around 30-42 days), and they all expressed how intense they felt the process was. This finding suggests that the pressure of the impending deadline of the RBCF campaign influenced the learning. It, therefore adds an intensity to the



learning-by-doing process that contributes to reducing the constraints of their own knowledge and self-sufficiency (T. Baker & Nelson, 2005; Penrose, 1959).

*Sufficient enactment of SNS<sup>29</sup>*

Only one participant expressed that SNS was a serious challenge, yet SNS engagement levels were relatively low. CardGame2 talked about his dislike of using SNS, which he had enacted expressly because of the RBCF campaign. He stated it was not something that was 'natural' to him. RuggedWear expressed frustration with SNS, the realised benefit being more limited than initially expected (see Section 4.4.1). As discussed above, the enactment of SNS engagement was substantially less than practice advice suggests. Of those participants who made assertions that they were extensive users of SNS e.g. CardGame1 and ExtremeSport, CardGame1 used a loan to 'cross-subsidise' to reach the RBCF funding goal (see Section 4.3.1), ExtremeSport did not extend backing to any new users beyond the existing sports-user community (See Section 4.4.1) and only achieved two thirds of the RBCF (KIA<sup>30</sup>) funding goal (see Section Introduction4.1). Further, the participants have entered the RBCF process with network communities not limited to their "close" strong ties of family and friends as is suggested by prior research (Hite, 2005, p. 125), but a more extensive user communities and "almost-friends" network of latent ties (see Section 4.4.1) and an expectation of "automatic" marketing from RBCF (see Section 4.3.1).

This raises the question of what is sufficient enactment of SNS and the RBCF campaign? Further, what is achievable within the constraints of their capability and limited resources? This aspect is a puzzle for which the answers are not discernible from these findings. Prior research has considered the use of SNS in achieving RBCF campaign success (Colombo et al., 2015; Li et al., 2016; Skirnevskiy et al., 2017), yet relies on data from post campaign rather than considering the network pre-campaign or the actions taken to promote the campaign. Also some account is needed of the offline activity. Morgan-Thomas (2016) notes that the affordance of digital technology is engendered by a combination of the enactment of the actor and the possibilities created by the

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<sup>29</sup> Social Networking Sites (SNS) (Smith et al., 2017).

<sup>30</sup> KIA - Keep It All – project keeps all funds raised.

technology. Yet actors rarely use technology as creators intended and digital technology is steadily morphing creating a complex problem (Morgan-Thomas, 2016). Considering that the participants have limited personal time and are relatively new to this activity, aspects to explore are the time taken to learn SNS, the marketing capabilities, or skilful use of performative symbolic actions, prior to creating a RBCF campaign (Berends & Antonacopoulou, 2014; Morgan-Thomas, 2016, p. 1126; Zott & Huy, 2007).

### 5.5.3 Flexibility

In combination, the ability to promote a product to an audience with aligned interests and to obtain sufficient resources to progress affords the participants flexibility in their actions.

#### *Flexibility of aspiration*

The RBCF campaign environment makes no prescription of the nature of the person or venture. Thus there is a freedom from the isomorphic nature of alternative options for resourcing the product development. Where focus of the campaign is on the product only, there is flexibility for the participants to hold a vision of any kind of purpose and growth orientation for their ventures. This is because the legitimacy is being only sought for the quality and delivery of the product, not the whole venture, appealing to consumer not investor behaviour (Chan & Parhankangas, 2017). Should the campaign not raise the funds, as shown by CycleAccessory, the project can be adapted to meet alternative criteria, as the outsourcing of production is more flexible than setting up internal facilities (See Section 4.3.2). Should the campaign raise the funding, but persuasion capital not emerge, then the project and/or orientation can also be freely adapted. The delivery of the product is the only commitment to the backers. They are thus able to stand out symbolically through the product without having to fit in culturally with the whole venture (De Clercq & Voronov, 2009; Navis & Glynn, 2011).

#### *Flexibility minimises investment set-up burden*

There is flexibility in being able to combine the use of outsourced production with RBCF. This gives them the ability to test the market, as CycleAccessory

puts it without the commitment to the “*beast that needs feeding*” (see page 156). The investment in setup costs demands a commitment to a significant level of scale of production (Barnes et al., 2012; Croom et al., 2000). In combining outsourced production and RBCF, the participants can initiate a market, access ‘patient cashflow’ and adapt the plans to the outcome of the campaign and minimise the investment burden of production setup costs. The activity of utilising outsourced production still entailed some complexity in coordination. For instance, where and how to source the production, the costs relative to order quantities, shipping costs, production quality and timing of transitioning from outsourcing to internal production (see Section 4.3.2). Yet this activity is supported by their utilisation of their functional network. This approach resonates with crowdfunding advisors that state that RBCF is about dynamic business modelling rather than linear analytical processes (Fehrer & Nenonen, 2019).

*Flexibility to enact the network resources*

By combining the use of RBCF with their network of functional support, the participants can obtain added-value. The participants express the challenges, compromises and value of accessing functional support and outsourced production, for instance from the challenges of receiving ‘spam’ to the value of being given referrals to useful connections (See Section 4.3.2.). Yet having these relevant resources to draw from in small increments gives the participants flexibility to leverage the combination of resources. As RuggedWear puts it “*it’s all been a massive learning curve*” (see Section 4.4.2). Yet the process that these participants have adopted has allowed them the flexibility and space to learn and adapt. The combination of activities (i.e. enacting SNS engagement; learning to sell; learning business literacy; opportunities to express the creativity with a mutually interested audience, negotiating outsourcing) overlaid with the dynamic and intense environment of a RBCF campaign provided both transformative and flexible learning. The participants can flex their novice entrepreneuring skills and engage in the process of becoming an entrepreneur through repetition and action within aligned audiences in this environment. This process is reminiscent of the ‘creative coping’ as described in previous research on new ventures where rather than “heroic strategizing”, strong ties are repurposed to adapt responses to ambiguous and ever-changing environments

(Keating et al., 2014). Also they can place themselves in the path of serendipity by being proactive within their network (Engel et al., 2017).

