**IS CROWDFUNDING DOOMED IN SWEDEN?**

**WHEN INSTITUTIONAL LOGICS AND AFFORDANCES COLLIDE, (RE-)DESIGN MATTERS**

`Research-in-Progress`

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**Abstract**

Crowdfunding has been embraced by entrepreneurs across the globe as an alternative, and well-publicized, source of start-up financing. In Sweden, despite the apparent benefits of crowdfunding, high levels of internet connectivity and a reputation for producing global ICT entrepreneurs, crowdfunding has not (yet) been embraced among ICT entrepreneurs. This paper explores this empirical puzzle in light of technology affordances and institutional entrepreneurship literatures, as well as their complementarity. After presenting the methodology and preliminary findings of this qualitative case study of the crowdfunding phenomenon in Sweden, it concludes with a few salient findings of this ongoing project. These findings suggest that both the design of the platform and existing institutional logics among entrepreneurs shape perceptions of affordances and thus the adoption of this new form of start-up financing.

**Keywords:** crowdfunding, technology affordances, institutional entrepreneurship, ICT entrepreneurship, start-up financing
Introduction

Crowdfunding offers promising opportunities for start-ups to gain access to financial capital and has gained momentum in the last few years. In May 2013, there were around 800 crowdfunding platforms worldwide. Crowdfunding initiatives raised an estimated $2.6 billion in 2012 alone, including about $945 million in Europe (Massolution, 2012). The idea behind crowdfunding is that by appealing to a global community (the crowd), anyone who has access to the Internet may fund their new venture idea. Yet, despite an increasing number of crowdfunding platforms and growing interest by the media as well as government actions fuelling crowdfunding momentum worldwide, it remains unclear whether this new, technologically-enabled, funding model will actually become fully embraced by entrepreneurs as a viable alternative or even complement to traditional funding models. Crowdfunding has actually not been embraced everywhere. In particular, and strikingly, although several crowdfunding platforms have become available in Sweden, one member of a Swedish not-for-profit agency interested in ICT entrepreneurship expressed concern that the phenomenon was not catching on, least of all among ICT entrepreneurs. This is extremely surprising because Sweden is a IT-driven and entrepreneurial economy: it has produced a number of successful and globally recognized ICT companies (e.g. Spotify and Klarna), is the world’s second most entrepreneurial country (Global Economic Forum, 2012) and has an internet penetration of 89% (Findahl, 2012). Its ICT entrepreneurs therefore seem especially likely to rely upon and benefit from crowdfunding, and, yet, they have not (yet) adopted it widely.

This paper unpacks this empirical puzzle in light of two key, and ultimately complementary, literatures of institutional logics and entrepreneurship and of technology affordances. These rich theories help us to conceptualize crowdfunding platforms as internet-based systems whose creators and administrators develop features and attempt to create momentum for their use. Crowdfunding platform administrators therefore act as designers for the new technological system and as institutional entrepreneurs in the field of new venture funding. In designing the platform, they build series of components and relationships intended to provide users with certain material and technical features (Walls et al., 1992) dedicated to leverage the reach of the internet so that entrepreneurs can raise external financing to fund their ventures from a crowd, as opposed to through the traditional means of soliciting a small group of local investors (Belleflamme et al., 2012). However, although the crowdfunding platforms offers technical that make it technically possible for entrepreneurs and investors to meet, these features may not be perceived by entrepreneurs as affordances enabling them to get new sources of funding (Majchrzak & Markus, 2012). Entrepreneurs may thus not perceive the affordances of crowdfunding in the same way that designers intended them, and other affordances may emerge. This research proposes that whether and how entrepreneurs use crowdfunding will depend on the emergence of affordances related to the features that crowdfunding platform administrators design or redesign, but that these affordances may only emerge if the institutional logics of new ventures funding are – or become – favorable. This research therefore reveals how institutional logics around seeking funding – specifically what a “good” investor brings to the table for entrepreneurs, beyond financial capitals– shapes the emergence of affordances for target users of the system. The platform providers therefore may need to make their platform conform to existing institutional logics, through their (re-)design of the system, attempt to alter prevalent institutional logics, or engage in a combination of both actions. In this way, then, acting as institutional entrepreneurs may involve crowdfunding platform providers to redesign socio-technical features of the platform and to encourage its use and influence ICT entrepreneurs’ perception of favorable affordances of crowdfunding. The empirical puzzle of crowdfunding in Sweden therefore constitutes a revealing case that illuminates the value of integrating the institutional and affordance literatures to understand how crowdfunding platform administrators act both as system designers and institutional entrepreneurs to allow for the emergence of affordances of a new system in an institutional field.

