

Master Thesis – Business

Acquiring Capital: How useful is crowdfunding as a tool for acquiring capital for early-stage companies and entrepreneurs?

Sebastian Falleth



Universitetet
i Stavanger

MASTER THESIS: An investigation into the usefulness of crowdfunding as a tool for acquiring capital for early-stage companies and entrepreneurs in Stavanger, Rogaland.



Universitetet
i Stavanger

**FACULTY OF SOCIAL SCIENCES,
UIS BUSINESS SCHOOL**

MASTER'S THESIS

STUDY PROGRAM: Business Administration

THESIS IS WRITTEN IN THE FOLLOWING
SPECIALIZATION/SUBJECT: Innovation

IS THE ASSIGNMENT CONFIDENTIAL?: NO

TITLE:

Acquiring Capital: How useful is crowdfunding as a tool for acquiring capital for early-stage companies and entrepreneurs?

AUTHOR(S)

SUPERVISOR:

Candidate number:

Name:

5008

Sebastian Falleth

Hilde Ness Sandvold

Acknowledgements

This thesis is written as a part of the Master in Business and Administration program at the University of Stavanger (UiS) and addresses the growing phenomenon of crowdfunding amongst early-stage companies and entrepreneurs. The objective of this task is to explore and investigate how crowdfunding has affected the entrepreneurial landscape, and how useful it is as a tool for acquiring capital.

I hereby want to express my gratitude to my supervisor, Hilde Ness Sandvold, School of Business, University of Stavanger for the guidance she has provided. In addition, I would like to extend my thanks to professional acquaintances within the entrepreneurial landscape of Stavanger for sharing their experiences and contributing to the production of insightful and valuable information around the topic of crowdfunding.

Preface

This thesis is the accumulation of two exciting years as a master's student in Business and Administration at the University of Stavanger. As a student specializing in innovation, this thesis represents my interest, as well as my knowledge within the field of innovation.

The process of writing this thesis has been a valuable and giving experience, giving me time and opportunity to look back at the two years building up to this. I feel that I've gained great insight into the underlying mechanisms that drive entrepreneurs, and its influence on the adoption and application of crowdfunding.

This thesis reflects what I believe to be an interesting and fascinating area of economics and innovation, and I hope my readers will feel the same.

Stavanger, June 2018

Sebastian Falleth

Abstract

Crowdfunding is a new and growing phenomenon within the field of economics. As a new relatively new method for raising funds, limited literature exist on the subject, and the underlying mechanisms and its impact on traditional methods for raising funds is not entirely understood. This thesis examines its overall usefulness as a tool for acquiring capital for early-stage companies and entrepreneurs in Stavanger, Rogaland. This thesis has primarily been based on data collected among relevant actors within the entrepreneurial landscape of Stavanger. Experiences and findings from these actors have been presented and discussed, and similarities has been identified between the various responses. From the findings, it's indicated that crowdfunding sees little application and successful completion within the entrepreneurial landscape of Stavanger. This thesis concluded by asserting the importance of the identified characteristics as a deciding factor for whether the application of crowdfunding is useful for an entrepreneur. It proposes that the nature of the entrepreneur and their business, knowledge and experience of crowdfunding, marketing and awareness of the service and the entrepreneurial landscape and its culture are important factors influencing its overall usefulness as a tool for acquiring capital. In conclusion, the researcher finds little evidence for significant usefulness among early-stage companies and entrepreneurs in Stavanger, Rogaland.

Table of Contents

Acknowledgements	4
Preface	6
Abstract	8
Tables	11
Figures	11
1.0 Introduction	12
1.1 Research area	13
1.2 Research question	14
1.3 Research method	15
1.4 Structure of the thesis	15
2.0 Literature review and Theoretical framework	16
2.1 Introduction	16
2.2 The entrepreneur	16
2.2.1 Entrepreneurs and early-stage companies in Stavanger, Rogaland, Norway	18
2.3 Innovation	20
2.3.1 The innovation process	21
2.3.2 Innovation management.....	22
2.4 Theoretical model: The Lean Startup	23
2.5 Crowdsourcing	26
2.5.1 Crowdfunding	27
2.5.2 Market Size	30
2.5.3 Crowdfunding platform models	31
2.6 Regulations	32
2.6.1 Crowdfunding regulations in Norway	33
2.7 Summary	34
3.0 Methodology	35
3.1 Introduction	35
3.2 Methodological approach	35
3.3 Descriptive, casual and exploratory research	36
3.3.1 Quantitative and qualitative research	37
3.4 Research design	38
3.4.1 Qualitative research design.....	39
3.5 Interview	40
3.6 Data analysis	42
3.7 Data evaluation	44
3.7.1 Validity	44
3.7.2 Reliability	45
3.8 Summary	45
4.0 Data collection	46
4.1 Introduction	46
4.2 Data collection	46
4.3 Sample selection	48
4.4 Research process	48
4.5 Data analysis	50
4.6 Data evaluation	50
4.7 Summary	51

