The challenges of launching a crowd based platform

A single case study of a Swedish service provider

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Abstract

Using the concept of open innovation companies have started to look beyond their own borders using the crowd as a source for labour, knowledge and innovation. During the last few years the phenomena of crowdsourcing and crowdfunding have become increasingly popular as sources of competitive advantage through the crowd. While several studies have examined crowd based platforms focusing on the users, little attention has been brought to the companies starting these crowd based services. This study addresses this gap in existing knowledge related to crowd based platforms through a qualitative case study examining a Swedish start-up. We demonstrate challenges related to networking, critical mass and quality in the context of launching a crowd based platform.

RQ: What are the challenges associated with developing and launching crowd-based digital platforms and how can such challenges be addressed?

Keywords: crowdfunding, crowdsourcing, crowd platform, critical mass, network

1. Introduction

Historically companies have made large investments in big research and development departments (R&D) to drive innovation and provide sustainable growth. Today many companies are leaving this model and instead they are using the concept of open innovation, recognising that not all good ideas will come from inside the company no matter how big you are. Furthermore, open innovation aims to find alternative paths to the market, for example companies can look for external organizations with business models better suited to commercialize your product (Chesbrough, & Crowther, 2006).

In order to add value through outside resources it is important for the company to expand its network globally (Prahalad, 2008). Open innovation comes in different forms often regarded as a collaboration between companies. Through recent technology like web 2.0 new forms of open innovation is made possible. For example, the smartphone market is very different today, the phone no longer come with a specific set-up of applications that you keep through the lifespan of the phone. Smartphone applications (apps) are being distributed on huge platforms and each user get to choose which applications the phone should contain. The phone manufacturers have changed their business model by opening up their boarders and letting sources outside the company make contributions to the product through their platform. However, it can also be collaboration between companies and users or a large group of users, which is the focus for this paper. Howe and Robinson coined the term crowdsourcing in a June 2006 Wired magazine issue and Howe followed up the article with a blog post defining crowdsourcing as:

Simply defined, crowdsourcing represents the act of a company or institution taking a function once performed by employees and outsourcing it to an
undefined (and generally large) network of people in the form of an open call. This can take the form of peer-production (when the job is performed collaboratively), but is also often undertaken by sole individuals. The crucial prerequisite is the use of the open call format and the large network of potential laborers (Howe, 2006).

New platforms for crowdsourcing are developing as well. Examples of crowdsourcing services are Mechanical Turk, Innocentive and 99designs. They provide big promises of innovative solutions, for a cheap price compared to hiring a professional to work for you. The purpose of these services varies a lot; from completing micro tasks to letting people come up with new innovative products. In this field of mass collaboration there is a related concept of crowdfunding. Crowdfunding is a relative new area of research, and it is usually rooted from the concepts of crowdsourcing (Belleflamme & Lambert 2012, Schwienbacher & Larralde, 2010). Crowdfunding can be defined in a similar way:

An open call, essentially through the Internet, for the provision of financial resources either in form of donation or in exchange for some form of reward and/or voting rights in order to support initiatives for specific purposes. (Belleflamme, Lambert & Schwienbacher, 2012, p. 7)

We can conclude that the basics of crowd based services consist of an open call to a large crowd, asking for their help in some way. This is often done on a crowd based digital platform, such as Kickstarter, FundedByMe and Sellaband (crowdfunding) or Mechanical Turk and 99designs (crowdsourcing).

Against this backdrop the field of crowdfunding could be seen as a subdivision of crowdsourcing and open innovation. However, it is also related to the fields of customer participation, open source, service dominant logic, and organisational networks (Ordanini, Miceli, Pizzetti & Parasuraman, 2011). There is very limited research on specific dynamics around crowdfunding services and most extant research focus on the backers (funders) of the project (Mollick, 2013). Furthermore, case studies in crowdfunding usually focus on large established services such as Kickstarter; a website that has generated over $237 million in funding’s helping more than 48,526 creative projects since its launch in 2009 (Mollick, 2013).

Given the research streams general focus on crowd based services through the view of the users (e.g backers, founders or workers), we identified a gap where the service provider role has been reduced. We aim to fill this gap with a case study that focus on a Swedish start-up that to this date have delivered two different crowd-based platforms. Their first platform, Site A is a highly interesting and innovative crowdfunding platform. They have really high ambitions and are aiming to create a global high class crowd-network, aiming to find recruitments, funding or good business partners by generating good leads. It is unique in the very high focus on networking, the potential funders of projects are not necessarily even users of Site A rather, the funder is connected to the project through a Site A user. If this leads to a successful funding of a project, the user who made the connection will be rewarded with sums up to 8000$. However, they have had some difficulties in attracting users and
therefore they developed Site B that is also focused on the use of networks, but with a specific aim on recruitment. They are hoping that it will be easier to attract users to Site B since it is a more familiar type of service, in extension success of Site B could be used to support site A. Launching these platforms has brought a set off challenges that are to investigate. Our research question is therefore: *What are the challenges associated with developing and launching crowd-based digital platforms and how can such challenges be addressed?*

This question will help us understand important issues related to launching a new crowdfunding platform, and it helps with partly limiting the scope to focus on crowdfunding platforms that indeed have some special characteristics; for example, related to the quality of contributions.

Both in previous research and in our case study we find evidence that one of the biggest challenges is to build up your users to a critical mass, after all, it does not matter how great your service is if no one is using it. We have found that networking strategies to create viral effects can be a tool to consider trying to solve this problem. Furthermore, we look at specific challenges for crowdfunding services; we have found that the quality of the projects correlates to the funders will to invest. There is however different techniques to raise the quality of projects which will be discussed in this paper.

2. Related research

In many ways crowdfunding differs from traditional funding sources such as angel or venture capital investment. One important distinction is that crowdfunding have a wide variety of goals. They can often be small, asking for less than 1000$ to initiate a one-time project like an event. Funders in this case often consist of friends and family (Mollick, 2013). The role of the consumer has expanded to include investment support (Ordanini et al., 2011). We find it interesting that crowdfunding is also becoming a viable option for entrepreneurs to look for capital to new ventures.

One of the biggest digital platforms around when it comes to crowdfunding is Kickstarter, this is a crowdfunding site that allow entrepreneurs to look for funding to their projects. To put it simple, an entrepreneur have an idea for a project, e.g a video game, film or technology but lacks the sufficient funds to complete the project. One solution can be to seek funding through Kickstarter. The idea is presented on their page and provides information about the project to the crowd. If the crowd likes it, they can help fund the project. According to their own website, 44% of the projects have reached their funding goals (kickstarter.com, 2013). Out of the fifty highest funded projects in Kickstarter; 45 have turned into entrepreneurial firms. However it is unclear if crowdfunding can fully substitute the traditional ways of formal venture funding since that includes more than just funding, such as advice governance and prestige (Mollick, 2013).

Investigating the challenges of establishing a new platform for crowdfunding touches upon a multitude of overlapping streams of research such as; customer participation, open innovation, open source, service dominant logic, network organisations and of course, crowdfunding. Customer participation contributes to greater efficiency, better customization and improved experience all of which is relevant for crowdfunding. Although customer
participation is part of the delivery phase, customers in crowdfunding also contribute to the
design and set up of the entire crowdfunding offering. One other difference is that in
crowdfunding the participants are helping to develop something later used by someone else
(Ordanini et al., 2011). Theories on open innovation (Chesbrough & Crowther, 2006), is an
example where the participants are developing something for someone else and it is similar
in the way of scouting and screening of ideas seeking funds, but open innovation is limited in
how many can be involved because of coordination constraints (Ordanini et al., 2011).