This research-in-progress paper therefore highlights the theoretical promise of integrating the institutional and affordance perspectives. It first presents briefly the crowdfunding phenomenon before offering an overview of the relevant institutional entrepreneurship and technology affordances literatures and starts integrating them conceptually. The paper then turns to methods and some preliminary findings from a qualitative case study of the crowdfunding phenomenon in Sweden, with a focus on ICT entrepreneurs. It concludes with a brief discussion of the next steps of this ongoing project and of its expected contributions.
The Crowdfunding Phenomenon

Crowdfunding falls under the more general phenomenon of crowdsourcing, and while the concept of crowdfunding has existed for some time across disparate industries, it is only during the past ten years that the phenomenon in its current incarnation has been gaining momentum (De Buysere et al., 2012).

In their initial stages new ventures face considerable difficulties in attracting external financing (see e.g., Berger and Udell, 1995; Cassar, 2004; and Cosh et al., 2009). As such, entrepreneurs often invest their own funds or turn to friends and family to raise the needed capital (Agrawal et al., 2010). Crowdfunding allows an entrepreneur to pitch an idea or plan to more than just family and friends. Indeed it can be defined as accumulation of small investments in individual projects by a large number of individuals (the “crowd”) via or with the help of the Internet and social networks (De Buysere et al., 2012). Thus, while previously constrained by networks within the same geographic proximity, an entrepreneur can now relatively easily and cheaply launch an idea to a network of strangers located across the globe.

Theoretical Background

We now provide a brief overview of the institutional logics and institutional entrepreneurship literature and of the technology affordance analytical lens. We then propose to articulate these theories as we develop our research question.

Technology Affordances

In the IS discipline, an affordance perspective has gained prominence as a useful analytical lens to tease out social and material practices as technology is appropriated (e.g., Faraj and Bijan, 2012; Leonardi and Barley, 2008; Markus and Silver, 2008; Zammuto et al., 2007). When a system creator designs a technological platform or tool he/she does so with intended material uses, or “features” in mind (Orlikowski, 2002, Walls et al, 1992). However, although included by design, users may not perceive these features as affording them to engage effectively in intended practices. Affordances are “action possibilities and opportunities that emerge from actors engaging with a focal technology” (Faraj and Bijan, 2012: 238). This relational concept takes into account how users interact with a particular technology (Majchrzak and Markus, 2012; Faraj and Bijan, 2012), as well as how these interactions are shaped by that user’s social and context. Conversely, technology constraints correspond to the “ways in which an individual or organization can be held back from accomplishing a particular goal when using a technology or system” (Majchrzak and Markus, 2012: 1).

There is general agreement that the uses of technologies are shaped not only by their own material features, but also by human agency (Boudreau and Robey, 2005; Poole & DeSanctis, 2004; Vaast & Walsham, 2005), and the interaction between the technology and the individual takes into account both social and material practices (Orlikowski, 2002; Schatzki, 2005). One example, used by Vaast and Walsham, is that of “a simple office software package, including word processing and spreadsheets” (2005:68), in which the use of the software varies by profession – a secretary may use the software for different purposes and in a different manner than an accountant, for instance. Here, although the features of the office software package are the same irrespective of user, the actual features that the user perceives depend on his/her own agency as well as institutional logics in his/her particular profession.

By defining affordances and constraints as relational concepts, scholars, when investigating patterns of technology use and consequences, can go beyond the sole investigation of human and organizational attributes or of the features of the technology to explore how the use of the technology may differ between individuals or organizations due to the user’s relation with the technology (Majchrzak and Markus, 2012). While scholars may start first by analyzing the features and functionalities of the technology or by analyzing the human and organizational purposes of using the technology, the investigation of the interactions among them underlies this approach (Majchrzak and Markus, 2012).