5.0 Interpretation of results and discussion of findings	52
5.1 Introduction	52
5.2 Discussion of findings	53
5.2.1 Business incubators	53
5.2.3 Entrepreneurs	58
5.3 Interpretation of results	62
5.5 Summary.....	66
6.0 Conclusion and recommendations	67
6.1 Introduction	67
6.2 Research conclusion.....	68
6.2.1 Limitations	70
6.2.2 Recommendations for future research	71
7.0 References	73
APPENDIX A	77
APPENDIX B	78
APPENDIX C	80

Tables

Table 1 Actors relatet to entrepreneurial activities	20
Table 2 Crowdfunding models.....	28
Table 4 Excerpt from the interview-guide	47

Figures

Figure 1 The Build-Measure-Learn Loop of The Lean Startup.....	25
Figure 2 Top 10 completed crowdfunding campaigns by category.....	31

1.0 Introduction

Are the days of traditional funding over? In a world where digital services are slowly replacing the need for a physical venue, services that offer a digital alternative has become increasingly popular. Similarly, automated services and Artificial Intelligence (AI) have replaced many of the traditional businesses that relied on business to customer interaction. Nowadays, acquiring a loan can be completed in mere minutes online and project funding can be sourced through the participation of individuals and online communities.

The fall of 2001 marked a turning point for the World Wide Web (Web) with the bursting of the dot-com bubble. As a result, many people believed the Web to be overvalued and hyped, when in fact bubbles and consequent shakeouts appear to be a common feature of all technological revolutions (O`Reily, 2017). In the wake of this shakeout the term “Web 2.0” was created. The concept includes the change in perception and application of the Web as a platform and the new services that replaced the old. Emerging services such as social media, wikis¹, folksonomies², video sharing, hosted services and Web applications showed that the Web was far from dead, and in fact more important than ever (O`Reily, 2017).

Traditionally, businesses required a physical location in order to reach out to consumers. However, with the rise of the Web and the consequent technologies that followed this is no longer the case. Gradually, as new technologies emerged the physical interaction between consumer and supplier became less and less important, changing location from reality to the virtual. In the wake of this technological and social change, information became the most important currency, revolving around a knowledge-based society (Webster, 2014).

Online, communities appeared that had the sole purpose of discussing, distributing and storing information. These communities, or *crowds*, proved to be great sources of information, feedback and ideas for businesses to make use of. In addition, through

¹ Online encyclopedias dedicated to specific topics. E.g. Wikipedia, snl.no.

² Social tagging – Twitter hashtags, Instagram, Pinterest. User-defined “tags” to online information such as pictures, reviews and comments.

the participation of these crowds, businesses found a new source of capital, breaking with the traditional method of securing funding.

1.1 Research area

In recent years the method of fundraising through online communities and individuals, also known as *crowdfunding*, has skyrocketed. In the period of 2012 to 2015, the worldwide volume raised through crowdfunding increased from 2.7 billion dollars to an extraordinary 34.4 billion dollars (Massolution, 2015). This new and exciting method of raising capital has given companies and individuals worldwide the opportunity of realizing their vision without the need for traditional funding.

However, despite its growing interest even basic academic knowledge on the subject of crowdfunding is lacking. Specifically, very little is known about the dynamics of successful crowdfunding and the general distribution and use of crowdfunding mechanisms (Mollick, 2014). In terms of theory, little is known whether crowdfunding efforts reinforce or contradict existing economic theories on ventures and whether or not they achieve success. In the long run there exists uncertainty about the long-term implications of crowdfunding and whether or not projects ultimately deliver their promised product (Mollick, 2014).

The main objective of crowdfunding is to provide entrepreneurs with an alternative way to raise funds. Critical to new ventures is acquiring the resources to succeed, one of which is financing (Mollick, 2014). It is well recognized by scholars and academics that attracting external finance at the initial stages of a venture, be it through bank loans or equity capital is difficult (Belleflamme, Lamber, & Schwienbacher, 2010). In order to finance their venture, most entrepreneurs use their own personal finance as seed capital as venture capitalists and private investors require a strong and highly credible business venture to ensure a return on their investments and recuperate their costs (Evers, 2003).

In the county of Rogaland, research environments ensure a constant flow of entrepreneurial resources and funds to existing and new industries. Together with business incubators and research environments, entrepreneurs and startups receive

ample assistance in ensuring success. Combined with an industry with strong ties all over the world makes Rogaland an attractive location for new ventures.

In 2016, the Norwegian Patent Office received 840 patent applications from Norwegian businesses, of which 179 originated from the county of Rogaland . Historically, these patents have mainly come from fields such as performing operations, fixed constructions and mechanical engineering, as classified by the international patent classification system (IPC). Traditionally, these patents have been financed through private and government funding. However, with the rise of new alternative financing, has there been a shift among entrepreneurs and startups?