The open source (Lakhani and von Hippel, 2003) and crowdsourcing literature (Howe,
2006) includes a lot of participants, and share many characteristics of crowdfunding in that
many people are collaborating to produce something or solve an issue or problem. However,
they are usually motivated by learning, direct compensation, self-promotion and social
benefits (Leimeister et al., 2009). Crowdfunding require participants to play promotional
and investments roles in what is being crowdfunded, a more extensive type of participation
than if you only contribute with knowledge and effort, therefore it is likely driven by other
types of motivations (Ordanini et al., 2011).

Service dominant logic suggests that consumers should be considered as resource
integrators in service systems, thus extending the role of consumers in the service value
networks. However, service dominant logic does not consider the possibility of consumers
playing an active role in value networks by virtue of their investment activities (Ordanini et
al., 2011).

Finally, research about network organisations can provide some insight on the structure
of crowdfunding companies who bring together customers and funders. It covers the role for
the firm that facilitate crowdfunding. However, the fundamental of crowdfunding is the
investment role of the customer and it is not considered a key element in organisational
networks (Ordanini et al., 2011). Furthermore the research around the importance of
network with a crowdfunding lens is showing that the network is sending signals to potential
funders, affecting their will to invest (Mollick, 2013).

These streams of research are related to the crowdfunding field but, as we have illustrated
none are fully applicable to analyse crowdfunding dynamics. These limitations in related
streams of research turn us towards the evolving field of crowdfunding research although, it
can be considered embryonic.

2.1 Different models of funding
There are different models for rewarding funders. One model is called early customers, in
this model the funders get some kind of benefit when the new product is ready. The funder
might get the product for a better price or prior to the official release date. A different type of
funders is philanthropists or patrons who expect nothing in return; they just choose to
support the project for some reason, for example charity work, or wanting to support an
artist. Lastly, one reward model is when the funder receives equity stake in return for their
funding; this model is more alike the traditional funding where the funder is investing with
the goal to make financial gain (Mollick, 2013).

By researching the biggest crowdfunding site Kickstarter, Mollick (2013) states that
projects tend to fail by a large margin, or win by a small margin. Kickstarter is following an
“all or nothing” model which means that money is only collected from the funders if the goal is reached. Most crowdfunding platforms follow the “all or nothing” model (Giudici, Guerini & Rossi-Lamastra, 2013).

Because of the “all or nothing” approach of Kickstarter, projects that do not reach their goal leave a lot of money on the table that just goes back to the funders. It could be tempting for the project founders to pay the remaining amount out of their own pockets to make sure they don’t lose the funding. To avoid this, Kickstarter do not allow individuals with the same name, address or credit card to make pledges to projects they have started. There is also a 10,000$ limit. According to Mollick’s (2013) data, self-funding is not the reason why projects fail by big margins and win by small margins. This conclusion comes from comparative analysis between small and big projects, with the assumption that if self-funding was the reason for projects winning by small margins, and losing with big margins smaller projects would have bigger gaps between fail and success. That is, even relatively big gaps would be cheap to self-fund.

2.2 Different models of platforms

Ordaninni et al (2011) shows through their findings that in some crowdfunding initiatives resource integration is enabled by the service firm and its role as relational mediator; connecting the supply of creative projects to a crowd of individuals who may be potential investors. Furthermore, their research suggests that the process of integration may be similar in other cases but, occurs in a customer-to-customer context where the service firm acts as a social gatekeeper; social or personal projects are matched with potential donors. The author’s states that in all cases of their analysis the service firm set up important “pre-conditions” – technological, organizational and relational – that allows crowds of interested consumers to take part in the crowdfunding initiative.

According to Hossfeldt, Hirth and Tran-Gia (2011) studies done on MTurk and their micro tasks showed that 90% of the workers were paid 0.10 USD or less. However, the hourly wages for an MTurk worker is approximately 5 USD.

Wexler (2010) argues that the crowd is a voluntary public response to a crowdsourcer or open innovation advocate. Furthermore, he suggests that people responding to the call are motivated by either extrinsic and/or intrinsic benefits when volunteering their input to compete in a contest or contribute to a good cause.

Brabham (2008) proposes that problems solved and products designed by the crowd become the property of the companies; and by that turning huge profit from it.

2.3 Importance of networks

In previous research about the networks role for entrepreneurs, Greve and Salaff (2003) studied how entrepreneurs use social relations to get advice and resources to launch a business. They concluded that social relations play an important role in establishing a firm. Seemingly, this still holds true in the research field of crowdfunding, many authors argue for the importance of social influence and networks (Mollick 2013; Ward & Ramachandran 2010; Agrawal, Catalini & Goldfarb 2010; Burtch, Ghose & Wattal 2012). A greater social
network seem to give a more trustworthy and credible impression in the eyes of the funder (Burtch, Ghose & Wattal, 2012).

We have focused on the literature with its base in crowdfunding, to look at the importance of networks through the view of a crowdfunding researcher. While this paper is primarily focusing on the crowdfunding sites and not the funding itself, we find it important to address the potential fail or success in terms of projects being funded as we assume that if no projects are successful in being funded, the site cannot be successful. Moreover, as our case involves a start-up in which it’s of utterly importance to reach a critical mass we find it meaningful to present some previous research within the field of networks.

The social aspect has a huge impact because high-quality project attracts backers that might promote it to more backers and so on (Mollick, 2013). This is further discussed by Ward and Ramachandran (2010) that investigated the site Sellaband which is a crowdfunding site aiming to fund musical bands. They conclude that peer effects influence consumption, specifically information aggregating devices such as a top-5 lists and information in blog updates rather than more granular information sources, possibly due to information overload. Therefore, it is important to be able to quickly overview user trends and see what others are investing in. Researchers Giudici, Guerini and Rossi-Lamastra (2013) investigated this through the lens of social capital; they concluded that a strong social capital had a significant positive effect on the probability to reach the funding goal.

Agrawal, Catalini and Goldfarb (2010) studied the role of geographic position for artists on the platform Sellaband; they concluded that the propensity to invest is independent of the distance between the entrepreneur (artist) and the funder. This is contradicting earlier research emphasizing on local interaction. They suggest that crowdsourcing platforms can reduce the challenges of investments in early-stage projects over a long distance. They did however find that the friends, family and fans could play an important role in generating early investments.

Furthermore, it is important to think about how long the duration for funding will be in a specific project. It appears that longer durations lead to greater levels of pre-publication exposure and market awareness, this leads to greater consumption. This seems to validate the common suggestion that one big benefit of crowdsourcing sites is the generated attention around the project prior to implementation (Burtch, Ghose & Wattal, 2012).

2.4 Critical mass

In relation to the development of new crowdbased platforms, reaching a critical mass of users must be seen as fundamental as an “individual’s action often depend on a perception of how many other individuals are behaving in a particular way” (Rohner, Lichtenberger, Zinser & Torres, 2012, p. 29). On the assumption that crowdbased services builds upon a collective action, Marwell and Oliver (1988) states that it is widely agreed that participants of social movement organizations are often recruited through pre-existing social ties; mobilization is more likely to occur when the beneficiary population are previously known to each other.

Schenk and Guittard (2011) argue that crowdsourcing relies on voluntary participation and that there is no guarantee that the critical mass of contributions will be fulfilled. Sharma
(2010) proposes that the number of people participating is important and that the ideal scenario would be where the crowd can use the crowdsourcing initiative without any training or radical intervention. Simula (2013) discuss how to make a crowd aware of something and proposes that many crowdsourcing sites fail as they are designed to capture attention instead of create engagement. However, Simula (ibid) argue that both items are needed as it gets rather complicated to create engagement if no one knows about the initiative.