Thus, these approaches of seeking alignment, sufficiency and flexibility are utilised by the participants to leverage the resources of hygiene cashflow, patient cashflow and potential of persuasion capital from RBCF. These concepts connect the themes discussed in the findings and bring together the findings into a hermeneutic whole.

## 5.6 Summary of Discussion

This chapter has presented a discussion of the findings on the lived experience of the phenomenon of RBCF. The findings from the themes were discussed then attention was focused on a hermeneutic development of these parts into how the themes interacted to create a whole understanding of the lived experience of the phenomenon.

This analysis shows that the participants have multi-dimensional aspirations, seek complementary resources and are challenged to practice entrepreneuring. Overall, they are seeking sufficient patient cashflow from aligned communities and this activity affords them the flexibility to test the market and in doing so learn from the process. The following chapter revisits the research questions and reviews the insights that have been obtained from this study.

## Chapter 6 Conclusion

### 6.1 Introduction

This thesis set out to explore the lived experience of entrepreneurs who use the phenomenon of RBCF. As explained in Chapter 1, RBCF is an emerging phenomenon from which most who use it raise only modest sums but from which research shows there is potential for added-value beyond the finance acquired. The findings reveal that the participants utilise RBCF differently from that suggested by previous research. This chapter reviews the research questions to consider what insight has been gained. This is followed by its key contributions, limitations, and suggestions for future research. Some final reflections are offered on the process and insights.

### 6.2 Discussion of research questions

The initial research questions in this study set out to gain insight into the lived experience of entrepreneurs who use the phenomenon of RBCF during venture creation. Now that the hermeneutic whole understanding of the phenomenon has been considered, the three questions are re-examined as follows;

#### 6.2.1 Who uses RBCF and how is it relevant to their ambitions?

The participants in this study were currently people in transition. The transitions were either from some recent employment relationship, freelance work, or sub-contract relationship into venturing. They had all been involved to some extent in either a leisure activity or work wear issue, so all were 'users' (Shah & Tripsas, 2007) from which their ideas had emerged. All but one had developed new products. The participant who had taken over an existing business, so did not currently have a new product, was a research and developer by training and had plans to develop the products of the business he had bought.

The participants' previous work experience was felt to be unsatisfactory and so they were envisioning their venture differently. In line with the discussion in Chapter 2, the findings show there is purpose beyond economic outcomes. The participants wanted to derive personal satisfaction and enjoy being creative and

placed this relative to their prior work experience. Their motivation was ultimately to grow the venture to within personally “bounded growth” limits (see Section 2.2.1). This finding provides supportive evidence of the assertion by Dobbs and Hamilton (2007) that the rational actor model of traditional economic theory does not hold for all businesses. The participants convey multi-dimensional aspirations for their ventures, being both economically and purpose-driven (Wach et al., 2016). However, their current concern and focus of their campaigns was to obtain legitimacy and market-traction for the product, not legitimacy for the whole venture. Market-traction developing into trading history is one out of many elements that would contribute to progressing towards the future vision (G. Fisher et al., 2016).

The participants were seeking backers aligned with their user interests. In contrast, traditional finance providers goal is in the financial return. With debt, the repayment of interest and capital is an added burden that can cause financial distress (Mac an Bhaird, 2010). With equity, such as from Business Angels, the expectation is high-growth to achieve an ‘exit’ for the Angel (Bellavitis et al., 2017; Fraser et al., 2015; White & Dumay, 2017). The participants perceived that debt providers are not interested in their product and Angels want later stage businesses (see Section 4.3.2). Whereas the participants perceive the backer’s interests as aligned with their product, with the added-value of ‘patient cashflow’ and potential persuasion capital. This resonates with the finding that the backers exhibit consumer behaviour rather than investor behaviour, being more interested in consumption than financial return (Chan & Parhankangas, 2017).

At this initial stage, when they are subject to the liabilities of newness and smallness (Anderson & Ullah, 2014; Stinchcombe, 1965), they need to generate momentum in product sales. Without the sales they do not have the capacity to achieve any sort of scale nor have the cashflow to service debt. Thus, RBCF contributes to the aspirations of the participants by providing an activity that can connect them to resource providers that are aligned to their mutual interests. RBCF meets their venture development needs of obtaining market-traction without putting relative pressures to perform to the norms and expectations of traditional resource providers, as they are only legitimising their product, not the whole venture (Navis & Glynn, 2011; O’Neil & Ucbasaran, 2016). Thus RBCF

can provide the participants with flexibility for their aspirations. This is the flexibility to present either the whole venture, or only the product; to gain feedback even if the RBCF campaign is not successful; or to use the feedback to adapt the aspiration.

### 6.2.2 How are RBCF resources understood and valued in the sensemaking of actors?

The participants in this study are using RCBF as part of a complementary set of activities that combine to provide a meaningful whole. The value of RBCF is the access to a combination of hygiene cashflow, aligned patient cashflow and potential persuasion capital. However, the participants also combine the use of RBCF with outsourcing of production (Croom et al., 2000, p. 74), an existing community with 'relevant' resources (Macht, 2011; Sætre, 2003) and complementary sources of cashflow and finance. Outsourcing relieves them from the unnecessary burden of investment in production capabilities. This affords flexibility to adapt their business model dynamically based on realised market-traction (Fehrer & Nenonen, 2019). The existing community consisted of family and friends with professional skills and experience and agencies. These contribute their 'relevant' resources relative to the context, resource needs and market conditions of the venture. There are also compromises between the choice of using their own capacity, which may be low skilled and seeking external support which comes at a cost and ambiguous quality.

The combination of patience and persuasion potential is not found in either a marketing campaign or in other forms of finance and creates added-value beyond the financial patronage and market awareness. This added-value thus serves the aspirations of the participants by providing backers that are a hybrid of customers and traditional finance providers. Unlike customers, backers are prepared to wait rather than to expect immediate product delivery, although the participants were concerned that this aspect may prove a volatile relationship as customers can get anxious about late delivery (Rao et al., 2011). Unlike traditional finance providers, backers receive the product in direct exchange for the patient cashflow, rather than added interest or profit from venture growth.