It is due this scarce understanding around the topic of crowdfunding that this thesis finds its area of interest. Due to the fact that the subject of crowdfunding is relatively new, shedding light on the underlying reasons for why businesses may or may not choose this method for raising funds may prove valuable in determining why crowdfunding has risen to such heights in recent years.

1.2 Research question

The purpose of this thesis is to examine the usefulness of crowdfunding and determine how good it is as a method for acquiring capital for early-stage companies and entrepreneurs. In this regard a research question has been formulated:

“How useful is crowdfunding as a tool for acquiring capital for early-stage companies and entrepreneurs?”

In addition, two sub-questions that further support the main research question and give insight into usefulness of crowdfunding are defined:

“How is crowdfunding affected by the nature of the entrepreneur?”

“What are the characteristics of an entrepreneur that employ the use of crowdfunding?”

1.3 Research method

In order to collect data and create a basis for which we can draw conclusions will this thesis structure itself as an exploratory study on the topic of crowdfunding. In this regard will this thesis, through the application of a series of qualitative interviews, gather data aimed at illuminating the usefulness of crowdfunding among entrepreneurs and its role in funding process.

To elaborate, in order to gather the necessary data will this thesis reach out to entrepreneurs and business incubators in the Stavanger region to better understand the different perspectives that play part in the funding process. By interviewing different actors at different stages of the entrepreneurial ladder, it is the hope of this thesis that the usefulness of crowdfunding, and whether or not it is a viable option for funding will be revealed.

1.4 Structure of the thesis

This thesis is structured in such a way that we may provide an introduction to the topic of crowdfunding, and subsequently *crowdsourcing* in order to forge an understanding before undertaking the methodological part of the thesis and the consequent analysis. In light of this, the thesis will consist of six chapters, each pertaining to a specific part of the theoretical and methodological approach, and as a whole constitute an answer to the research question.

This thesis is structured as follows: Chapter 2 presents the literature review with mentions of relevant models, previous literature on the topic, the entrepreneurial landscape in Stavanger, Rogaland and crowdfunding regulations. Chapter 3 introduces the methodology, research design and the analysis of the data. Further, the methodological approach of this thesis is presented in chapter 4, including the data collection, evaluation and analysis of the data. Chapter 5 presents the interpretations of the results, discussion of the findings and their significance. Finally, chapter 6 will contain the conclusion on the topic and present recommendations for future research.

2.0 Literature review and Theoretical framework

2.1 Introduction

In this section of the thesis literature pertaining to the subject of crowdfunding and how it can be embedded into broader strategies and theories of innovation management are discussed. Furthermore, common characteristics and traits related to crowdfunding initiatives and why entrepreneurs and early-stage companies may make use of crowdfunding are presented.

As an explorative study, literature and empirical evidence relating to the success, underlying mechanisms and usefulness of crowdfunding are scarce; however, it can be seen as a part of the more general concept of *crowdsourcing*. Furthermore, general theories regarding innovation management, organizational structure and strategy can still be applied in a general sense and may provide an understanding of why entrepreneurs and start-ups act the way they do.

First and foremost, the reader will be introduced to the concept of the *entrepreneur* and the theoretical model of the Lean Start-up. Next, an introduction to the process of innovation and the importance of innovation management will be provided. Following these core concepts, definitions regarding crowdsourcing and crowdfunding will be explained. In addition, regulatory measures imposed by government agencies and organizations from across the world and native to Norway will be presented. Finally, the reader will be given an introduction to the entrepreneurial landscape of Stavanger, Rogaland, Norway and a summary of the important concepts, definitions and models of this chapter.

2.2 The entrepreneur

Entrepreneurship have a long and extensive tradition of study and examination within the field of economics and management. In society, entrepreneurs are viewed as visionaries, and praised for their contribution to society. For instance, entrepreneurs are often applauded for their contribution to economic growth, job creation, healthy competition and, last but not least, innovation.

Due to this popularity, governments around the world spend significant amounts of money to promote entrepreneurship and stimulate innovation. In this regard, governments have adopted policies to promote entrepreneurship that address: education to prepare people for an entrepreneurial career, access to finance, business transfer facilities, decreasing the fear of punishment for failure, or alleviating overly burdensome administrative processes (Block, Fisch, & Praag, 2016).

The entrepreneur is commonly seen as an innovator, a creator and source of new ideas, products, services and processes. He or she is a builder, a creator of something novel that has the purpose of generating value. Normally connected with startups and new ventures, the entrepreneur is an individual who, rather than working as an employee, funds and runs a small business, assuming all the risks and rewards of the venture (Fagerberg, Mowery, & Nelson, 2013).