The affordance perspective has shown great promise in accounting for the sociomaterial shaping of technology and their uses, but so far there have still been relatively few empirical studies conducted
beyond the organizational context (Majchrzak and Markus, 2012). What is more it was recently noted that although there is a recognition that IT-enabled change is a product of both social and material interactions (Orlikowski and Scott, 2008, Faraj and Bijan, 2012, Vaast and Walsham, 2005), the institutional dimension of these interactions deserves further study. This research-in-progress attempts to bridge this gap in the literature and, for this purpose, turn to key insights from the neo-institutional literature.

**Institutional Logics and Institutional Entrepreneurship**

Institutional logics are part of a broader, accepted belief system about what constitute legitimate expectations and goals within a shared field (Thornton, 2004; Suddaby and Greenwood 2005, Battilana and Dorado 2009, Lounsbury 2007). These logics can focus the attention of decision makers on a limited set of options (Ocasio, 1997) and lead to decisions that are both logically consistent with the existing status quo and reinforce organizational identities and strategies (Thornton, 2002). Like institutionalization in general, shifts in institutional logics have been explored in some detail in the past few decades, including competing intra-organization logics that result in the formation of hybrid models (Battilana and Dorado 2009) and variation in practice (Lounsbury 2001; Lounsbury 2007); however, less is known about the interplay between agency, institutional pressures, and changes in institutional logic (Greenwood and Hinings, 1996; Lounsbury 2007).

Changes in institutional logics can result from a process driven by an institutional entrepreneur within an institutional field consisting of actors that can be organizations or groups of organizations (Garud et al., 2002; Greenwood et al., 2002) or individuals or groups of individuals (Flinkstein, 1997; Maguire et al., 2004). In order for an actor to be considered an institutional entrepreneur, the literature suggests that an actor fulfill two conditions: 1) initiate divergent changes and 2) actively participate in the implementation of these changes (Battilana et al., 2009). Early studies tended to suggest that institutional entrepreneurs deliberately developed strategies aimed at changing the institutional environments within they were embedded (Colomy, 1998; Colomy and Rhoades, 1994). Other, more recent, studies have suggested that intentions and narratives evolve at different steps of the change process (Child, Lua, and Tsai, 2007). Indeed, field-level disruptions may be completely unintentional (Lounsbury and Crumley, 2007).

Efforts by institutional entrepreneurs, even when distributed across numerous actors, to change institutional logics are not always successful. Failures are suggested to be common (DiMaggio, 1988), yet few are subsequently reported in the literature (Battilana et al., 2009; Greenwood et al., 2002). Previous research on institutional entrepreneurship has identified a set of barriers to transformation: cognitive, structural, and processual, which prevent institutional entrepreneurs from convincing potential adopters to change their behavior. For example, a study of sustainability managers at a Danish biotech company who had a goal to develop low-cost products for emergent markets in the developing world revealed that even though these managers mobilized the necessary resources, they were unable to convince others in the organization to implement the novel practice due to an interlocking pattern of cognitive, structural, and processual barriers (Olsen and Boxenbaum, 2009).

Research on institutional entrepreneurship has fast grown and developed intriguing insights yet, as noted in Battilana et al’s (2009) review, there are still gaps in this literature. In particular, institutional entrepreneurship is a complex process involving many different actors, e.g., individuals, groups/communities, and organizations, thus one area that holds promise is multi-level research that includes the possible role of individual actors in the process (ibid). Such multi-level studies would enable a more fine-grained understanding of the institutional entrepreneurship processes by examining how individual actors are embedded in organizations that are embedded not only in organizational fields but also in local geographic communities (ibid). This research in progress ambitions to contribute to address this gap in the literature by examining how actions of an individual actor, a crowdfunding platform provider bumped against prevalent logics and led it to redesign features of a technical system in an effort to spark the emergence of new logics.

**Toward a theoretical integration**

Institutional change processes often involve new technological systems and their adoption to become
catalysts for change (Aldrich and Fiol 1994). Actors may see the potential of this technological system for the field, use it to develop a new way of doing things and thus become institutional entrepreneurs. In this way, such actors behave not only as the designers of the technological system that promote technical features, but also as institutional entrepreneurs who actively try to affect institutional logics to encourage the emergence of new affordances of a system. Within the institutional change literature, most research has treated technology as just one of many potential catalysts for institutional change, rather than a lens through which to view institutional change. Researchers, therefore, have yet to leverage the potential that the technology affordance perspective offers (Faraj and Bijan, 2012).