As the critical mass are equal to a number of users, yet undefined, something should be said about how to reach that certain point. Kaplan & Haenlain (2011) states that the rather broad use of social media has changed the concept of viral marketing; taking it to a new level. They define viral marketing as

“Electronic word-of-mouth whereby some form of marketing message related to a company, brand or product is transmitted in an exponentially way – often through the use of social media applications” (Kaplan & Haenlain, 2011, p.253)

Leskovec et al (2007) presents their findings where they conclude that viral marketing in general isn’t that epidemic as one might have hoped, but that marketers should analyse the topology and interests of the social network of their customers when developing a normative strategy for word-of-mouth advertising.

2.5 Quality

In the research to date, many are suggesting that the crowd is trying to judge the quality on the project and that it has an impact on their will to invest.

“Projects that signal a higher quality level are more likely to be funded, and large numbers of friends on online social networks are similarly associated with success” (Mollick 2013, p.4.)

It seems to be the case that the quality of the project determines success, the funders act like venture capitalists and evaluate the quality of the product, the team, and the likelihood of success. The better projects receive funding, and the lower-quality projects receive little or no funding. This is even true for projects driven by altruism, in all forms of crowdfunding, quality seem to be an important factor for the funder (Mollick 2013).

Ward & Ramachandran (2010) states that project quality is difficult to establish prior to consumption and consumption cannot happen until projects successfully complete their funding. They further suggest that funders look for independent signals of quality by either looking at others funding decisions or by communicating with peers who have already consumed.

An interesting phenomenon is described by Giudici, Guerini and Rossi-amastra (2013); they argue that in favourable local conditions the projects of good quality might easily raise funds without “tapping the crowd” on the internet. They suggest that bad-quality projects might have to rely on crowdfunding just because they are not able to raise funds from anywhere else.
By reviewing the crowdfunding research to date, we find that the main stream of research focus on the crowd. We have identified themes in the research that have significant effects on the platform users, and by extension are relevant for the success of crowd based platforms; networks, critical mass and quality. In essence, much attention has been made towards different factors that influence the crowds will to invest. However, less research focus on the platforms and their dynamics and when it does, Kickstarter, Sellaband or other established platforms are discussed. To our knowledge, there is no existing research around the challenges of launching a new crowdfunding platform; we aim to fill this gap with this paper.

3. Research methodology

This research investigates challenges and strategies associated with the development of a digital platform for crowdfunding. In order to develop a detailed understanding of such issues, we adopted a qualitative case study approach. In more detail we relied on a single case study design, as the firm under investigation represents an extreme or unique case (Yin, 2006). Moreover, case studies are particularly appropriate when the researcher investigates a contemporary phenomenon within its real-life context and particularly when the boundaries are not clearly evident between the phenomenon and context (ibid). Kohn (1997) states that researchers can use a case study in order to explore new areas and issues where little theory is available or measurement is unknown. Yin (2006) argues that “how” and “why” questions should be answered through a case study or field experiment as they are more explanatory; such questions are often related to operational links that needs to be traced over time rather than through frequencies or incidence. A single-case study may involve more than one unit of analysis however, if no logical sub units within the organization can be identified the researcher should chose a holistic single-case study design (Yin, 2006). Even if we got in touch with people working within different areas of the company, the rather small size of it (founder, CEO as of June 1st and external developer) let us identify the company as one unit and therefore, we decided to choose a single case study design with a holistic approach. The aim of the study is not to be seen as an attempt to draw statistical generalisations but, to develop a rich understanding of potential challenges within the context investigated.

3.1 Case setting

We got in touch with a Swedish start-up (in this thesis given the fictional name, PowerCrowd) that launched its services in February 2012; at the time of writing this thesis the company consisted of only the founder himself but during the summer of 2013 they will employ an operational CEO as well as people for marketing and selling positions. Their services are divided into two separate sites; one site that focus on business growth (in this thesis called Site A) and one that focus on job recruitment (in this thesis called Site B). A joint attribute for both sites is that they focus on connecting the right people to the right company. As for Site A, it strives to connect small and mid-sized companies that might be in search of funding or help with expansion to new markets with qualified people who can assist them. For example, if a newly founded Swedish company has an innovative product that they
want to take to an international re-seller they might not have the knowledge, resources or business network that is necessary for that type of expansion. That's where Site A comes into the picture; by presenting the company’s case on the site people who might have the right knowledge, resources or business network can get in touch with the company and recommend the right person. When the contract is signed, the finder of the right person will get a reward from the company that made the announcement on Site A. PowerCrowd states on Site A that they should not be compared to different types of lead-generating companies on the market as their ambition is to provide the right meetings that will help companies realize their dream agreements. Or as their slogan suggests: “High growth combined with low risk”.

This is something they like to highlight in their marketing and when networking with potential clients, they consider it to be low risk for their users because if they don’t get any results they don’t pay. This is true for both Site A and Site B.

Site B is more or less built in the same way but with focus on using the crowd when companies are searching for new recruits. If a company has a job opening it can put up an ad on Site B, connect a finder’s fee to the ad and wait until the crowd hopefully has recommended the right candidates for the position. After the contract is signed, the company pays the finders reward. On Site B, PowerCrowd suggests the service to be an alternative to regular search and recruitment companies as there are no risks attached; the company in search for candidates will only pay the finder reward when employing the right candidate. Moreover, the service suggests that by using peoples social networks companies will be able to find candidates that otherwise would be rather expensive to recruit through specific search companies.

Further, the two websites and the company itself shares one specific component, charity. On their websites the company states that there are many good examples of entrepreneurs doing exit after years of good business in order to focus their work on charity. PowerCrowd puts charity in its business model by committing to donate at least 20% of annual profits to charity. Furthermore, they offer a similar choice to their finders; when submitting a lead to a seller the finder can actively choose if he or she wants to donate part or all of a future success reward to charity. When the deal is completed the donation is paid out to a charity organization.

We are aware that this company and the services they provide differs a bit from what is commonly regarded as crowdfunding and will now list the essential differences that we need to consider in this paper.

First, the websites does not explicitly focus on funding but also business growth and recruitment. It also differs from crowdsourcing as the seekers doesn’t advertise for help with certain work tasks. Secondly, contrary to sites like Sellaband, FundedByMe and Kickstarter who are often looking to find many founders these sites is looking to find the one perfect funder or the one perfect business partner or recruit. The crowd is used to find the perfect lead. Thirdly, there is no support for the crowd to share a project they find interesting in social media like Facebook or LinkedIn. Although, both sites have share functions for the advertising company, they are expected to share the ad to their network.
However, given the definition of crowdfunding in the introduction we consider Site A and, to some extent, Site B to fulfil the criteria’s as they provide an open call, through the Internet for the provision of financial resources, but in this case it might also be an open call for a business partner, a business agreement or a job recruitment.

PowerCrowd is a relatively new crowdfunding service provider company, being on the market for barely 18 months suggests that they would have potential challenges fresh in mind; any adjustments to e.g. platform or strategies has been done recently.

The observed company in this study did consist of only one employee (the founder) at the time of writing this thesis but, to make sure that we have sufficient data to answer the “how” and capture a broader picture we interviewed the future CEO of the company and also the lead developer that built the website. To put the informants into context we will briefly introduce them:

The founder of the company – Long experience from sales and has previously worked in a large security technology company. Decided to found and launch the company as he felt that small businesses sometimes can be limited in their network or they doesn’t have a brand that attracts the right market, customer, reseller or investor.

The future CEO – Has a broad experience from the IT industry where he has been working with IT security issues the last 14 years. He has also been working with sales in different formations, ranging from sales manager to global account manager. He is currently ending his employment at a world leading security technology company. Although, he has not formally started his service jet for a few weeks when writing this but, he has been involved for a considerable time and we will simply refer to him as the CEO of the company.

The lead developer – Educational background from computer science and is currently working as a developer and consultant at an SME with approximately 25 employees. Has been developing the websites based on the founders requests.