Traditionally, entrepreneurs have a long history of issuing in new products, services and technologies that disrupt the market. Expressed by Joseph A. Schumpeter, the father of innovation and entrepreneurship, “*entrepreneurship is innovation*” (Schumpeter, 1934). Further elaborated upon in his book *The Theory of Economic Development*, Schumpeter argues that anyone seeking profits must innovate, and that it’s innovation, and the consequent changes to a market following a successful innovation that signals development (Schumpeter, 1934).

However, determining the effect of entrepreneurship and its impact on society is a difficult and challenging task. Block, Fisch & Praag (2016) speculate that, in reality, entrepreneurship may not only affect innovation, but innovation may, in turn, affect entrepreneurship outcomes and access to resources. Economic growth and entrepreneurship is also interrelated, as are innovation and economic outcomes (Block et al., 2016). For instance, in a study by Wennekers et al. (2005) on country’s rate of entrepreneurial dynamics and its level of economic development, they find a positive correlation between entrepreneurial activity and innovative capacity (Wennekers, Wennekers, Thurik, & Reynolds, 2005). Thus, by increasing the level of entrepreneurial activity, a country may improve their innovative output.

Yet launching a new venture is not easy, and requires dedication, motivation, and most important of all, resources. Of these resources, financing is one of the most critical to a new business venture (Mollick, 2014). Evers (2003) express the importance of resource, and that the successful launch of a new business requires financial capital. In most cases when launching a new venture, entrepreneurs will use their own personal finance as seed capital to finance their venture. This is due to the inherent risk and potential loss venture capitalists and investors may face when deciding whether or not to invest (Evers, 2003).

Raising external finance is an inevitable problem of a business start-up, and can in a worst case scenario lead to constrained expansion, difficulties attracting clients, building alliances and establishing credibility (Cassar, 2004; Evers, 2003). In contrast to large established firms, new start-ups are often viewed as an administration and financial burden by banks due to their uncertain future and risk (Belleflamme, Lamber, & Schwienbacher, 2014; Cassar, 2004; Evers, 2003).

Evers (2003) point out how low capital resources can prevent entrepreneurs and start-ups from acquiring adequate *premises*, particularly if its demand for orders requires larger premises. This *premises constraint* can restrict growth and may require start-ups to refuse orders due to being unable to produce the sufficient quantity necessary. In the worst case scenario, this may lead to closure and eventually renders missed entrepreneurial opportunity (Evers, 2003).

2.2.1 Entrepreneurs and early-stage companies in Stavanger, Rogaland, Norway

By the end of the 1950, few believed in the incredible riches lying along the Norwegian coast. Looking back, little did we know of how significant the petroleum industry would grow to become for the Norwegian economy. 50 years later, the industry is Norway's most important in terms of revenue, investments and total value creation.

Like the nation, Stavanger has a long and extensive history within the petroleum industry, with operators, distributors and service industries tied around its structure.

As the fourth largest county in Norway in terms of population, and with the third largest city, Stavanger is a natural hub for industries dependent on the North Sea.

Complementary to the petroleum industry, the county house a large number of well-established and advanced mechanical workshops that primarily produce and deliver cutting-edge equipment for the oil and gas industry. Known far and wide for their quality products and advance mechanics, the industry also sees an extensive export activity to foreign actors.

Although a large part of the county’s revenue stem from its activities in the North Sea, it’s also a prominent player within the food industry. Housing companies such as Nortura, Tine, Fatland, Marine Harvest, Skretting and Grieg Seafood, Rogaland is Norway’s greatest producer of food.

As a consequence, the county has seen a tremendous rise in wealth, which in turn has created a highly attractive landscape for supportive actors, such as research institutes, business incubators, schools and supporting industries.

In an entrepreneurial context, these actors provide valuable support for entrepreneurs and start-ups by offering expertise, advice, contacts and valuable information on the markets they hope to penetrate. Within this context, Table 1 represent the various supportive institutions and actors related to entrepreneurial ventures available to entrepreneurs in Stavanger, Rogaland. These actors may be national or international entities, providing funds, guidance and opportunities for entrepreneurial activities.

	Role	Examples
Non-governmental organizations	Institutional and financial support, may provide legitimacy to businesses and proposed ideas	Gründerhub, LevelUp
Private equity funders	Financial actors that invest in entrepreneurial ventures	Norwegian and international venture capitalists, angel investors ³

³ An individual or group of individuals who provides capital for business start-ups, usually in exchange for convertible debt or ownership equity.

Government	Favorable loans at low interest, governmental measure to promote entrepreneurship	Innovation Norway
Incubators	Provide valuable advice tailored towards entrepreneurs and soft skills ⁴	Validé, Skape, Innovation Dock
Organizations and Industry associations	Undertake relevant research and monitor industry behavior	European Venture Capital Association
Bank	Provide loans at negotiated interest rates, may require security if the faith in the business is too low	DNB, Nordea, SR-Bank
Private sources	Provide funds, often at the cost of equity in the company, may provide advice and connections	Private funds, family, friends and private investors

Table 1 Actors related to entrepreneurial activities in Stavanger, Rogaland

For the economy, start-up environments are important. By stimulating the creation of new products, services, processes and technologies, entrepreneurs and start-ups play an important role in the creation of new industries. With research institutions such as NORCE at Ullandhaug and Polytec in Haugesund, as well as the University of Stavanger, entrepreneurs in Stavanger has access to good academic catalysts for the commercialization of new innovations.