The participants utilised multiple sources of cashflow. These included patient cashflow from RBCF, government loans, trading, and subsidy. There was no indication of the participants seeing the sources as substitutes, alternatives or used hierarchically (Paul et al., 2007) as they used them simultaneously. The added-value of patience and persuasion was derived from RBCF, not from other sources; therefore, they complemented the other sources of cashflow. These practices correspond with the notion of financial bootstrapping as a social mode of resourcing (Winborg & Landström, 2001) and demonstrate the interconnectedness of the sources of finance (Drover et al., 2017, p. 1845). There is, however, a clear difference in the value placed on cashflow backing from family and friends who are non-product-users and those who back the product. Whilst the non-user backing helps in attaining the RBCF funding goal, it is 'hygiene cashflow' (as discussed in Section 2.7.1<sup>31</sup>): enough to sustain but not develop the venture, as they do not have the potential of future added-value of persuasion capital from an authentic product-user. 'Hygiene cashflow' contributes to the survivability but not the market-traction (Anderson et al., 2005; Sirmon & Hitt, 2003). RBCF can, therefore, be conceptualised as a hybrid between finance and marketing providing a combination of hygiene cashflow, patient cashflow and the potential for persuasion capital.

As discussed in my preunderstanding, my first inclination is to evaluate RBCF against other types of finance for cost. Previous research has identified entrepreneurs who use bootstrapping as a cost reducing activity (Winborg, 2009). Yet the participants made no mention of evaluating the costs of RBCF against other forms of finance. They were, however, outsourcing and minimising the burden of production setup costs, thus reducing the risk of financial distress which can lead to failure (A. N. Berger & Udell, 1998, p. 627; Mac an Bhaird, 2010). The flexible approach taken is more akin to the lean philosophy, where customer engagement is valued over investing in production of untested propositions (Blank, 2013) and contrasts the rational evaluation which limits the ability to see resources in a versatile way (T. Baker & Nelson, 2005; Nason & Wiklund, 2018; Penrose, 1959).

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<sup>31</sup> See page 69: hygiene cashflow is conceptualised as not contributing to competitive advantage, but the absence of it will contribute to financial distress.



Recent research into RBCF crowdfunding identifies the backers to be proactively interested in active participation (Lehner et al., 2015; Ryu & Kim, 2016; Steigenberger, 2017). There is growing evidence that digital technologies and practices such as RBCF are transforming the process of entrepreneurship, leading to more direct participation from a variety of actors (Nambisan, 2017). As noted in my pre-understanding, there is value in working with those who have greater knowledge than oneself. Whilst the participants expected to receive publicity, there was no indication that they were receiving or proactively seeking added value through RBCF of co-creation, feedback on product design, collaboration or business advice from backers as found in previous research (Gerber & Hui, 2013; Hills, 2015; Lehner et al., 2015; Quero & Ventura, 2015; Stanko & Henard, 2017). Functional support and production activities were sourced separately from the RBCF campaign. This divergence needs further exploration to understand what shapes the participants' perceptions of the co-creative value in the network and the process they take to access that value.

### 6.2.3 How is RBCF enacted and how do they negotiate the process?

The findings revealed not just how relationships were developed but also the 'creative coping' (Keating et al., 2014) and learning practices of the participants in this process. The participants in this study enact their RBCF campaigns both offline and online. They promote their products to 'qualified leads' via their user communities through focussing on niche events and specialist online user groups, thus narrowing the audience frame and which contributes to the speed of tie formation. They expect the role of family and friends in the RBCF campaign to provide publicity and hygiene cashflow. The perception of the participants is that their own role is the technical creation of promotion materials which will then benefit from 'self-generated', 'automatic marketing' of the online environment. The challenge for the participants is the act of selling, further that evidence from practice suggests their SNS engagement was limited and that higher levels of activity are necessary to incite engagement. Backing was received, although not fully, from user-backer, which was despite focussing their energy mostly on user communities.

The mutual interests here were personal interests rather than personal values (Phillips et al., 2013) and enactment on SNS was projective rather than dialogic. Funding goals were only achieved with non-user 'hygiene' backers. So mutual personal interests alone may not be enough to generate backing, such that selling and online promotion capability plays a role. This finding resonates with previous evidence that effectiveness in selling involves social competence in understanding the needs of backers (Baron & Markman, 2003). One participant reflected this aspect at the end of her campaign, noting the levels of engagement needed to be higher (see page 183). It does show that despite their somewhat limited knowledge and skills, the participants were able to use the experience to learn through reflection.

The participants' use of offline and online domains was intertwined. SNS plays a role in maintaining ties in their personal networks. The concept of interoperability has been used to describe sharing across multiple online domains (Smith et al., 2017) but research on this activity is limited. Therefore, this needs to be extended from a sociomaterial perspective to understand how the intermingling of an entrepreneur's agency and digital agency develop over time (Nambisan, 2017).

The active and latent ties are called upon to assist in promoting the RBCF campaign and if the product is relevant to their interests then they are encouraged to become user-backers. The alignment of interests plays a role in generating new ties, not just for RBCF backing but also for functional support. The alignment of these participants interests enhances bonding capital and influences the speed of tie formation (Adler & Kwon, 2002). The participants' ties are either latent or active and can be made fleetingly or more intensely and hold either ambiguous or obvious benefits. The language describing relations has also become more ambiguous. This finding supports the notion that ties should be conceptualised not as binary weak or strong but as complex and dynamic (Ford & Mouzas, 2010).