We therefore propose the integration of technology affordance with institutional entrepreneurship as a promising angle to develop a more fine-grained understanding of an institutional change process, and in particular account for both agency and institutional embeddedness in assessing what is required for crowdfunding to become perceived as a viable funding model. As noted above, the institutional change literature calls for multi-level studies to develop a deeper understanding of the institutional entrepreneurship process. By integrating the technology affordance literature, we introduce another “level”: the technology, with which individuals may interact. At the heart of both institutional change and technology affordance are practices at the individual level. While the institutional entrepreneurship process may shed light on how an institutional entrepreneur may overcome the cognitive, structural, and processual barriers to changing institutional logics, the technology affordance perspective frames the investigation of how the new technology is appropriated such that an institutional entrepreneur pioneers a change in institutional logic through, and in order to promote the adoption of, a new technology.

Having presented our theoretical foundations and proposed their integration, we return to the empirical puzzle that originally intrigued us, that of crowdfunding apparently not yet widely adopted in Sweden despite what seems to be a very favorable context. Our theoretical background allows us to view the adoption of crowdfunding as requiring not just the availability of technical features, but also institutional change and, for this, the involvement of the platform provider as an institutional entrepreneur. The crowdfunding platform provider has to attempt to change the dominant institutionalized logic for funding new ventures, from coming from VCs, business angels, family, and friends to coming from a global crowd. We therefore to our empirical investigations to examine how a shift in institutional logics may happen and how new affordances may emergence through design and redesign of the crowdfunding platform and the actions of its provider as institutional entrepreneurship.

**Methodology**

Consistent with the exploratory nature of this research, we adopted a case research approach to the empirical investigation because of the importance of studying the phenomenon of crowdfunding in its real-life context (Yin, 1989). This approach was particularly important given our emphasis on studying the actual dynamics related to the shift in institutional logic due to the implementation of crowdfunding. A secondary reason for choosing a case study approach was that we were of the opinion that the existing literature did not adequately describe the phenomenon under investigation. As stated by Eisenhardt (1989:548): “There are times when little is known about a phenomenon, current perspectives seem inadequate because they have little empirical substantiation, or they conflict with each other or common sense. In these situations, theory building from case study research is particularly appropriate.”

**Research Site**

We chose to conduct our investigation within Sweden for several reasons. First, the Global Information Technology Report (2012) identified Sweden as the leading country of 142 economies in terms of its networked readiness, i.e., the extent to which the nation takes advantage of ICT and other new technologies to increase its growth and well-being. Second, Sweden was ranked the second most entrepreneurial country in the world in 2012, according to the Global Entrepreneurship and Development Index (GEDI). Third, the country now has several crowdfunding initiatives arising from the private sector, such as the crowdfunding platforms FundedByMe, CrowdCube and CrowdCulture, as well as from the public sector, such as Crowdfunding 1337 started by .SE – The Internet Infrastructure Foundation – which is responsible for the Swedish top level domain and for developing the Swedish Internet.
Data Collection

Between January and May 2013, we collected data through interviews of institutional actors and secondary sources. To investigate the institutional entrepreneurship process, it is essential to investigate not just the entrepreneur but also the geographic communities and organizational fields within which the entrepreneur is embedded (Marquis and Battilana, 2007). This will enable us to analyze the interplay between the existing institutional logic and the nascent, developing institutional logic (DiMaggio, 1988; Garud, Hardy, and Maguire, 2007; Maguire, Hardy, and Lawrence, 2004).

To date, we have conducted 20 semi-structured interviews with a variety of institutional actors: one of the founders of the first Swedish crowdfunding platform, FundedByMe; one founder of a second crowdfunding site, a business coach at a Stockholm incubator, one institutional actor, two repeat crowdfunding investors and 14 IT and technology entrepreneurs, based in Stockholm. Interview guides were tailored to the role that the individuals played in the institutional landscape and asked questions related to the Swedish market for start-up financing and the role that crowdfunding plays in this start-up funding. In addition, we used secondary sources to collect data, including several years of media coverage of FundedByMe and crowdfunding as well as the information contained on the crowdfunding platforms.

Preliminary Findings

We are still in the midst of our data collection and analysis process; however, our initial analysis does provide some interesting preliminary findings.