3.2 Data collection

There are mainly six sources of data resources suggested when performing a case study; personal notes, archival material, interviews, direct observation, participating observation and physical artefacts (Yin, 2006). We conducted our data from multiple sources such as interviews, documentation and test use of their websites. Our main source of data was conducted through telephone interviews; as the company being studied are going through a hectic period we didn’t have the possibility to meet them in person when performing the interviews. We collected four interviews with three different people; the founder who we interviewed two times, the company´s CEO who we interviewed one time and the lead developer who built the site. In the beginning of each interview we asked the informant if we could record it as Yin (ibid) states that a recording should not be done if the informant refuses or if he or she acts unsecure when the recorder is on. Our first interview with the founder did not rely on any interview guide as our intention was more to have a general discussion. The other three interviews were semi-structured and based on an interview guide containing some main topics that we wanted to discuss but, we let the informant speak rather freely. We wanted to address some of the topics found in our literature review but kept an open mind throughout the interviews as we hoped to find data identified in extant
research. Moreover, a semi-structured interview gave us the opportunity to adapt to potential interconnections between topics. The topics chosen (critical mass, networking and quality) for our interviews where decided upon the previous research within the field as we understood them to be fundamental to the phenomena of crowdfunding. According to Yin (ibid) we tried to phrase the questions in “how”-terms as they generally are perceived as less threatening than “why”-questions. The length of the interviews ranged from 14 – 33 minutes which could be considered as a rather small amount of time, but we felt that we had to respect the informants time as they were kind enough to help us to answer our questions. Interviews were recorded and transcribed as soon as possible after the interview ended. This is the exact time and date for the interviews completed:

<table>
<thead>
<tr>
<th>Informant</th>
<th>Length of interview (min:sec)</th>
<th>Date of the interview</th>
</tr>
</thead>
<tbody>
<tr>
<td>Founder of PowerCrowd</td>
<td>18:31</td>
<td>2013-05-10</td>
</tr>
<tr>
<td>Founder of PowerCrowd</td>
<td>24:10</td>
<td>2013-05-15</td>
</tr>
<tr>
<td>CEO of PowerCrowd</td>
<td>33:55</td>
<td>2013-05-20</td>
</tr>
<tr>
<td>Developer</td>
<td>14:04</td>
<td>2013-05-20</td>
</tr>
</tbody>
</table>

Table 1. Interview data

As the interviews were conducted in Swedish we translated them into English to the best of our ability. The data conducted from documents mainly relied on the information on their websites. The amount of documents from the website are in the range of 15-20 pages which includes, amongst others; FAQ, ad central, info about charity and a guide on how the services works. We used this data in order to further strengthen and supplement the information given through interviews, which is one of the most important roles for documents in a case study (Yin, 2006). This procedure was something that was done a numerous times during the research. We also created user profiles on the websites as we wanted to understand their services and conduct data by looking at their customer ads. The user profile is rather simple and you can decide if you want to log in through LinkedIn or make a new profile, explicitly for the website. When you are done with the registration you will be given a user name (e.g. finder-256) that you may change if you want to. Our test use of the websites weren´t based upon any specific test template and we didn´t follow any certain browsing pattern as we mainly focused on how the seekers presented their ads; this was done in order to correlate the data collected from the interviews as the interviewees did talk a lot about the quality of the ads. This might have affected our research as we focused on specific things on the websites and might overlooked other data. One different method of collecting data regarding the quality aspect could be to interview the seekers themselves in order to better understand why they decide to write the ads as they do. We thought of present screenshots of the website but that would also mean that we exposed the researched company, something that we agreed on not to do in one of our first interviews with the founder.

3.3 Data analysis
As our interviews were based on topics that we identified in previous research we used our collected data in order to find evidence that holds true for our case as well. That is, we transcribed and read our interviews, looking for data that could be related to the specified topics. However, we strived to be open minded during the interviews and analysis as we wanted to identify potential new challenges or strategies that haven´t been addressed in previous research. These findings have been categorized in more general topics. When looking for data related to the specified topics it felt most natural to categorize the transcribed interviews using a color scheme as it gave us a quick overview of what had been said and by whom.

One might argue that our decision to address previously identified topics during our interviews could limit the possibilities to find evidence of challenges previously ignored. By enabling a rather open interpretation in the data analysis we strived to counter this issue, giving us opportunity to find evidence of new challenges or strategies.

We have structured the results into the following topics: Network and critical mass, quality, platform model, business strategy and the role of charity. These topics are based on our related research, and findings from our case study that will help to answer our research questions.

4. Result

This section presents the findings from the interviews of our case study. We summarized the findings into five different topics in which we analyse the data collected, using quotations from the informants to highlight key statements.

4.1 Network and critical mass

In the related research part of this paper we presented network and critical mass in separate chapters. However, when analysing the data we found that the challenge of reaching critical mass is highly related to network issues. Therefore, we will present critical mass and network related findings in the same chapter.

We have found that PowerCrowd have experienced problems in creating a global network, one reason for this is because of the limitations in their own network. Our findings suggest that it is easier to launch a crowdfunding platform in your own region. Further, we identified potential limitations in how they can use their network to market new customer ads.

PowerCrowds original idea was to launch Site A on an international market, helping small to middle sized business with business growth. In order to create this business network they initially marketed it through the social media sites Facebook and LinkedIn. However, this strategy did not turn out successful, a fact very much related to the actual concept delivered by the platform.

*By extension this is clearly a global initiative, the platforms are already global. But we have to start somewhere, and we have agreed to start on our home turf – CEO*
As stated by the CEO this is a global initiative, although they were forced to rethink their strategy. PowerCrowd's initial effort with launching site A towards Europe and USA had not been well received; it resulted in one English company, other than that all companies were from Sweden.

We have two sites, Site A and Site B. Site A was my original idea and that was the one who was built first. However, when we launched it we found that there was a big interest in the service, but at the same time there was resistance to go out on a network and find customers against rewards. It is a threshold to get pass, a threshold of behaviour. - The founder

Given this event they learned and rethought their strategy. First, the founder experienced resistance; “a threshold of behaviour” towards the innovative nature of Site A, generating leads to support business growth. Site B that focuses on recruitment is more in line with the current state of the recruitment business. Hence, it might be easier to market. Second, the founder realised that if they have one company from Germany, one from England, five from Sweden and three from Denmark and ask them activate their networks; it is not likely to have a great effect. Therefore, they decided to speed up the launch of Site B. This time they would start to market it in their own region. From a technical perspective the platform is optimized to be able to handle big amounts of traffic and to run on many servers, it is built to handle a huge crowd according to the developer. However, these findings suggest some limitations in how companies can build networks in other regions.

Recruitment is more locally connected than for example sales – The founder

As stated by the founder recruitment is more local than sales, he believes that for Site A the next step might be to reach the German market. But, site B that focus on recruitment need to consider that recruitment can often be as local as to the city. This shows that in search for recruitment many jobs may require a local presence, making a wide global network less interesting than a strong local network.

It is all about getting out the message about the two platforms. They are without risk. Site A is focusing on risk-free growth, and Site B is focusing on risk-free recruitment. It will only bring a cost, if you get results. -The founder

They found that against Site B the threshold of behaviour was much lower. They believed this is because people are used to pay fees in the context of recruiting. Furthermore they state that many companies today are active in social media like LinkedIn when they are in the process of recruiting. Therefore, as a mean of building a larger user base they hurried up the process of building and launching Site B. They are currently trying telemarketing as a way of reaching out to new customers. When PowerCrowd asked over the phone, 95% of the people expressed a positive attitude towards Site B, pitched as "risk-free recruitment" since they only pay a fee if the add leads to a new employment. Many said that they will try this in their
next recruitment and in correlation with the telemarketing many new recruitment ads have shown up at Site B. They are focused on getting out their message.