## 6.3 Contribution to knowledge

As discussed in Chapter 2, there has been increasing academic attention on RBCF and how entrepreneurs can successfully raise finance using this phenomenon. The experience of the actors involved in enacting the RBCF campaigns has been overlooked. In particular, little is known until now about those who raise relatively low average values from RBCF, what resources they expect to obtain and how they go about enacting the campaign. This empirical exploratory study on the lived experience of entrepreneurs who use RBCF addresses that research gap. This study has generated insights into the phenomenon from a comprehensive exploratory perspective. Relevant methodological choices were made to align with the aims of the research. Tables 6.1 to 6.3 provides a list of the major and minor contributions and implications for practice.

*Table 6-1 List of major contributions*

1	RBCF is both an online and offline process. User entrepreneurs who use RBCF can increase the speed of tie formation by seeking backing from 'qualified leads' with aligned interests and valued patient cashflow. Yet, the backing relationship is recognised as volatile.
2	RBCF can be used by entrepreneurs to gain proof of concept, sufficient market traction, and personal skills. Entrepreneurs can thus obtain both sufficient cashflow and functional resources that are relevant to their initial stage and individual needs.
3	RBCF helps entrepreneurs to avoid the burden of legitimising the whole venture at the initial stage, and in combination with outsourcing production, it helps to minimise the burden of traditional investment. RBCF provides a process to leverage relevant network resources. Thus, RBCF affords flexibility to adapt aspirations for ventures.

4	Resource Theory: Patient cashflow is more beneficial than hygiene cashflow as patient cashflow initiates a trading history contributing to legitimacy.
5	Network Theory: Mutual interests increase the speed of tie formation. Ties are not binary and fixed, but complex and dynamic.
6	Methodology: Rich insights have been gained, demonstrating the value of a qualitative hermeneutic approach to the study of the lived experience of RBCF.
7	Methodology: Recall bias was minimised by selecting participants in the process of enacting the RBCF campaign. This enabled the capturing of their perspectives during the activity rather than post-activity to reduce the reliance on recall.

*Table 6-2 List of minor contributions*

1	Participants derive their products from user experience.
2	Participants wish to express their creative ideas through ventures that are both economically and purpose driven, and within personally bounded limits.
3	The participants' RBCF campaign focus was obtaining market-traction for the product, meaning a trading history would be initiated.
4	Resources sought from RBCF were backer commitment, patient cashflow and added value of potential persuasion capital.
5	RBCF is complemented by using outsourced production, using networks for functional support, and multiple sources of cashflow.

6	RBCF campaigns are experienced as intense and challenges are faced with selling and online engagement. Yet, the participants show passion to develop their ventures through learning-by-doing.
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*Table 6-3 List of implications for practice*

1	Entrepreneurs need to adequately engage with their qualified leads in the digital environment to achieve sufficient product-user backers from RBCF.
2	Entrepreneurs need to focus on obtaining product-user backers from RBCF to gain market traction and contribute to overcoming ugly baby syndrome.
3	Entrepreneurs need to consider how to either sufficiently improve their own selling skills or seek out support prior to the active RBCF campaign.
4	Entrepreneurs may need other sources of cashflow or finance to complement RBCF. If used in combination with outsourcing, RBCF may help to reduce the burden of investing in the set-up costs of production.
5	Support providers should aim to extend selling skills and knowledge of the benefits and burdens of patient and hygiene cashflow.

Contributions were made by the methodology. The value of a qualitative hermeneutic approach to the study of the lived experience of RBCF is demonstrated by the rich insights gained and is a methodological contribution. A further methodological contribution was to select participants in the process of enacting the RBCF campaign which enabled the capturing of their perspectives during the activity rather than post-activity to reduce the reliance on recall and this minimise recall bias. The amount of data collected was extensive and rich

in detail as the interview questions were deliberately open-ended; a more semi-structured approach may have been more focussed on specific issues but might also have missed some of the illuminating detail and unexpected nuances in the participants' narratives.

Using this approach has facilitated the contribution to the literature on RBCF and venture enactment and has advanced knowledge by shedding light on several insights. The participants had multi-dimensional aspirations, using complementary resourcing and were practising entrepreneuring (see Section 3.5 discussion of meanings). By considering the findings from a hermeneutic whole perspective three approaches unite the themes and comprise key influencers on enacting their ventures. These are alignment, sufficiency, and flexibility. The findings show that RBCF is a source of cashflow, market-traction, initiating trading history and is thus a hybrid activity between finance and marketing.

The participants derive their products from user experience (Shah & Tripsas, 2007) and wish to express their creative ideas through ventures that are both economically and purpose driven, and within personally bounded limits. Although the participants have multi-dimensional aspirations for their ventures, these are not the subject of their RBCF campaigns. The focus of the campaigns is obtaining market-traction for the product, meaning a trading history would be initiated. The resources sought from RBCF were marketing and backer commitment and the process is complemented with outsourced production, using the network for functional support and multiple sources of cashflow. The participants were practising entrepreneuring by enacting relationships both online and offline: and, whilst the campaign is experienced as intense, challenges arose with selling and online engagement. However, they show capacity to learn-by-doing.

Their approaches of alignment, sufficiency and flexibility were key influencers in enacting their ventures. By proactively seeking backing from user-backers with aligned interests, via both online and offline domains, they influenced the speed of tie formation and influenced backing. Yet they also recognised the alignment as a volatile resource until they fulfilled the rewards. The resources being sought from the RBCF process are sufficient patient cashflow with the added-value of the potential for persuasion capital from product-user backers. These

were distinguished from non-product user backers, who provided valuable hygiene cashflow<sup>32</sup> to help meet the funding goal, but who would be unable to provide the vital persuasion capital. User-backing would provide sufficient market-traction to initiate the vital legitimising resource of trading history, which contributes to developing their ventures. Identifying as novices, the participants found the process of the campaign intense, particularly selling. Yet that intensity and their passion made them proactive in the way they enacted their campaigns, learning-by-doing, which gave them sufficient skills to gain sufficient resources. RBCF affords flexibility to test proof of concept and gain product legitimacy without testing the legitimacy of the whole venture, and in combination with outsourced production it minimises investment set-up burden. RBCF affords flexibility to leverage sufficient elements of network resources. Thus RBCF affords flexibility to adapt aspirations for their ventures.