Prevalent Institutional Logic

Prior to the advent of crowdfunding, Swedish entrepreneurs could look to four sources of start-up funding: banks, venture capital, angel investors and government-supported debt instruments. However, where historically Sweden has had a bank centered financial system with government playing a role in investment (Söderblom, 2012), equity investment has increasingly come to the fore. According to 2010 market data, Sweden’s venture capital firms had made the highest value of investments relative to GDP in Europe and had the sixth highest investment value in the world (EVCA, 2012). Moreover, based on Swedish Agency for Economic and Regional Growth (Tillväxtverket) and the Swedish Venture Capital Association (SVCA) data, on average 1.2 percent of the 46,000 firms founded yearly in Sweden between 2002 and 2009 were financed by venture capital (Söderblom, 2012). Although the percentages funded are small, those who do receive VC funding obtain large sums. Angel investors, on the other hand, typically invest their own money as an individual or in a collective (Söderblom, 2012). They usually invest at a very early stage in companies within close geographic reach and typically for smaller amounts than venture capital would. In Sweden the market is thought to be between EUR 385 and 450 million per year; approximately one percent of the Swedish GDP (Avdeitchikova, 2008). This is somewhat higher, but comparable to, the formal Swedish venture capital market.

One entrepreneur expressed their perception of the prevalent logic of funding new ventures as related to their intrinsic quality and potential: “We were kind of in the mindset of getting like a good investor in; someone who could add something. And that’s still our perspective. The kind of guys who invested in us are really good investors, impressive investors and they add a lot to the company other than money. I wouldn’t say it was easy to raise money, but we had a really good case.”

First attempt at institutional entrepreneurship

In March 2011 the first Swedish crowdfunding platform was launched by the institutional entrepreneur, FundedByMe. The motivation for launching this platform was that the FundedByMe founders had an unrelated project rejected by a US site, Kickstarter, which made them realize that there was a need for a similar site in Sweden.¹ In particular, the initial idea behind the platform was to make raising start-up

¹ FundedByMe raised a little over 100,000 SEK (15,000 USD) through crowdfunding its own start-up costs, offering rewards that included talks on crowdfunding in exchange for donations. It registered as a limited company (‘aktiebolag’ in Swedish) in
funding easier by creating an alternative avenue for start-ups to look to fund their venture than the traditional avenues mentioned above. Due to the success of the Kickstarter platform in the United States, the FundedByMe founders designed their platform with a similar set of features and the same revenue model as Kickstarter: through the platform Swedish entrepreneurs could offer recognition and tangible rewards to individuals in exchange for donations to their start-up ventures. In addition, the FundedByMe founders anticipated that the platform could be used as both a rallying point for the entrepreneur’s friends and family to donate to the venture and as a place for outside parties to get involved in enabling the entrepreneur to “realize their dream”. The founders also hoped that donors to projects on the platform would become ambassadors for “their” project and devote more than just their time to the project, for example publicity and maybe even offer their own skills.

FundedByMe, the first of these crowdfunding platform systems in Sweden is characterized by an emphasis on funding. Before it launched its equity site, the root domain took viewers to their reward-based site. The main focus on the page was on a large “load your project” button in the center of the screen. When scrolling down, individual projects became visible, each in a little box. All projects had a large, eye-catching image. Beneath it, viewers could see the project’s title, the amount raised, number of days left in the campaign and number of funders in a large font. Above the amount of money raised was a progress bar in red, tracking the funding progress of the project. In a smaller font, viewers could see the name of the project creator and a brief summary of the project. Upon clicking on a project, the viewer is taken to a project-specific page, the main part of which is occupied with an image or video, which occupies the left half of the screen. The right half of the screen displays the project name in a large font, the creator’s name and a brief description of the project and a large, red button saying “Finance this project”. Scrolling down, the viewer can read more about the project, read about potential rewards in exchange for investment and, near the bottom of the page on the far right, offer other help, depending on the needs and requests of the specific project. This information is in the same size font as the information about the project contained on the rest of the page and as the reward opportunities. The prominence with which both the amount of money raised and the progress bar were displayed would indicate that the primary feature of the platform is on funding the project above all else.

Since the launch of FundedByMe, several other traditional reward- and donation-based crowdfunding platforms have been launched. Furthermore there has been collaboration between FundedByMe and .SE in order to encourage the inflow of ICT and Internet projects to the FundedByMe platform. This collaboration offers to top up the amount a crowdfunding entrepreneur receives to 100% if he or she manages to raise 50% or more of that amount on the FundedByMe platform. Again, the focus of these initiatives has been primarily on helping entrepreneurs receive funding, not on access to other resources.