But how do they know if they have reached critical mass? The CEO states that is important that they have something they can measure, like the frequency of site visits. Furthermore it is important to note the amount of e-mail requests or if someone takes the time to make a phone call and asks for more details so that they can learn and understand it better that can serve as a good sign of high interest according to the CEO.

They are aiming to receive 200 new ads during the rest of this year (8 months), this is the amount the founder estimate as critical mass. They are hoping that companies will embrace the user behaviour that PowerCrowd needs, that the companies will share their ad through their social media accounts, and ask the employees to "like" the ad and share it in their own network; in time more and more companies will activate their networks. Thereby, creating the viral effect they hope to accomplish on Site B. The key is that when they have a network of people interested in earning money by mediating contacts out of their own network on Site B, then they will start to harder market Site A. PowerCrowd can then explain that it works just like Site B, except your searching for something else like a new retailer, a business partner, or investor. The developer believes that they might need a smaller critical mass than for example, Facebook that according to him needs millions of members for something to happen. In contrast to Site A and Site B, where everyone brings their own network.

*If you as a member are connected to 500 people that are 500 people we can reach in the network – The developer*

Because of this he believes that they should be able to reach national and global networks with a smaller critical mass, guessing a number is hard but his guess is a couple of hundred or thousand users. Everyone involved in this start-up have thought about the challenge to get enough users so they reach a critical mass. PowerCrowd are mainly focused on three things: Networking to bring prestigious companies into the platform, attract users through social media and finally, they are trying to change user behaviour by first focusing on Site B with the hope that people will gradually start to embrace Site A.

*We need to get more information about this topic and we need to be a lot better with analysing different regional markets and behaviour patterns. – CEO*

*What is important for us is to get out there and show quality, volume and interest, then we can start to think about activities that support a global perspective in a new way, social media is one thing but it is possible that we have to start thinking in terms of regional agents for Asia, North America, South America etcetera – CEO*

They need a good understanding of the regional market; therefor they might need regional agents as stated by the CEO above. Despite having developed a technical platform capable of handling a massive crowd, an insight that emerged throughout the process was that they had
initially underestimated the cultural differences between regions. Given their core idea of networking, they are depending on an open mind towards a platform like Site A.

*If we put out 200 ads on our social media pages, it will totally “explode” on the pages of our followers... You want to be careful about that.* - The founder

As stated by the founder, there is risks connected to heavily market new ads through PowerCrowds social media pages, the reason is that every time a message is pushed out it will show up on their followers timeline; over-using this can result in the “explosion” discussed by the founder, and as a result, followers might resign. PowerCrowd want to start with using their own network and then start to spread it to other countries. Both Site A and Site B have their own Facebook and LinkedIn pages, however for Site A it is basically only consistent of the founders own network, and for Site B the founder chose to wait with enabling his network. The reason behind this is that he wanted to wait for the CEO to start his employment. Then they will start to invite more people to the network, and ask them to share it. Today, every company that have put up a project on site A or B have also been published through the social media sites and not only on the platform, but this might change in the future. In a later stage they aim to discuss company values and their charity work. They will run a different type of activity on the social media pages than they do today.

*We do believe that this will for the most part solve its self, if we get the ads up and companies start to try this.* – CEO

In the above statement, the CEO expressed an optimistic view on the balance between the seekers and finders; he hoped that some sort of natural balance would occur. Although, it’s still unclear if it will happen or not. The CEO argued for the importance of a balance between the seekers and the finders, his idea was that if it is not balanced, it might hurt the platform. If there are only people who look for funding, but no people connecting them to actual investors, the platform will lose momentum.

*We are so new that we currently don’t have more than a couple of success stories to talk about, but we will have them, we have thought about it.* – CEO

As stated by the CEO there is currently only a few “success stories” for PowerCrowd. None is presented on Site A or B but, success stories are commonly used on crowdfunding platforms such as Sellaband, Kickstarter and FundedByMe. He further discussed that they have plans on letting companies that use their service mark a check box when contributing an ad: "Yes, we agree to have our company listed as your partner". Thereby, reconciling their partnership with the PowerCrowd brand.

*This is an important part of any marketing or sale, an important component that let your customer find comfort.* – CEO
The CEO talked about the comfort of not having to be the first one to use the platform, if potential users of the platform can see that others, preferably prestigious companies have successfully used it.

_This is very good; there are a number of different business ideas that are out there, trying to break new ground for search and recruitment – CEO_

Both the founder and the CEO recognize that they will have competition in the field. Talking both to the founder and the CEO we found that they are not worried about competition, specifically on Site B that focuses on recruitment. The CEO saw it as a sign of a changing mind-set; it is no longer about simply putting in ads in the newspaper and active the state employment agency, or maybe send out an e-mail in your own private network.

_Head-hunters are networking like never before, trying to find new channels to save the business. – CEO_

The CEO argues for a change in the recruitment industry, with a larger focus on networking. He believes that the old recruitment agency’s might not like this change, but he point out that the recruiters that are “awake” might see it as an opportunity instead, they could see it as an alternative channel. One that cost a little less, the recruiter provides a few leads, and if it leads to recruitment he will receive commission.

To summarize, issues related to networks and critical mass were important to address in the early stages of platform establishment. For example, the challenges of establishing the service in new regions and the importance to sign prestigious companies to the services off the platform. The company had to realign their strategy in terms of developing a second service, more in line with the general idea of in which context a crowd based platform is used.

Lastly, this highlights the fact that networking aspects is not only relevant for the users within the platform, the network of PowerCrowd management influence their chances to first establish it locally and later expand the network globally.

### 4.2 Quality

The main issue related to quality is consistency. There is a big gap between the well thought-out ads and the ads that are hastily put up on the platforms, the gap lies in how detailed and well described they are. If there is a lack of details, it is hard for the finders to know how they can help the seeker. We asked the founder about tendencies regarding project quality, and found that the quality was generally better on Site B. According to him it is more straightforward to write an ad for a job, you write down what you are looking for etcetera. However, on Site A the quality is very mixed.

_Sometimes there are ads where someone is trying to sell technical things and me as a technician do not even understand what they are trying to sell - Lead developer_
This statement by the lead developer shows that even a skilled technician might have trouble grasping the content of a technical related ad, if it is poorly written.

A lot of people think that they can just upload their marketing materials and things will happen. What’s important is that you have good information, is serious and that it looks good. It is also important that you are specific in what you are looking for; this is where we have had some problems. – The founder

As stated by the founder, the problem can be understood as that some companies have been contributing ads without specifying what they are looking for, making it really hard for the potential finders to understand the ad and help them. When we tried out Site A we did find some ads where the seeker more or less just listed all the features of their products and ended the ad with their contact information.

We have three companies that have uploaded ads but hasn´t been particularly specific about what they are in search of, then it´s really hard for a finder to understand and thereafter helping them. – The founder

The founder argues for a problem with deficient information in the ads. As a way addressing this issue, PowerCrowd contributed an ad of their own on Site A, looking for an investor, this was partly done to give Site A some additional content but also for companies to understand how an ad should be written. He then gave an example.

What we do is that we offer to help companies when they post an [job] advertisement... to add some extra quality. The company will write the job ad and then we can then help them to write the pitch, make sure that it will be uploaded and that the logo is shown by its correct format. – The founder

As stated by the founder above Site B had an approach to make sure that a certain degree of quality was maintained. However, focusing on quality is not explicitly connected to what information the seekers upload.

If we don’t deliver a service of high quality it will undermine our network idea. We need a network that delivers very good leads, and that we have a network that really think and prepare their case before they deliver. – CEO

As stated by the CEO the quality may also relate to what the finders present, something he views as crucial for the company´s wellbeing. When we tried out Site 1 and Site 2 we did find out that PowerCrowd does not take the lead quality for granted; in order to ensure a certain degree of quality the finder is forced to go through a five-step form in which he or she has to fill in information about both themselves and the lead. We found that the challenge is to maintain and nurture the business eco-system, the quality of the service is crucial to nurture a good network and lead generator. But, in contrary to many other businesses this company relies on their users to create a high quality content. In order to enable that he believes that
they will need some form of department within 6-12 months that offers a number of support activities.