As a result, Stavanger holds an important role in Norwegian business and economy and with a multitude of diverse actors within various fields, the county represents a diverse and important contribution to Norwegian economy.

2.3 Innovation

Innovation is an on-going and continuous process that lies at the heart of our society. By continuously working to change things for the better, for example in terms of efficiency or cost savings, products, processes, services and technologies are either improved upon, or radically advanced. These advances stem from a businesses' need to stay competitive. Thus, in order to stay competitive, businesses need to innovate.

⁴ A combination of people skills, social skills, communication skills –Skills that enable an actor to easily navigate the business environment.

Innovation is an extensive and complex process, but can in short be defined as the implementation of a new, or significantly improved product (good or service), process, service or technology (OECD, 2005). This can also include new or improved methods within organizational business practice, marketing methods or sale techniques. However, for something to be called an innovation, it has to be implemented, an invention has to be commercialized and produce value. The same goes for a new process, a new marketing method or sale technique, it can only be called an innovation after its been adopted and made use of (OECD, 2005).

To be able to turn an invention into an innovation, to successfully commercialize an invention, a firm needs to combine several different types of knowledge, capabilities, skills and resources (Fagerberg et al., 2013). This may include a firm to acquire sufficient production knowledge, skills and facilities, market knowledge, a well-functioning distribution system, sufficient financial resources, and so on (Fagerberg et al., 2013). It's the innovator, i.e. the person or organizational unity, what Schumpeter called the entrepreneur, that's responsible for this commercialization.

2.3.1 The innovation process

The innovation process is an intricate and delicate procedure that encompasses the steering of an organization's activities, decisions and structure towards generating innovation. However, innovation is a wide term, often used in relation to entrepreneurship and the creation of something new. Broken down and compounded into a single, easily expressed definition, innovation can be viewed as the process of creating value from ideas (Tidd & Bessant, 2014).

As a procedure, the innovation process involves a wide variety of smaller processes and activities that together make up the innovation process. Fagerberg et al. (2013) provide us with the following general framework for the innovation process and the activities it contains:

- The innovation process involves the exploration and exploitation of opportunities for new or improved products, processes or services, based

either on an advance in technical practice or a change in market demand, or a combination of the two (Fagerberg et al., 2013).

- Innovation is inherently uncertain, given the impossibility of predicting accurately the cost and performance of a new artifact, and the reaction of users to it. It therefore inevitably involves processes of learning through either experimentation or improved understanding. Some (but not all) of this learning is firm- specific. The process of competition in capitalist markets, thus involve purposive experimentation through competition among alternative products, systems, processes and services and the technical and organizational process that deliver them (Fagerberg et al., 2013).

2.3.2 Innovation management

Successfully encouraging, stimulating and implementing an innovation falls under the domain of innovation management. This process encompasses the management of an organization's procedures, starting at the initial stages of the innovation process, to the final stages of successful implementation (Fagerberg et al., 2013). Inherent in this process of innovation is the decisions, activities and practices of devising and implementing innovation strategy to further support the goal successful implementation and commercialization (Fagerberg et al., 2013).

Crucial to innovation, and many other aspects of a firm's management, is strategy. Strategic management of the innovation process revolves around the appropriate use of management techniques and measures to augment and support an organization's innovation activities, with the end goal of increasing growth and strengthening performance. Strategic methods such as R&D investment, employee involvement, strategic planning and prediction and market research are measures a firm can employ to better succeed at implementing and commercializing an innovation.

However, managing the innovation process is not easy. As a complex and dynamic mechanism, the process of innovation cannot be compounded into one clear and specific definition. Several factors, such as industrial sector, organizational knowledge, structure and goals play a huge part in determining how a firm proceed to

stimulate innovation. In this regard, this thesis presents the model of the Lean Startup and its approach to innovation management.

2.4 Theoretical model: The Lean Startup

Launching a successful innovation is difficult. A good plan, a solid strategy and thorough market research are not enough to guarantee success. Moreover, planning and forecasting are only accurate when based on a long and stable operating history and a relatively static environment (Ries, 2011). Startups have neither.

Building upon the ideas and methods of lean manufacturing, the model of the Lean Start-up is a continuation of the practices that originated among Toyotas factories in Japan. Here, the focus was directed towards eliminating waste, the non-value-creating efforts (Rasmussen & Tanev, 2015). By customizing the method of lean manufacturing into an applicable entrepreneurial context, the model of the Lean Start-up is a method to develop an efficient, flexible and resilient business (Rasmussen et al., 2015).