A theoretical contribution is made to resource theory. The participants have extensively leveraged their approaches to gain the resources of patient cashflow, which is seen as more beneficial than hygiene cashflow. This is because they highly value the added-value of both the patience and the prospect of the resource of persuasion capital from their product-user backers. This initiates a trading history as an important element of legitimacy (G. Fisher et al., 2016). A further contribution to resource theory is to provide additional evidence in support of the concept of 'relevant resources' (Macht, 2011; Sætre, 2003). Also, this contributes to RBCF debate on accessing networks beyond family and friends (Colombo et al., 2015; Mollick, 2014). Any tie, be they family or non-family, is valued for the resources they can provide that are 'relevant' to the development of the venture. For instance, a family member may have relevant professional skills, or provide hygiene cashflow to help meet the funding goal, but not be product-user so unable to provide persuasion capital to initiate trading history. This provides nuance to the debate of whether family and friends provide value and shows they are not a homogenous group.

Theoretical contributions are made to network theory. Although their networking agency may be constrained by uncertainty (Engel et al., 2017), the participants leveraged alignment with those possessing mutual interests to

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<sup>32</sup> See page 69: hygiene cashflow is conceptualised as not contributing to competitive advantage, but the absence of it will contribute to financial distress.

enhance bonding capital (Adler & Kwon, 2002) and increase the speed of tie formation. Also ties are either latent or active, can be made fleetingly or more intensely and hold either ambiguous or obvious benefits. Thus rather than being binary weak or strong, they are complex and dynamic.

This study has practical implications for entrepreneurs, particularly those within user communities. Mutual interests may reduce the target audience to 'qualified leads'; i.e. those who are self-selected and enthusiastic with pre-disposed aligned interests. Yet, despite this audience being more likely to be interested in the products, entrepreneurs need to engage with that audience to realise adequate backing and meet the financial goal for the RBCF. Also, participants assumed that the digital environment would inevitably achieve the desired engagement, yet insufficient product-user backers were obtained.

Entrepreneurs can suffer from ugly baby syndrome (Coleman, 2005) not perceiving that their product or venture has problems or limitations. Market traction for the product is valuable to the initial stage of venture development as it provides for potential persuasion capital from external parties, thus providing evidence that helps towards overcoming founder bias. Using RBCF can help to provide that valuable market traction, if entrepreneurs focus on obtaining product-user backers, thus contributing towards overcoming founder bias.

Participants were challenged by their lack of selling skills. Selling skills, in online and offline environments, facilitate conversion of 'qualified leads' into backers (Cialdini, 1985, p. 240). Whilst, RBCF was perceived to provide them with a learning environment suitable for the development of their entrepreneurial practice, other research suggests higher levels of pre-campaign and within campaign SNS engagement are necessary to achieve financial goals (S. Chen et al., 2016; Lagazio & Querci, 2018). What must be acknowledged is that these participants have comparatively modest resources. Other entrepreneurs in similar circumstances could consider, in advance of their campaign, their own skills and timing of potential audience engagement. They might also consider how to improve their selling and SNS skills or seek out a support mechanism within their network, in advance, rather than wait for the active campaign to develop those skills.



The participants in this study expected the RBCF cashflow to only cover the costs of production. They complemented the use of RBCF with other sources of cashflow or finance, to cope with living expenses whilst the RBCF campaign is undertaken. Other entrepreneurs in similar circumstances need to be aware that RBCF on its own may be insufficient cashflow for the whole venture activities. Both the need to engage in selling activities and the need for complementary sources of cashflow suggest that pre-planning is an important part of the process. Assuming entrepreneurs have complementary sources of cashflow in place to cover non-production costs, RBCF can be utilised, in combination with outsourced production, as a process to explore the market for a product. This can be done without the commitment to investing in set-up costs for production.

This study also has practical implications for providers of support activities for entrepreneurs. Entrepreneurs require sufficient skills and knowledge to enact a RBCF campaign. Support programmes should aim to extend skills needed for obtaining proof of concept, strategies for engagement in both offline and SNS activities, and 'qualified lead' conversion skills. Also, support programmes should aim to extend knowledge of patient and hygiene cashflow and discuss the burdens and the benefits of traditional financial investment.

Overall, RBCF is not a discrete form of finance but is a distinct form of accessing cashflow that is a hybrid of finance and marketing. It was used by these participants to complement several other forms of finance and bootstrapping activities. Further, the participants were leveraging RBCF as a complement to outsourced production to limit the exposure to the burden of set-up costs. Their use of RBCF campaigns was an intense micro-experiential learning forum, enabling them to learn what is sufficient for them to progress and a forum for the practice of being entrepreneurial.

## **6.4 Limitations and future research**

This research is not without limitation. The study is based on a small number of participants, based in the UK. Prior to the RBCF campaign, most of the participants were involved in a user community, so the findings may inform but not fully transfer to other contexts. The data was collected during 2018 and,

assuming the continuing rapid development of technology, the RBCF platforms and SNS being used may operate differently in the future. From an interpretivist perspective, developing an understanding of the lived experience of RBCF, requires recognition that any insights developed will be initial. The insights gained are grounded in the lived experience of the participants and framed in their cultural and social contexts. In addition, the process of interpretation is double as the participants have first expressed their own interpretation of their experience and then I have made an interpretation (Berglund, 2007, p. 88). The strength of a qualitative study is in its capacity to provide rich details and thick descriptions. Thus, despite the limits to generalisability, rich contextual insights may resonate within other settings (Cunliffe, 2011).

