Emerging technologies and the democratisation of financial services: A metatriangulation of crowdfunding research

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ABSTRACT

Crowdfunding has grown quickly and attracted significant scholarly attention. However, the diverse approaches to crowdfunding that have emerged, as well as the uncertain relationship of these approaches to the umbrella concept of crowdsourcing, means it is not clear to what extent crowdfunding presents theoretically novel behaviours, nor what those behaviours may be. This study addresses this lack of clarity through a metatriangulation of 120 peer-reviewed studies on crowdfunding. These studies are distributed across the four dominant categories of crowdfunding, namely crowd lending, crowd equity, crowd patronage, and crowd charity. Research for each category is analysed separately to determine the topics of interest, the dominant theoretical perspectives, the methods employed, and the typical focus of analysis. We bridge these categories to identify three common variables relating to funding behaviours and three relating to impact. Of these, we argue that two are fundamentally novel and under-researched, namely the 'erosion of organisations' financial boundaries' and 'paying to participate'. The implications of these findings are discussed for crowdfunding and crowdsourcing.

1. Introduction

The nature of work, creativity, and innovation has been challenged in recent years with the arrival of the related concepts of peer production (cf. Benkler, 2002) and crowdsourcing (cf. Howe, 2008). These approaches combine novel social and legal mechanisms to enable new modes of collaboration that blur the distinction between the organization and the individual, as well as between professionalism and volunteerism. As the ideas behind peer production and crowdsourcing have evolved, we have also seen that individuals are willing to commit more than just time or ideas to collaborative works. Crowdfunding environments have emerged in which individuals commit personal finances to fund business ventures, social initiatives and creative works. This extends the idea of the wisdom of crowds (c.f. Surowiecki, 2004) and allows crowdsourcers to engage with the wealth of crowds.

Research into crowdfunding has been encouraged by media coverage around several famous success stories, including the *Pebble* e-paper smart watch (which raised over $10 million to develop a market-ready product), the *Veronica Mars* campaign (which raised over $5 million from fans to create a feature film), and *Star Citizen* (which raised over $110 million to fund the first full iteration of a video game). While these success stories are clearly outliers in terms of the amount raised, the growth of crowdfunding as an innovative fundraising mechanism is nonetheless significant. Crowdfunding was estimated to exceed $5

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billion/year in 2013 (Massolution, 2013) and the World Bank predicts that will have grown to $100 billion/year by 2025 (Best, Neiss, Swart, & Lambkin, 2013). This growth of crowdfunding is not only one of scale, but also one of purpose. Some crowdfunding platforms encourage rewards-based donations to support independent projects (e.g., *Kickstarter, Indiegogo*) while others encourage charitable pro-social donations to help those in need (e.g., *Razoo, Kiva*). Some platforms allow funders to adopt the role of banks and collectively provide commercial interest-based unsecured loans (e.g., *Prosper, Lending Club*), while others seek to move traditional venture capital markets online by allowing start-ups to sell equity or securities for seed finance (e.g., *Crowdcube, Symbid*).

Each of these categories can be related to existing financial activities (patronage, charity, lending, and angel investment), meaning it is unclear the manner and extent to which their application in a crowdfunding context creates novel challenges and opportunities. This study explores this question of theoretical novelty by analysing and integrating findings from existing research across all four major categories of crowdfunding. This is achieved through a metatriangulation (c.f. Lewis & Grimes, 1999) of 120 peer-reviewed studies on crowdfunding. The next section gives some background for the study, in particular why crowdfunding may or may not be considered radically new in light of existing fundraising and crowdsourcing behaviours. The methodology is then laid out, which defines the phenomenon of interest, the category-specific lenses, the approach to data gathering, and the data analysis methods employed. Studies are then coded according to these lenses and accounts are written for each category of crowdfunding. We discuss commonalities and differences between these categories and use this to develop a theoretically inclusive and holistic perspective. This cross-category perspective serves to unify the crowdfunding phenomenon and exposes the most innovative aspects of crowdfunding.