Against this backdrop we would like to address some of the quality issues related with these provided services. The CEO concludes that without a high quality on the leads the network will be undermined. Given the data we collected through the interviews much of the quality issues is related to the ads content. It might be the pitch in the beginning of an ad, a unspecific description of what the seeker wants or a description that is too hard to grasp. Moreover, these issues could be related to how well the finder executes the mission; to find what a company is looking for.

4.3 Platform model

In this context the platform is more than simply a technical solution, it reflects network aspects and their business model. Surprisingly we found that very few challenges seem to be associated with developing the software platform. One way of understanding this may be that the technical challenges with launching a platform today, is very manageable if you got good developers. The software platform was delivered by the developer from an external firm in close collaboration with the founder who had ideas and sketches from the start. The developer did not look much at other sites since the founder had the sketches already, and he had found in his own research that there were not many services like this one. According to the developer the project shaped out to be something slightly different than the original sketch, as often can be the case in IT-projects. Apparently many of the functions connected to social media like “share” functions was something that grew as the projects progressed. The integration to social media to enable sharing and to have people spread their message became more important.

The fundamental purpose of the platform is basically to support networking –

The developer

As stated above by the developer, the fundamental purpose of the platform is to support networking. This networking purpose is something that also can be identified when creating the user profile; when we tried out Site A and Site B and were about to create our user profiles we instantly got the option to log in using LinkedIn. The CEO have big hopes for site A, and were excited to see what different ideas might show up, how it can be used to deliver products and services and how the users can search for business partners. To our knowledge developing the platform software with the help of an outside company brought no big challenges. Further, they are not sure exactly what services the platform might support in the future.

4.4 Business strategy

Another important theme that emerged as a result of the interviews conducted could be aggregated into business strategy related issues. This may be understood as a set of strategies designed to address the emerged challenges with creating a new crowd based platform. First, the way of profiling PowerCrowd as an “exclusive” crowd based platform. Second, the heavy recruiting to address issues related to networking and knowledge.
We have a very interesting connection to proposed investors for the future, who really see that the base and the fundamental idea that we are building, the uniqueness, is in the balance between a good platform, a good company profile and that our service is very open and easy to use. From here we will get a lot of free help, free commercial and spread of the idea. - CEO

In above statement the CEO is discussing the work with bringing in investors to the PowerCrowd company, this will give them free help in terms of marketing but it will also widen their network. To date they have brought in one external investor, and will hire the CEO from 1 June 2013. They will later hire a marketing director; this person will have a role that is much focused on social media and working in those channels.

We do not wish to go in the direction of opening up the platform, saying that you can pick your own reward as low as you would like. We want exclusive search and exclusive recruitment where the companies have already calculated on the recruitment costs. - CEO

We have found that this company is focusing on a high-end type of job. The reason for this is argued by the CEO above, the network they are trying to create will not bother making contributions to the site if the reward is 50$, they are not sure about the sum but they believe that 2500$+ is a significant amount to most people, and that it would be a nice sum to receive if you are successful in helping with a good deal or recruitment. For example, in the filter function of the site you can choose hierarchy levels: Executive management, senior management or 1st/2nd level management. In the interview with the CEO we talked about the target group for the two crowd-platforms. Site B is focusing on recruitment and the reward for a successful recruitment is about 2500$, although the highest reward when we browsed the site through our user profiles was 3100$. The jobs on the site are often different top-positions or experts in specific fields. When browsing Site A we found an ad where the company were seeking funding for SEK 5000000 and offered 39900$ in reward.

Looking at Facebook and Linkedin especially there is already a lot of recruitment going on, “we are looking for technician” “we are looking for a seller” and so on... so here we already have behaviour much like the one on Site B. – The CEO

This is part of why they think that they have had an easier time to attract users to Site B. Looking into social media, not many are looking for an investor, they believe that behavioural pattern is the reason for why the concept of Site A will take a longer time for the users to understand and start to use. Furthermore, the CEO expressed that they have a lot of hard work in front of them, he need to get as many companies as possible to register ads.

The act of hiring a CEO can be viewed as a strategic decision to address the challenges of establishing a new crowd based platform. Further, the high focus on creating an exclusive network is a unique characteristic for crowd based platforms. This has brought a set of
challenges that can be understood as a result of this characteristic. For example, the target group for the platforms is considerably smaller because of its exclusiveness and by promising high quality leads, PowerCrowd are not only reliant of high quality ads, but also high quality leads towards the ad.

4.5 The role of charity

One last theme emerged as a result of the conducted interviews, it can be aggregated into a business strategy involving charity. This may be understood as a strategy designed to both help the less fortunate, and also help PowerCrowd profile their company in a positive way. By extension, this can help them address the challenges of networking, signing prestigious clients and attract more users. During the interviews we hadn’t prepared any specific questions related to charity but both the founder and the CEO did come across that area numerous times.

In the future our thought is to use Facebook and LinkedIn to discuss our company’s values and how we contribute to charity... and how others can contribute to charity... so that we highlight other types of problems. – The founder

They are currently using their Facebook and LinkedIn pages for distributing ads from the websites in order to “reward” companies who are activating their networks through the crowd services but, as the founder state they hope to use social media for charity related topics in the future.

The other big aim that [the founder] focused on during the initial phase is that our work shall be carried out with a social responsibility in mind... and the charity especially. That’s something you can invest in as a start-up, but it’s tougher to change lanes in a company when you’ve already have incurred costs and a defined alignment. – The CEO

The CEO wanted to give his perspective on the PowerCrowds vision and how he looks upon it.

It’s something that is close to our hearts, doing this with a strong focus on charity. We also think it’s something that fits very well to modern company’s business codes; reconcile themselves with charity. – The CEO

From this statement, charity contribution can be understood as something that PowerCrowd feel dedicated to but, it seems like PowerCrowd have not only reflected on this through their own perspective but also through other companies self-picture. Moreover, when we went through the five-step form for distributing a lead we found out that the finder is given the option to change the amount of money her or she wants to donate to charity; from 0 – 100% of the total amount (default is 20%). Given the previous analyse of networking and critical mass this approach might also work as a tool for creating a viral effect.
My first thought was like... will people only believe that this is a greedy site where earning money is the only thing that counts? But, there is also a rather clear focus on charity and the way the founder has marketed it towards small business... I think that it will help to give PowerCrowd a softer image. – Lead developer

As stated by the lead developer this could give PowerCrowd a softer image.

Absolutely. We take notice of the positive response even if we kind of understood it in the beginning. Doing this kind of work will obviously generate positive feedback but it has probably been more than we could imagine as people think that this is the future, caring for social responsibility when you start new business ventures. – The CEO

Above statement from the CEO, came after we asked him if they got any response from outside the company. To some extent, he was surprised by the positive response and that people seems to be attracted to this type of soft values, much like how PowerCrowd feel about charity.

Communicated through their websites but, even more emphasized during our interviews their contribution to charity must be seen as fundamental to their business model. Further, this can be understood as tool to assist in addressing the set of challenges related to networking and critical mass within the context of launching a crowd based platform.

5. Discussion

Crowdfunding today has become a feasible option for entrepreneurs who are looking for capital for their new ventures (Ordanini et al, 2011). This thesis has aimed to answer the following research question: How can we understand the challenges related to launching a crowd based platform and, how can we address these challenges?

The purpose of our research is to highlight the service provider’s role and how they look upon the phenomena of crowd based services. By interviewing the employees on PowerCrowd we got an insight in how they address the challenges and issues that might arise in a start-up phase. We have examined the common topics in research; networks, critical mass and quality but, also highlighted three topics that were emphasized during our interviews. In this section we compare and discuss our results in relation to existing literature.