This exploratory study has increased the understanding of the lived experience of entrepreneurs using RBCF. It opens several avenues for further exploration. This research has contributed to knowledge by identifying the need for more research into the connection between RBCF and the entrepreneurial journey, as it affords both benefits and challenges which may influence entrepreneurial enactment. The findings show that the participants value backers differently depending on their product-user status. Therefore, although backing was valued from family and friends for providing hygiene cashflow, it was less relevant than product-user backers. Further, family and friends could provide valued resources where they had relevant skills or knowledge. Future research could explore this concept of relevancy with other entrepreneurs in other contexts and at other stages of their venture lifecycle. The findings also show that the participants expected to acquire persuasion capital and thus gain market-traction. Future studies of RBCF could explore if this is the expectations of other entrepreneurs using RBCF. Also they could examine the subsequent stage to understand how and to what extent persuasion capital is obtained and leverages venture establishment and survival.

Contrary to previous findings on RBCF (Quero & Ventura, 2015; Stanko & Henard, 2017), the findings of this research showed that the participants did not actively utilise the crowd for added-value such as product design, co-creation or advice. Further, they received unsolicited offers of support, which were difficult to evaluate. Future studies could examine why some users of RBCF engage in leveraging the crowd for added-value such as co-creation, and others do not.

## *Chapter 6 Conclusion: Limitations and future research*

This research could consider the context and explore the practices in some communities and whether these are generated within the RBCF environment or whether they are practices engaged in within other environments that translate seamlessly into the RBCF environment. Similarly, research could explore the factors that entrepreneurs perceive as valuable in external support, what conditions make them chose to rely on their own skills rather than obtain external support and what enables evaluation of suitable support.

The findings show a mixed picture on the preparation enacted for the RBCF campaigns. Although the participants had been active within user communities, this was often in a personal capacity rather than as a business. There was limited SNS engagement in comparison to recommended practice. Yet there were also offline activities that previous research has not acknowledged. Further the participants were challenged to enact selling and choose the window of opportunity. Future research could explore the preparation activities for the RBCF campaign in more depth to understand the different approaches taken, the level of effort involved, and the engagement needed with the audience, off and online, to reach more product-user backers. Similarly, the activity during the campaign requires deeper exploration to understand how entrepreneurial agency and digital agency in offline and online environments influence each other, i.e. what is sufficient SNS enactment and what content should be included. Also what is sufficient selling competence to persuade product-user backers and how should entrepreneurs acquire sufficient skills?

This study found that there is a paradox of friends and acquaintances. This language now used for the digital environment raised questions about what is assumed to be a close personal friend or strong tie and what is assumed to be a person at arms-length or weak tie. These concepts need to be reviewed for the digital age. It was also noted that participants had some issues with the sequencing of events and there is little research in entrepreneurship that considers this. Future research could examine the processes and trade-offs involved in choosing the order of activities.

Throughout this study, the question of whether users of RBCF are intending to establish a venture has raised some issues. Criteria was used to ensure those included in the study had that intention. However, many conversations were held with interested people who made a range of assumptions around RBCF.

One of those was that RBCF was for hobbyists or charitable activities. Although six participants were found for this study, it raises the question of how many begin with the intention of establishing a trading venture. Future studies could explore this contextual question and establish types of intentions that may give greater clarity to the research on the successful conduct of a RBCF campaign.

## 6.5 Reflections

This study has raised some valuable insights for me as a finance professional and as a novice researcher. As a finance professional, seeing the value of RBCF as hybrid and in combination with other resources is significant. This provides a missing link at the micro-foundations of entrepreneurship for me. Further, the artefact that is a business plan is being adapted and this is an interesting development that needs further exploration. Notably, RBCF has been applied in this study by those embedded in user communities, so needs to be applied to other contexts with caution. In my own practice I will adopt this knowledge as an added potential when advising clients.

As a new researcher, I found it challenging to balance the process of allowing the participants enough freedom to speak about their experiences and the constraints of needing to focus in on how and why they were making sense of RBCF. In several instances, I feel the participants' enthusiasm for their product, a familiar frame of reference, was the mode of promoting their product. I was looking for them to be more reflective about their experiences. To this end, I allowed the participants to make their point but tried to either listen hard for nuggets of new insight that I could probe or tried to gently bring them back to reflecting on RBCF. I found the concentration required to both listen for probe insights and make instant choices about redirecting the interview very tiring. Consequently, I felt there were a few opportunities for probing missed, especially notable when able to re-listen to the audio recordings. For me, this created an anxiety that any new insights would be lost. The resulting extensive and rich data was initially overwhelming yet with persistence I was able to see patterns emerge. This lived experience of the participants, who are at the start of their journey to becoming entrepreneurial, resonates with my lived experience of the journey to becoming a qualitative researcher. The interviews were framed around a common aligned interest on the experience of RBCF.

*Chapter 6 Conclusion: Reflections*

Both I and the participants had limited experience of the phenomenon yet were seeking to use it to progress with our journeys and the knowledge took on new meaning through our respective lived experiences.

Word Count: 78,791

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# Appendix 1: Participant Information Sheet

## Participant Information Sheet

This document contains all the information you need to know before taking part in this study on Start-up Businesses in the UK, using Rewards Based Crowdfunding.

Please read through it carefully, the researcher's contact details are provided below should you have further questions;

Contact Name	Emma Green FCCA, MSc
Position	PhD Researcher at Sheffield Hallam University
Phone	
Email	e.green@shu.ac.uk
LinkedIn Profile	<a href="https://uk.linkedin.com/in/emmagreen360">https://uk.linkedin.com/in/emmagreen360</a>
Twitter	@emmagreen360

### Summary of the Research

Rewards Based Crowdfunding is being suggested as a new way to help new businesses start up. Starting up in business has always been a challenge, particularly getting access to the finance needed for those orientated towards steady-growth or remaining small. Research has looked at how small businesses and high-growth start-ups access finance and support. Small businesses often use expensive forms of credit, or rely on family and friends, although both of these sources can be limited and is assumed to not add value to the business. High-growth start-ups favour using 'Business Angels' who bring added value to the business. There is little evidence that shows how steady-growth orientated start-ups go through the process of relationship building in order to gain access to finance and added value and as yet no research has followed the process of a crowdfunding campaign.