2. Crowdfunding – Old wine in a new bottle?

The novelty of crowdfunding as a phenomenon of interest for scholars of IT and innovation can be called into question on two fronts. First, the idea of raising money from a crowd is not new. Some of the earliest documented instances of crowdfunding are attributed to the rock band Marillion, whose fans raised the money for them to tour in 1997, and who also asked fans to pre-order a non-existent album in 2001 to give them the necessary funds to record it (Gerber, Hui, & Kuo, 2012). Yet charities have been asking for donations from the public to fund specific projects or philanthropic causes for hundreds (arguably even thousands) of years. Famous examples of large citizen-funded projects include the Statue of Liberty and London's Royal Albert Hall (Stiver, Barroca, Minocha, Richards, & Roberts, 2015). Likewise, there is nothing strikingly new about the idea that individuals would lend money to other individuals, or that businesses would seek investment from large numbers of investors, or that consumers would pre-order products at a discount. In his seminal book on crowdsourcing, Howe (2008, p.7) wrote "Crowdfunding isn't new. It's been the backbone of the American political system since politicians started kissing babies. The Internet so accelerates and simplifies the process of finding large pools of potential funders that crowdfunding has spread into the most unexpected nooks and crannies of our culture".

Second, there is some suggestion that crowdfunding is simply another manifestation of crowdsourcing, albeit one in which financial resources are sourced, rather than ideas, opinions, or effort (e.g., Schwienbacher & Larralde, 2012; Estellés-Arolas & González-Ladrón-de-Guevara, 2012; Ashta & Assadi, 2010; Stiver et al., 2015). Research in technological fields has been known to overstate incrementally novel emerging phenomena as part of passing 'fashion waves' (c.f. Baskerville & Myers, 2009). Therefore, it must be considered whether novel and discreet theories are needed to understand the innovative potential of crowdfunding. Put differently, if crowdsourcing has built upon a 'rise of amateurism' (Howe, 2008), crowdfunding may simply be described as a rise in amateur investment. Thus, the central research question for this study asks *what, if anything, is fundamentally new about crowdfunding from a theoretical perspective?*

3. Methodology

This study performs a metatriangulation of crowdfunding studies to address this question of novelty. Metatriangulation allows existing research within diverse streams of research to be synthesized and analysed as one unified data set (Schultz & Hatch, 1996; Lewis & Grimes, 1999). Such unified analysis can establish theoretical correspondence across diverse areas of research, meaning findings can be carried over from one area to another, so facilitating the discovery and reconciliation of areas of theoretical conflict or neglect (Gioia & Pitre, 1990). This process of discovering and resolving theoretical conflict in a way that can withstand multiparadigmatic scrutiny can be an essential mechanism for creating meaningful scientific breakthroughs (Kuhn, 1970).

The metatriangulation performed in this study uses the framework presented by Lewis and Grimes (1999), and later refined by Jasperson et al. (2002). This framework involves three high-level stages, the first of which specifies that 'groundwork' be performed. Groundwork comprises (1) defining the phenomenon of interest in a way that transcends individual areas of research, (2) defining category-specific lenses through which to view existing studies, and (3) gathering a metatheoretic sample of studies. The execution and results of these three activities are described in the remainder of this section.

3.1. Defining crowdfunding as a phenomenon/phenomena of interest

Crowdfunding is funding behaviour that bypasses conventional intermediaries by directly connecting funders and fund seekers (Belleflamme, Lambert, & Schwienbacher, 2014; Ley & Weaven, 2011; Ordanini, Miceli, Pizzetti, & Parasuraman, 2011). The crowdfunding concept originates within the broader domain of crowdsourcing, in which crowds are leveraged to obtain ideas and effort to support organizational activities (c.f. Howe, 2008). Crowdfunding manifests significant new patterns of behaviour