Proposed by Ries (2011), the Lean Startup is a model of business that apply the method of lean thinking to the process of innovation. To elaborate, the method of lean thinking allows startups to become capital-efficient companies by actively managing the innovation process, learning and redirecting their efforts should they find themselves on a less efficient path to success. Fundamental to this efficiency is five basic principles that envelops and substantiate the Lean Startup model within the innovation management process. Consequently, the thesis propose that these principles are inherent in a sound and thoroughly completed crowdfunding campaign.

First and foremost, entrepreneurs are everywhere. The model of the Lean Start-up is dependent upon a human institution designed to create new products and services to be applicable. Hence, the Lean Start-up can be applied in any organizational construct, no matter sector or industry and assist in regulating the conditions of extreme uncertainty that entrepreneurial ventures exist within(Rasmussen et al., 2015).

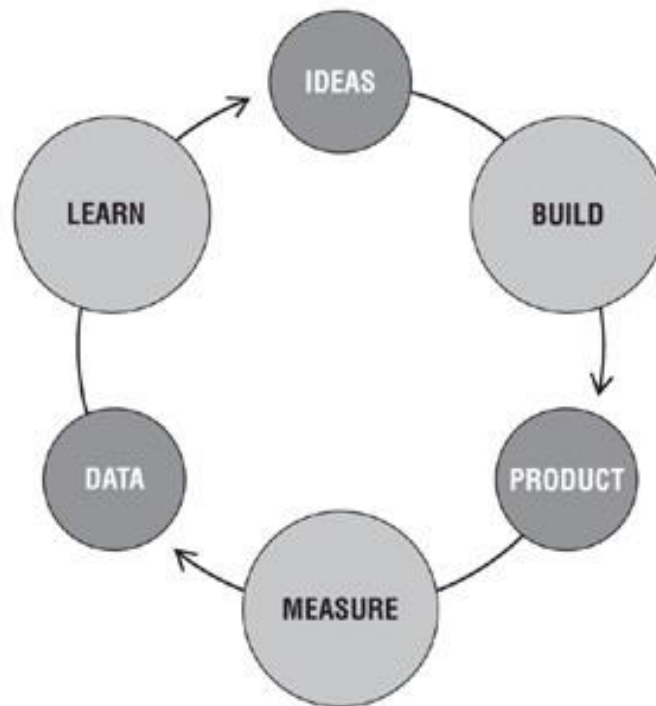
Second, entrepreneurship is management. For the model of the Lean Start-up to be beneficial to a venture, management tailored to the organizational structure of the firm, employees, sector and market forces is a requirement. Without these factors taken into consideration, the management of the firm and its innovation process would be difficult, if not impossible.

Third, validating learning. One of the core competencies of an innovative firm is learning (Fagerberg et al., 2013). Equally important to generating value is creating a sustainable business. Thus, running frequent experiments or measuring activities can assist firms in assessing their level of knowledge and validating learning. Furr and Dyer (2014) discuss the process of “solution-storming” i.e. brainstorming multiple solution options, to help the entrepreneur search broadly for solutions before using customer tests to narrow down the options to a single solution (Furr & Dyer, 2014).

The Lean Startup approach allows the entrepreneur to test assumptions regarding what your customers want and derive valuable information regarding how (design and price) they want this value presented to them. Through crowdfunding, entrepreneurs are able to acquire valuable information through feedback and obtain information about the needs and wants of the people.

Fourth, build-measure-learn. Fundamental to the model of the Lean Start-up is the creation of a minimum viable product, an MVP (Furr et al., 2014). This product is an early prototype of the product and serves the purpose of gathering information from the public that the firm can assess, evaluate and implement (Furr et al., 2014). The main objective of the build-measure-learn loop is learning. First, an idea or a hypothesis must be defined, with relevant metrics (Measure). Second, in order to generate these metrics and test the hypothesis, an experiment must be designed (Build). Lastly, the final, accumulated product of these two steps produce information that the firm either applies or discards (Learn). Within this context, Figure 1 represent the continuous process of the build-measure-learn loop of the Lean Startup.

BUILD-MEASURE-LEARN FEEDBACK LOOP



Minimize *TOTAL* time through the loop

Figure 1 The Build-Measure-Learn Loop of The Lean Startup

In terms of crowdfunding, it's inherently important for campaigners to utilize their marketing strategies and approaches in a way that effectively resonates with their customers. Inherent in the build-measure-learn loop is a process of trial-and-error where the entrepreneur put effort into developing a prototype in order to understand what works, and what doesn't for their target customers.

Lastly, accounting and measuring innovation. The last principle of the model of the Lean Start-up revolves around the storing and logging of innovation activities. To elaborate, through thorough logging and accounting of the knowledge each project generate can the firm gauge the progress of individual projects and store relevant data for future research and projects.