### Benefits of the research to the participant

This research seeks to understand how participants make sense of the relationships they build during the crowdfunding campaign. In return, the study offers you, the willing participant, an opportunity to discuss your campaign, with the researcher, prior to the start, during the campaign and at the end, to assist with thinking through the process. Further, feedback will be sought from backers that provide added value

In addition, a summary of our discussions will be shared with you so that you can use the material for future marketing campaigns, and in order that you can check that you are being properly represented by the research. Where your data is used in this research or academic publications, it will be anonymised to maintain your confidentiality.

### What will my participation involve?

*The study will require a maximum of two hours of your time split into different times.* Firstly the initial interview will be around 40 minutes and take place prior to your campaign starting. Next, during the campaign, you will record 5 minute audio diaries

## Participant Information Sheet

at agreed intervals, during your campaign and send them to the researcher for feedback. There will be a further 40 minute interview at the end of the campaign. A description of the business and crowdfunding campaign will be recorded to contextualise your information and will be anonymised.

After the interviews and receipt of audio diaries, the researcher will send you a copy of the summary. This will give you the opportunity to check what was spoken about and that you are being properly represented. You will be free to amend the summary and send it back to the researcher.

*It is important to stress, at this point, there are no right or wrong answers. The researcher is trying to understand how people go about starting in business and compare this to what academic literature currently contains.*

### **Are there any costs involved?**

There are no costs associated with taking part in this research. Interviews will be conducted at a venue convenient to you or may be conducted via skype.

### **Will my confidentiality be protected?**

YES. The research will be published in the thesis, future journal articles and scientific conferences. All information provided will be anonymised (personal names, business names, products and campaign information will all be anonymised). *Despite this, it may be possible for those who are determined, to trace your details via digital information sources. This may be a reason for you to withhold consent to take part in this research. If so, your decision will be respected.* All data will be held on encrypted storage according to SHU research data management policy.

### **Can I change my mind and withdraw from the study?**

YES. You may withdraw from the study at any time, without reason, penalty or prejudice. In addition, during the course of the study, you will be notified of any changes that may affect your willingness to continue.

### **When will the study begin?**

November 2016

### **Who is the researcher?**

The researcher, Emma Green, is a Qualified Accountant who has worked in and supported small businesses for over 30 years.

### **Further Questions?**

Please feel free to contact the researcher on the email address or phone number listed above.

The ethical aspects of this study had been approved by Sheffield Hallam University's Ethics Committee (SHUREC)

## Appendix 2: Participant Consent Form

### Participant Consent Form

**TITLE OF RESEARCH STUDY:**

**Understanding relationships in Venture Creation in a Rewards Based Crowdfunding environment**

*Please answer the following questions by ticking the response that applies*

- |  | <b>YES</b>               | <b>NO</b>                |
|--|--------------------------|--------------------------|
| 1. I have read the Information Sheet for this study and have had details of the study explained to me.   | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. My questions about the study have been answered to my satisfaction and I understand that I may ask further questions at any point.  | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. I understand that I am free to withdraw from the study within the time limits outlined in the Information Sheet, without giving a reason for my withdrawal or to decline to answer any particular questions in the study without any consequences to my future treatment by the researcher. | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. I agree to provide information to the researchers under the conditions of confidentiality set out in the Information Sheet.   | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. I wish to participate in the study under the conditions set out in the Information Sheet.   | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. I consent to the information collected for the purposes of this research study, once anonymised (so that I cannot be identified), to be used for any other research purposes.   | <input type="checkbox"/> | <input type="checkbox"/> |

**Participant's Signature:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**Participant's Name (Printed):** \_\_\_\_\_

**Contact details:**

\_\_\_\_\_

\_\_\_\_\_

**Researcher's Name (Printed):** \_\_\_\_\_

**Researcher's Signature:** \_\_\_\_\_

**Researcher's contact details:**

Emma Green, Sheffield Hallam University, Stoddart Building, Howard St, Sheffield, S1 1WB  
Phone number

**Please keep your copy of the consent form and the information sheet together.**

# Appendix 3: Publicity

Best wishes,  
Kate

**From:** Green, Emma [mailto:E.Green@shu.ac.uk]  
**Sent:** 10 August 2017 09:09  
**To:** Kate Beresford (EUK)  
**Subject:** A request for help please

Hi Kate

I spoke to you in June about how best to get in contact with people who could connect me to potential research participants. As you suggested I have tried posting a request on the linkedin group for EEUk, but I am afraid I am not getting any responses (see link to the post below). Is there a way I could get a message out to the careers service people you have on your list? Or do you have any other suggestions? Any ideas would be appreciated.

Thanks  
Emma

<https://www.linkedin.com/groups/5124590/5124590-6293039999785017344>

Sign Up

[www.linkedin.com](http://www.linkedin.com)

400 million+ members | Manage your professional identity. Build and engage with your professional network. Access knowledge, insights and opportunities.

Emma Green | Graduate Tutor & PhD researcher

Department of Finance, Accounting and Business Systems | Sheffield Business School | Stoddart Building  
| City Campus (

Tel: 0114 225 5176 | @emmagreen360

**Green, Emma**

**From:** Green, Emma  
**Sent:** 16 August 2017 12:58  
**To:** Kate Beresford (EUK)  
**Subject:** Re: A request for help please

Hi Kate

Thanks so much for this, it's really appreciated! If there is anything I can do in return, please let me know.

I have written some words, a little over 100 I am afraid, so tell me if you think its ok. Also below is a link to a website where a little more can be read about it. Please let me know you need anything else? People can contact me on this email or follow me on twitter @emmagreen360

Text:

I am looking for introductions to startup businesses and in return will provide case studies of those businesses. Many claim that "Rewards" Crowdfunding is a great way to help you startup your business. The vast majority of projects raise less than £10,000 and due to their size and intentions they may not be of interest to Business Angels or incubators. So, how can Rewards Crowdfunding help you start your business? For my PhD research, I am looking for people in the UK, that are about to use a Rewards platform such as Kickstarter.com or Crowdfunder.co.uk, to help start their business. The research will follow their campaign and find out what helps them. In return, I am providing some valuable materials for the crowdfunding campaign.