**Affordances collide with prevalent logic**

As there are no official statistics for crowdfunding for Sweden as a whole, we have estimated, based on the numbers released for individual projects across the individual crowdfunding sites that the amount raised in Sweden between March 2011 and April 2013 was around USD 1 million. Of this FundedByMe has raised over USD 815,000 for 60 of a total of 689 projects listed on their platform. Five of these projects raised more than USD 18,000 each, with one raising USD 85,000. The majority of the projects have been social interest projects, and there have been only 92 Internet projects, of which only 15 obtained full funding, and 63 technology projects, of which only 11 obtained full funding. In addition, USD 150,000 was raised on Crowdculture, a platform primarily for culture and films, with two smaller platforms making up the difference. These were surprisingly low numbers for considering the importance of ICT entrepreneurship in Sweden.

Our interviews across actors in this institutional field revealed that there has been very little shift in the institutional logic towards crowdfunding as a viable alternative during the first two years of this phenomenon. All actors interviewed repeated the prevalent institutional logic in that existing financial instruments were an entrepreneur’s primary option when trying to finance his or her start-up. Interviewees mentioned venture capital, angel investment, state grants and so-called “soft loans” provided

November that year and received an additional 850,000 SEK (130,000 USD) funding from the Sweden state innovation agency, Vinnova. They completed their own equity crowdfunding round shortly after, releasing 104 246 shares at 39.33 SEK (5.90 USD) each to raise around 5 million SEK (755,000 USD).
by state institutions as the primary sources of start-up funding. Although two entrepreneurs had actually tried crowdfunding, few volunteered it as a viable source of funding and when pressed expressed their hesitancy to use the platforms. Our interviews revealed that ICT entrepreneurs, in particular, do not see crowdfunding platforms as affording them an alternative to traditional forms of funding. Of the 14 ICT entrepreneurs interviewed, all had used either their own money or had worked unpaid for a period while six had received either a soft loan or a grant. One entrepreneur explained his reluctance to go for crowdfunding as he viewed the funding options as a kind of hierarchy, with VC investment as the “cream of the crop” investment and crowdfunding at the bottom. Similarly, another entrepreneur noted that taking grants and soft loans did not give a business as much credibility as obtaining equity funding although she was not sure where crowdfunding fit into that assessment. The business coach interviewed clarified the sentiment thusly, “I think the important thing for them now, for the crowd funders, is somehow to get a few success cases to get away from the feeling that it’s just the loser cases that go for that type of funding, if you know what I mean.” Furthermore, we found that both VC and angel investors are known in the field for their high levels of “active investment”; that is, they not only invest funds in start-ups but also their skills and time as noted by several IT entrepreneurs and the business coach. One entrepreneur explained, “We didn’t really consider crowdfunding, but I think maybe the reason we didn’t really consider it is because that wouldn’t bring that much knowledge into it. As I understand it it’s a bunch of different guys, maybe one person invests a lot, but it still feels kind of too random.”

Finally, several IT entrepreneurs and other interviewees also claimed that they did not believe that there was much money to be raised in Sweden. Several cited the Swedish sensation, Memoto, and its Kickstarter campaign raising USD 550,189 in the US, and they did not think that the same amount of money could be raised in Sweden. One entrepreneur compared the US market with the Swedish market, “I think it’s much more difficult to launch a crowdfunding service in Sweden because there is a much smaller critical mass of people who can use it compared to the US. The US is 350 million people. Sweden is 9 million.” Finally, with regard to the collaboration between FundedByMe and .SE to support IT and Internet entrepreneurs, although some entrepreneurs did know about this opportunity, they still did not view this as bringing in enough funding. One entrepreneur interviewee explained, “I really like that system, where you go crowdfunding, you spread your idea and then Internetfonden doubles it up. But still, 100,000 is not so much and 200,000 is also not so much in a big web project and that’s really the biggest amount I have heard of on a national level. So maybe you need to go international…”

What is clear from this first phase, the reward-based crowdfunding phase, is that the Swedish crowdfunding platforms, in the design of the platform, emphasized the funding element of crowdfunding. Although there was mention of crowdsourcing on individual project pages, it was not given the same prominence as the call for funding. Indeed, one would have to actively look for mention of crowdsourcing in order to find and engage with that potential feature. In light of the fact that entrepreneurs expressed a preference for investors who brought more than just funds to the table, coupled with their perception that there wasn’t much money to be made crowdfunding in Sweden, it comes as no surprise that use and acceptance of crowdfunding among ICT entrepreneurs was tepid.