Essential to crowdsourcing, and subsequently crowdfunding, is communication. Launching a successful campaign requires a constant flow of information between entrepreneur and customer to further improve the product and raise customer awareness. Important to the Lean Startup model of business is the creation of a

minimum viable product (MVP), a prototype that customers can assess, test and critique (Ries, 2011). This in turn generates valuable information for a venture that facilitates learning and creates the foundation for the build-measure-learn loop of the Lean Startup.

By recognizing the basic principles and activities of the Lean Startup we can identify several commonalities within crowdfunding and the processes that takes place there. For instance, several scholars suggest that crowdfunding facilitate several forms of entrepreneurial learning. In a study by Kuppuswamy and Bayus (2013), they reveal that social information transferred through crowdfunding platforms plays a key role in the success of a project. Similarly, Ahlers et al. (2012) stress the importance of information going from the entrepreneur to the crowd. They found that successful crowdfunding initiatives rely on credible signals, quality of the startup and sound information disclosure to the crowd (Ahlers et al., 2015).

In other words, a successful crowdfunding campaign contains many of the characteristics fundamental to the Lean Startup model of business. Thus, by applying this model as the theoretical foundation, this thesis hope to uncover instances where either crowdfunding or the Lean Startup model was applied and draw similarities between the two.

2.5 Crowdsourcing

The term “crowdsourcing” was first coined by Jeff Howe, an editor for the computer magazine *Wired* in 2006 in regard to the new pool of cheap labor made available through the use of online *crowds*.

Applied by businesses, nonprofit organizations and government agencies, crowdsourcing is a deliberate blend of a bottom-up, open and creative process with top-down organizational goals (Brabham, 2013). Defined by Brabham (2013); crowdsourcing is an online, distributed problem-solving and production model that leverages the collective intelligence of online communities (*crowds*) to serve specific organizational goals (Brabham, 2013).

Further defined by Kleeman, et al., (2008); Crowdsourcing takes place when a profit

oriented firm outsources specific tasks essential for the making or sale of its product to the general public (*crowds*) in the form of an open call over the Internet, with the intention of animating individuals to make a (*voluntary*) contribution to the firm's production process for free or for significantly less than that contribution is worth to the firm (Kleeman, Voss, & Rieder, 2008).

These communities are given the opportunity to respond to crowdsourcing activities promoted by the organization for a variety of reasons. Depending on activities of the venture, and the goal of these activities, crowdsourcing can be divided into four different categories:

- **Crowdwisdom:** Crowdwisdom makes use of the collective intelligence of an online community in order to answer questions and reflect on issues.
- **Crowdcreation:** Crowdcreation makes use of the creative potential of online communities in order to generate ideas and concepts that may have value to an organization.
- **Crowdvoting:** Crowdvoting makes use of online communities in order to gauge the value of an idea or concept by listening to their opinion the crowd.
- **Crowdfunding:** Crowdfunding makes use of online communities in order to raise funds for business ventures.

(Dietrich & Amrein, 2016)

In short, through the deliberate use of online communities, businesses and agencies apply the creative energies of outside entities in day-to-day operations in order to reach business goals and objectives (Brabham, 2013). However, despite the different forms of crowdsourcing a firm may apply will this paper solely focus on the method of raising funds through the crowd, namely *crowdfunding*.

2.5.1 Crowdfunding

Like crowdsourcing, crowdfunding involves the application of the online *crowds*. However, whereas crowdsourcing involves the *outsourcing* of internal business activities to the crowd, crowdfunding revolves around the raising of funds *through* the crowd (Howe, 2006; Kleeman et al., 2008; Mollick, 2014). Described by Belleflame et al., (2010) as “tapping a general public”, crowdfunding allows

entrepreneurs to obtain funds directly from consumers, rather than reaching out to professional investors (Belleflamme et al., 2010).

Stretching across multiple disciplines, crowdfunding is a new and emergent field that has remained difficult to accurately define and explain (Cumming, 2012; Mollick, 2014). As a service, crowdfunding draws inspiration from concepts like micro-finance and crowdsourcing, but represents its own unique form of fundraising facilitated through online crowds (Mollick, 2014). Indeed, crowdfunding can be defined as the efforts by entrepreneurial individuals and groups – cultural, social and for-profit – to fund their ventures by drawing on relatively small contributions from a relatively large number of individuals through the Internet, without standard financial intermediaries,” (Mollick, 2014).

By showing support, crowd-funders make a voluntary financial contribution with or without the expectation of receiving compensation (Belleflamme et al., 2010). To elaborate, depending on the type of crowdfunding model applied by the venture, investors are offered either non-monetary rewards (e.g. the product which is going to be developed if the fundraising campaign is successful), monetary rewards (e.g. financial compensation, such as revenue/profit-sharing), equity shares, interest and repayment of loan and intangible benefits related to freely given donations (Cordova, Dolci, & Gianfrate, 2015; Mollick, 2014). Table 2 gives the reader a presentation of the various crowdfunding models and the benefits they grant the funders.