<https://www.callforparticipants.com/study/ZE77K/starting-in-business-using-rewards-crowdfunding>

Thanks,  
Emma

Emma Green | Graduate Tutor & PhD researcher  
Department of Finance, Accounting and Business Systems | Sheffield Business School | Stoddart Building  
| City Campus ( |  
Tel: 0114 225 5176 | @emmagreen360

**From:** Kate Beresford (EUK) <kate@enterprise.ac.uk>  
**Sent:** 10 August 2017 12:16:06

**To:** 'Green, Emma'  
**Subject:** RE: A request for help please

Hi Emma,

Good to hear from you – I'm sorry no success with linkedin.

The link below isn't working for some reason so if you could let me have the details of what you need again I will include in the next newsletter – can you keep this to around 100 words please?

Our mailing list isn't segmented in a way that enables us to direct the request to careers advisers but there are a few universities (eg Newcastle, Birmingham, Southampton) where the Careers Service leads enterprise provision so I can also send to my contacts in those universities if that helps.

**From:** Green, Emma [mailto:E.Green@shu.ac.uk]  
**Sent:** 23 August 2017 11:05  
**To:** Bossward, Claire; Smith, Anna  
**Subject:** Re: Referral from Sue Harrison

Hi Claire and Anna

Thanks very much Claire, much appreciated. Anna, if you need any further information or clarification, please let me know.

Kind regards  
Emma

Emma Green | Graduate Tutor & PhD researcher  
Department of Finance, Accounting and Business Systems | Sheffield Business School | Stoddart Building  
City Campus |  
Tel: 0114 225 5176 @emmugreen360

**From:** Bossward, Claire <Claire.Bossward@doncaster.gov.uk>  
**Sent:** 18 August 2017 16:20:51  
**To:** 'Green, Emma'; AnnaSmith@barnsley.gov.uk  
**Subject:** RE: Referral from Sue Harrison

Hi Emma,

I'm sending this onto Anna Smith at Barnsley MBC who is the programme manager for the Sheffield City Region wide New Business strand of the Growth Hub - so it would probably be best if Anna sent this around to all partners involved in delivering new business start-ups and support to those trading up to 2 years, to ask that they send contacts. It can also go our through their marketing and PR contract in place on this I would have thought.

Hope that's ok and helps.  
Cheers  
Claire

**From:** Green, Emma [mailto:E.Green@shu.ac.uk]  
**Sent:** 18 August 2017 16:05  
**To:** Bossward, Claire  
**Subject:** Referral from Sue Harrison

Hi Claire

I have been referred to you by Sue Harrison at Doncaster MBC. I am looking for connections to startup businesses that are using Rewards crowdfunding to help them startup. Do you come across any such businesses? I am doing PhD research on understanding how Rewards crowdfunding helps them. In return for connections, I can provide case studies.

The businesses need to be UK based, and about to use a Rewards platform such as Kickstarter.com or Crowdfunder.co.uk. I will follow their campaign and in return I am providing them with some valuable materials.

**Green, Emma**

**From:** Smith, Anna <AnnaSmith@barnsley.gov.uk>  
**Sent:** 23 August 2017 11:36  
**To:** Green, Emma  
**Subject:** RE: Referral from Sue Harrison

Hi Emma

I have circulated your email to our group of advisors and project partners. I have asked them to contact you direct if they are working with any business that is looking to use rewards based crowdfunding. I hope that is okay.

I would be interested in the outcome of your research if you are able to share it? As a Sheffield City Region project, we meet monthly with the advisors to share best practice and discuss the types of support that start ups require, so it would be good to understand any common themes with the crowdfunding and what their experience is during the process.

Please let me know if you require any further information

Kind regards  
Anna

**Anna Smith**  
Programme Manager  
Enterprising Barnsley Team  
Leader of the Year – BMBC Employee Excellence Awards 2017

**(Please note I work until 2pm on Monday and Friday)**

01226 772648  
07736 460838  
annasmith@barnsley.gov.uk

Award winning business support  
www.enterprisingbarnsley.co.uk  
Barnsley MBC, PO Box 603, Barnsley, S70 9EX (For Sat Nav Use S70 2DR)



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If you can connect me to any such businesses it would be much appreciated. If not do you know of anyone who may be able to help me?

Below is a link to some more information about the project:

<https://www.callforparticipants.com/study/ZE77K/starting-in-business-using-rewards-crowdfunding>

and my LinkedIn profile;

<https://www.linkedin.com/in/emmagreen360>

Kind regards  
Emma

Emma Green | Graduate Tutor & PhD researcher

Department of Finance, Accounting and Business Systems | Sheffield Business School | Stoddart Building  
| City Campus (

Tel: 0114 225 5176 | @emmagreen360

\*\*\* Beware of Phishing: Phishing is a type of cyber attack where the attacker sends a fraudulent message that appears to come from a legitimate source. This email and any files attached are confidential for the use of the intended recipient. If you have received this email in error please notify the sender as soon as possible and delete the communication from your system without copying, disseminating or distributing the same in any way by any means. Any views or opinions expressed in this email are those of the author and do not necessarily represent those of the Council. In particular the Council will not accept liability for any defamatory statements made in this email. The Council will not accept liability for damage caused by any virus transmitted by this e-mail. No guarantees are offered on the security, content and accuracy of any emails and files received. Be aware that this email communication may be intercepted for regulatory, quality control, or crime detection purposes unless otherwise prohibited. The content of this email and any attachments may be stored for future reference.

|140 characters for twitter|

Can #Rewards #Crowdfunding really help you #start-in-business? #join-this-research-and-get #campaign #tips |

<https://www.callforparticipants.com/study/ZE77K/starting-in-business-using-rewards-crowdfunding> |

<https://www.linkedin.com/in/emmagreen360> |

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