5.1 Networks

The crowd network is probably the most important part for PowerCrowd to be successful, both in terms of quantity and quality. Only with a good network of users can the platform have both high quality ads, and high quality leads to fit the ads, and enough quantity to attract and keep users. Discussing challenges around networks will often find direct connections to both critical mass and quality, which we further discuss later on in this
section. Moreover, crowdfunding is also becoming a viable option for entrepreneurs to look for capital to new ventures. (Ordanini et al., 2011)

In the research about the dynamics of crowdfunding the backers (funders of projects) are often in focus and not the project founders (in our study referred to as seeker) (Mollick, 2013). We argue that the founders however, play a huge roll in trying to meet the challenges of creating a new crowd-based network that we will now address.

The founders have an important role in this service as they need to be active in distributing their ad to their own network. In Kickstarter, FundedByMe and Sellaband the distribution of the projects can be done by both the project founder and the project backer; the project founder wants to get funded which would motivate him or her to spread the word through the own network and the backer will probably do it as well because you might not have enough money to fund the whole project but, you want the project to be executed (most project follow an “all or nothing model”). Ergo; you spread the word in order to increase its chances to get enough funding.

This is something that differs in our case study; if you have the right candidate for a job or a business deal you probably want the reward. Therefore, the finder will most likely not spread the word; if someone else has an equal candidate the chances to get the reward decreases. Potentially, this is a big problem as PowerCrowd want a big network to look for leads.

PowerCrowd wants to help companies who hasn´t the right network to find the right lead. However, examining the fit between the actual business model and the current network environment one issue related to networking may be articulated. In their business model they see themselves as a connector between companies lacking the right network for reaching e.g an international reseller and, the people who possess this network connection. But, according to our research they identified issues attracting enough users to the service. This is what we call “The network dilemma” as they to some extent fail to offer a wide range network for companies who are actively seeking for connections outside their own network.

We have found that the networking aspect should not be restrained only to the users within the network. By widening the scope we found that networking is an essential challenge for the PowerCrowd management. They want to make well-known companies users of the platform; by that PowerCrowd believe that other users will be more likely to join and feel more comfortable.

Giudici, Guerini and Rossi-lamastra (2013) concluded that a strong social capital had a significant positive effect on the probability to reach the funding goal. Mollick (2013) identified that the social aspect has huge impact because high-quality projects attracts backers that might promote it to more backers and so on. We can therefor argue that it is important that the possible funders can judge the social network of the project owners.

### 5.2 Critical mass

PowerCrowd have a platform ready to handle a huge crowd, their intention is definitely to go global as stated by the founder and CEO. But, as the very name of crowdfunding suggests they need a crowd. PowerCrowd relies on voluntary participation, and as such there is no guarantee that the critical mass of contributions will be fulfilled (Schenk & Guittard, 2011).
The concept of a need to reach critical mass is commonly accepted in the crowdfunding and crowdsourcing research streams (Rohner et al., 2012; Schenk & Guitard, 2011; Sharma, 2010; Simula, 2013). It is also addressed by the PowerCrowds CEO and founder. Strategies dealing with this challenge are actually related to a wide spectrum of things like networking, social media, quality, marketing and business strategy, to some level most of the efforts made by PowerCrowd so far have aimed to increase the amount of users.

An individual action often depends on a perception of how many other individuals are behaving in a particular way (Rohner, et al., 2012, p.29). Therefore, the platform should show the individual that many more are using it. PowerCrowd currently hosts two platforms, Site A and Site B, and it is possible that they might introduce more platforms in the future. If one gets strong, that will help the other platforms in the PowerCrowd network. This is a common strategy in the IT business; large corporations such as Google are commonly connecting their services.

“Electronic word-of-mouth whereby some form of marketing message related to a company, brand or product is transmitted in an exponentially way – often through the use of social media applications” (Kaplan & Haenlain, 2011, p.253)

One powerful tool to consider when attracting new users is social media like Facebook, LinkedIn and Twitter etcetera. Currently, PowerCrowd is pushing out every new ad on their social media pages with the hope to attract new users and at the same time, they can support the process of looking for high quality leads. This might further help with pleasing the company that put up the ad and therefore, they might be happy to recommend the service. This is related to the concept of viral marketing.

But, when have they reached this critical mass? This is not clear cut, the CEO states that it is important to have something to measure, like page visits, e-mails and general inquiries about the service. The developer believe that the platform model might help reaching critical mass, since the purpose of the platform is that each finder use their own network, one user could potentially mean a network of 500 people thereby, decreasing the amount of users needed to reach critical mass. Rohner et al (2012) states that you need to reach a critical mass in order to diffuse an innovation; after a certain point the diffusion becomes self-sustaining. We are under the expression that so far each ad is the result of intensive marketing and processing of an individual company, when critical mass is reached the ads should start to come in more by itself, the diffusion will be self-sustained. However, we identified a problem regarding the distribution of ads as they want to be cautious not to fill their followers timelines with ads, by extension this can make followers resign. In order to get even better effect, PowerCrowd encourages the companies to share their ads through own social networks. This process is assisted by different share functions on the platform.

Furthermore, we want to address the fact that PowerCrowd have expressed that they are not afraid of competition; rather they are convinced that they will meet competition because they believe that this is the way the market is heading, towards more focus on networking. This would indeed be good for PowerCrowd, it would lower the threshold they have experienced when launching Site A.
PowerCrowd however, have expressed that their service should be exclusive and they wish to build a network that generates well thought-out leads of high quality. Hence, they want to be confident that the addressed crowd is the right one. Research show that high quality projects are more likely to be funded (Mollick, 2013), we make the assumption that high quality leads is also important to keep the platform healthy. Therefore, you have a balance act between working hard to reach critical mass and at the same time make sure that both the ads from the companies and the leads generated by the crowd have good quality.

5.3 Quality
This seems to be a rather complicated area for our company of focus. In the related research chapter we presented some topics related to quality in crowdfunding; Mollick (2013) suggested that projects that signals a high quality are more likely to get funded than projects that signals low quality. However, PowerCrowd identifies quality problems in terms of how the seekers writes their ad, and what leads the finders generate.

A lot of people think that they can just upload their marketing materials and things will happen. What´s important is that you have good information, is serious and that it looks good. It is also important that you are specific in what you are looking for, this is where we have had some problems. – The founder

As stated by the founder there are a companies who just upload their marketing material in the belief that it will generate results; they don´t specify what they are looking for which makes it hard for the finders to know what to search for. This is a bit different to crowdfunding sites like Kickstarter; where you upload your project without a specific target group, the important thing is that your project appeals enough people who then fund it. But, for our company the problem is not to find enough funders, the problem is to find than one person who has the interest and ability to invest or activate their network. Moreover, the quality of the ads is not explicitly related to what the seekers are looking for. Even if a seeker uploads a high quality ad and one of their finders know the right candidate, the finder needs to present the candidate in a correct and serious way. Finders reward works to ensure high quality on the candidate presentations. To most people, a significant reward would obviously make them enough targeted to execute a good job.

Giudici, Guerini and Rossi-lamastra (2013) stated that it might be so that it is only lower quality projects that look for funding in a crowd as high quality projects can find funds in other places. But, as the founder states in our first interview the problem might be that a company doesn´t have the right network to reach new markets, new customers, a specific reseller or an investor for that matter.