**Second attempt at institutional entrepreneurship, through feature redesign**

Partly in response to the slow acceptance of the traditional crowdfunding platform, in September 2012 FundedByMe shifted its focus from reward-based crowdfunding to equity crowdfunding with the launch of its equity platform, called FundedByMe Equity. As of May 2013, seven projects had received equity funding, with one IT project raising an undisclosed amount. FundedByMe remarked that the response from Swedish institutional actors to equity crowdfunding has been far bigger than that to “traditional” crowdfunding, encouraging them to expand their equity operations into Finland in January 2013 and with plans for Denmark, Norway, and six other countries by the end of 2013. The features that the founders designed in the equity platform included the idea that one could “Be your own VC”, as one badge on the site proclaims. For the first time, the platform was taking notice of the traditional finance market. At the same time, the narrative from the platform began to change. Where once they had publicly proclaimed the disruptive potential of crowdfunding, crowdfunding platforms, including FundedByMe, began to discuss the complementary role that crowdfunding could play in the market for start-up finance. In essence, what they began to argue was that crowdfunding, rather than being a funding tool, could be used for publicity as well as to test the market: “…so it’s not always about the money, but I think for certain your money is...
a positive side effect, but there are certain other things that crowdfunding brings to the table, it could be crowdsourcing, it could be connecting with other people, it could be simple information – it’s basically feedback at an early stage that could make or break your idea.”

Although entrepreneurs were uncertain about whether they could raise enough money through equity crowdfunding, they were more curious and receptive to equity crowdfunding in principle. This is because they, in response to a shift in narrative from the crowdfunding platforms, including some new equity crowdfunding entrants, considered it a complement to other forms of funding rather than a substitute. However, this was still at the early stages of equity crowdfunding so there was limited evidence to say that they would actually use it – merely that they perceived it to be a more realistic avenue for receiving start-up finance. Entrepreneurs did express concern with equity crowdfunding since it might entail numerous small equity partners rather than one or two large ones. In part, this was because it would be harder to sell the equity later, should they want to; in part, this was because they were concerned about coordinating so many investors, and in part they did not think that investors would bring things other than money to the table.

Our preliminary analysis thus indicates that the features that the platforms increasingly espouse in their narrative seem to have changed in response to how deeply entrenched institutional logics are around where to look for start-up funding in Sweden. Reinforcing this perspective, the repeat funders, i.e., individuals who had donated more than once, both said that once they had funded a project, they followed up only as far as making sure that they received the goods paid for or that the project went ahead as planned. Despite FundedByMe saying that they viewed crowdfunding as an avenue to obtain resources, in addition to funds, and tap into networks, this feature was understood but not perceived as realistic by the other actors.

Our ongoing research therefore reveals that the institutional entrepreneur, the platform designer, initially conceived of crowdfunding platforms as being primarily about finding funding. They designed the features of the platform accordingly. Yet, the initial platform failed to challenge the prevalent institutional logic associated with new venture funding. Therefore, ICT entrepreneurs did not initially perceive the available features of crowdfunding as affording an actual opportunity to raise startup financing and get all the associated institutional and economic benefits that came with traditional funding. The crowdfunding platform provider then adjusted the features of the platform as it moved its focus from donation and reward-based crowdfunding to equity crowdfunding hence making it possible for ICT entrepreneurs to emerging affordances of crowdfunding that were consistent with and even embedded within the institutional logic of new venture funding.

**Future Steps**

As we move forward, we will work further on our theoretical contribution through the articulation of the constructs and their relationships from the two bodies of literature intertwining this with our data analysis. Additional areas of investigation will include teasing out the reciprocal and dynamic relationship between the institutional entrepreneur, institutional logics and technology affordances as it plays out among Swedish ICT entrepreneurs and other actors. In particular, we plan to investigate in more detail how the crowdfunding platform’s narrative has changed in response to the affordances perceived by institutional actors, particularly entrepreneurs. This will require further systematic analysis, including the coding of transcribed interviews, further textual analysis and follow-up interviews with relevant institutional actors.
References