In our field study we have identified a wish from the PowerCrowd management to assist how the ads are designed, the founder stated that they offer help to add some extra quality to the ad. Presumably, the quality of the ads written and the leads generated could be higher if the platform were designed in a way that forced certain information, a framework for the contribution. This would by extension require a higher level of software development, and perhaps that would lead to a new set of challenges that we have not identified in this paper.
One question related to this is at what point do an increased level of control start to hinder the innovative possibilities within the platform? After all, the rise of crowdfunding can be traced back to theories of open innovation as stated in the introduction part of this paper. We argue that too many constrains and frameworks designed to control the contribution will counteract this crowd platform fundamental. In our case study the CEO stated that he is excited to see how Site A will be used in the future, as it’s an open platform handling a wide span of projects related to business growth. If the customers no longer have a choice in how much they want to give away or how limited they want to be in their search for business partners, we argue that they should still be welcome to look for support in a crowd based platform.

5.4 Geographic position

It has been concluded that the propensity to invest is independent of the distance between the entrepreneur and the investor (Agrawal et al, 2010). Prahalad (2008) states that the web technology has made it easier than ever to reach out beyond the own network, taking advantage of resources in other regions. One could argue that the emerge of Internet has made the world boundless, simplifying communication across borders and giving people the opportunity to collaborate around the clock. Our research indicates that geographical issues in fact may be more important than previously considered. For example, PowerCrowds sites are built for a global market with the possibility of enabling a connection between e.g. a Swedish tool company in search of a business deal with WalMart (a large retail corporation) and that one person who possess the network needed. However, as our results shows, PowerCrowd needs to be “out there”, visiting companies, making contacts and selling their idea. The open call may be distributed through their website but, they might need to help translating it to their users. After all, when launching Site A on the European and North American market they didn’t succeed very well as they managed to attract only one customer (a company from Great Britain) outside the Swedish borders. Further, our result shows that the CEO thinks that there may be clear differences between different regions around the world. Since PowerCrowd identified this challenge they addressed it by isolating their launch of Site B to a specific region, mainly because of seeing job recruitments as a more regional concern. But, as we interpret our findings this isolated launch may also be the sum of PowerCrowd’s network limitations. Even if both the founder and the CEO have a solid international experience, this seems to not be enough. Enabling their local networks and build from the inside out may very well accelerate and expand the network needed for establishing business outside the country borders.

This points to that it might be harder than one thinks to launch a service with the aim of reaching a global mass or external resource; you may need to establish your business firmly throughout different regions in order to make use of the global resources the Internet provides. Obviously, this is also dependent on the actual content of the site and the associated business model.

5.5 Business strategy
We identified a number of key points during our interviews that can be understood as pieces of PowerCrowds business strategy, some of them are part of the original strategy, some of them seem to be solutions on problems that emerged on the way. First, the concept of charity seems to be something that is close to their hearts and we are sure that they have good intentions and don’t use it solely as a selling point. However, fact remains that our interviews tells us that their potential customers expressed a positive response towards their charity work. Wexler (2010) proposes that people responding to a call are motivated by either extrinsic and/or intrinsic benefits when volunteering their input to compete in a contest or contribute to a good cause. One could argue that “a contribution to charity” promise may be what could help them network with prestigious companies and quicker reaching a critical mass, given the assumption that most people like charity and wants to be associated with companies that tries to make a difference.

Secondly, the recruiting; PowerCrowd started with only the founder. Now they have brought in an external investor and they recruited a well resumed CEO with experience from the IT-industry and sales in different forms, from sales manager to global account manager for a well-known IT-company. He stated that he will work hard with representing the company and go out and meet potential customers. There is no denying that this should serve as a big boost to PowerCrowds social network and by extension, helping to reach critical mass. This recruitment can be understood as a result of the emerged challenge with marketing through the social media Facebook and Linkedin that was not successful.

They will later hire a marketing director that will have a role much focused on social media, this will support their viral marketing, and add to their understanding of social media dynamics. Finally, we argue with the support of these findings that marketing through social media is not a guaranteed success, there is a need for careful consideration before attempting to go global.

**Conclusion**

In this paper we have showed the potential challenges associated with launching a new crowdfunding platform by investigating a Swedish start-up, PowerCrowd. The key aspect appears to relate with different kinds of networking, and the quality of these networks. Further, we show that reaching a critical mass is one of the big challenges to overcome; we have presented ways to understand this challenge and some ways to address it in the context of crowd-based platforms, mainly by networking, marketing and quality assuring. We also found that there are important assessments to be made between creating a large mass of users and keeping high quality throughout the platform.

A possible misconception exists that seem to believe that modern technology make global networking and collaboration a breeze, we have shown that sometimes you can become constrained to your own network. In our case this has been true both for PowerCrowd and the lone company in Great Britain who are the only non-swedish company on the platform to date.

We recognize that there is limitations to the generalisations you can make from a single case study like this one, it can sometimes have pretty limited scope with a very specific
context. However, we believe that there is a need to further investigate the dynamics around crowdfunding platforms, and not settle, with research focusing only on the users within the platform. By creating a better understanding for how companies like PowerCrowd can help smaller businesses to reach a very potent network, we might find many new ways for how a service platform like this one can be used.
6. References


Appendix 2: Interview guides


Kan du berätta lite om företaget och din vision med det?

Vi pratade sist lite kort om att uppnå en kritisk massa av användare, hur ser er strategi ut för att uppnå detta?

Du berättade att ni använder er av sociala medier, kan du berätta om tanken bakom det?

Hur många av era Sellrs hittar en Findr?

I forskning kring crowdsourcing pratar man ofta om att projekten som behöver funding (Sellr) skiftar i kvalité. Hur har ni upplevt detta?

Tankar kring er geografiska position? Svårare att nätverka med andra företag?

Geografisk position på era användare? Spelar det någon roll?

Hur ser er målgrupp ut för Sales by Crowd och Jobs by Crowd?

Har ni någon uppföljning för att se om eran Sellr blev nöjd?

Styr ni hur era Sellrs presenterar sina projekt?

Utvecklingen av platformen, skötte du det själv eller tog du hjälp av externt företag?

Stötte ni på några oförutsedda problem kring utvecklingen?


Kan du berätta lite om dig själv och din bakgrund?

Kan du berätta lite om företaget och din vision med det?

Vi pratade med Fredrik om att uppnå en kritisk massa av användare, hur ser du på det arbetet? Strategi ut för att uppnå detta?

Ni använder ju er av sociala medier i relativt hög grad, hur ser du på det tillvägagångssättet?

Hur ser din plan ut för att attrahera användare till tjänsterna?

Hur arbetar ni för att säkerställa kvalitén på det sellers lägger upp? Din vision?

Fredrik berättade att han skött mycket av kunduppföljningen själv tidigare men att tiden varit knapp, hur ser du på den biten i framtiden? Har du några tankar på hur
Appendix 2: Interview guides

den biten ska skötas i ett senare skede?

Tankar kring er geografiska position? Svårare att nätverka med andra företag?

Geografisk position på era användare? Spelar det någon roll?

Hur ser er målgrupp ut för Sales by Crowd och Jobs by Crowd?

Styr ni hur era Sellrs presenterar sina projekt?

Hur ser du på själva plattformen? Ser du några områden där man kan förändra eller förbättra utformningen?

**Interview guide 3, The lead developer. 2013-05-20.**

Kan du berätta lite kort om dig själv och din roll i projektet med Sales by Crowd?

Hur har ni anpassat plattformen för att jobba mot sociala medier?

Har du kollat på några andra företag som jobbar med crowdfunding/crowdsourcing eller har du haft andra förebilder?

Hur ser du på plattformens syfte, attrahera kunder, plattform för samarbete?

Hur arbetar ni för att säkerställa kvalitén på det sellers lägger upp? Din vision?

Fredrik berättade att han skött mycket av kunduppföljningen själv tidigare men att tiden varit knapp, hur ser du på den biten i framtiden? Har du några tankar på hur den biten kan skötas i ett senare skede?

Styr ni hur era Sellrs presenterar sina projekt?

Ser du några områden där man kan förändra eller förbättra utformningen av plattformen?