	Form of Funding	Benefits for Funders
Donation-based	Donation	Intangible benefits
Reward-based	Donation or pre-purchase	Rewards in addition to intangible benefits
Equity-based	Investment	Return of investment if successful. Rewards and intangible benefits
Debt-based	Loan	Repayment and interest.

Table 2 Crowdfunding models (Mollick, 2014)

There exist several different business models when it comes to crowdfunding platforms. One of these models include crowdfunding platforms behaving as “match-makers”, serving as a public meeting place for entrepreneurs and potential funders (Kleeman et al., 2008). Inherent in this model of business – the donation- and reward-based models of crowdfunding - is the opportunity for crowdfunding platforms to avoid becoming bound by VAT and tax laws. This means that the actual profiting parties, the entrepreneurs and startups, themselves become responsible for the fulfillment of these laws.

Similarly, platforms that offer equity crowdfunding circumvent the widespread prohibition on the advertisement of high-risk, unlisted firms. Requiring the would-be investors to opt into the service, the investors waive all rights to hold the crowdfunding platforms responsible for the risk of potential losses. However, in recent years, regulations with the purpose of controlling and limiting this type of crowdfunding has generated momentum, and more and more nations are enacting regulations upon this type of crowdfunding.

Furthermore, in addition to help raising funds, crowdfunding may also help ventures in in testing, promoting and marketing their products (Belleflamme et al., 2010). Through online platforms, entrepreneurs and start-ups may build networks and reach out to a larger audience to promote their product and achieve recognition.

In traditional entrepreneurial literature, networking holds an important role in the success of a venture. Examined by Smith and Lohrke (2008), they find evidence supporting that an entrepreneur’s network can provide a significant source of social capital, which, in turn, may increase a new venture’s likelihood of success (Smith & Lohrke, 2008). Likewise, Mollick (2014) point out the possibilities of the network with high quality projects attracting backers who may promote the project to other potential backers, or external media, thus increasing the draw of the project (Mollick, 2014).

While many factors may influence a project goal, Mollick (2014) emphasize the importance of individuals to select realistic project goals, since raising too little capital may result in project non-deliver, and high project goals likely make projects less likely to succeed (Mollick, 2014). Likewise, Mollick (2014) propose that patterns

of success are directed by the nature of the project themselves, whereas projects that are of high quality are identifiable to funders. Much like venture capitalists, funders evaluate the quality of the product, the team and likelihood of success before committing funds to the project (Mollick, 2014).

2.5.2 Market Size

Crowdfunding has seen a drastic increase in adoption and application throughout the world in recent years. According to the Massolution Crowdfunding Report (2015), in 2012 the worldwide funds generated through crowdfunding initiatives was an estimated 2,7 billion USD. Three years later, in 2015, this sum has increased to an extraordinary 34,4 billion USD, an increase of almost 1200%.

Among the different crowdfunding models, there are clear differences of which type of model that raises the highest amount of funds. Of the 34,4 billion USD estimated to have been raised in 2015, 25,1 billion USD was raised through debt-based crowdfunding, followed by donation-based crowdfunding constituting 2,85 billion USD, reward-based raising 2,68 billion USD and equity-based crowdfunding having raised 2,56 billion USD.

The majority of funds raised through crowdfunding initiatives are done through online crowdfunding platforms. Here, entrepreneurs and startups are given the opportunity to pitch their idea and reach out to a larger number of individuals than what they would normally be able to do. Arguably the most well-known of these platforms is Kickstarter, an American donation- and reward-based crowdfunding platform. As of March 2018, Kickstarter has raised a total of 3,45 billion USD and helped successfully fund 140.094 projects.

Among the countless crowdfunding projects that are initiated each year only a handful actually see completion and acquire the necessary funds. In 2016, the worldwide number of completed crowdfunding initiatives numbered 130.871, with 38.149 initiatives completed in Europe alone (Massolution, 2015). Among crowdfunded projects, failures happen by large amounts, success by small amounts (Mollick, 2014). On average among projects, failed projects raise 900 USD while successful projects raise 7825 USD (Mollick, 2014).

Through careful examination, Mollick (2014) identify that the average failed project only raises 10,3% of their goal, that 10% of failed projects raises 30% of their goal, and only 3% raises 50% of their goal. In contrast, Mollick (2014) note that projects that succeed tend to do so by relatively small margins. He observes that 25% percent of projects that are funded acquire 3% or less over their goal, 50% are about 10% over their goal, and only 1 in 9 receive 200% of their goal (Mollick, 2014).

Consequently, there are certain sectors that are more eligible for crowdfunding than others. In Europe, the total number of completed crowdfunding initiatives is spread across several different sectors, with technology, film and community being the most popular. Figure 2 gives the reader a view of the most popular categories that receive funding and the number of completed campaigns within each category.

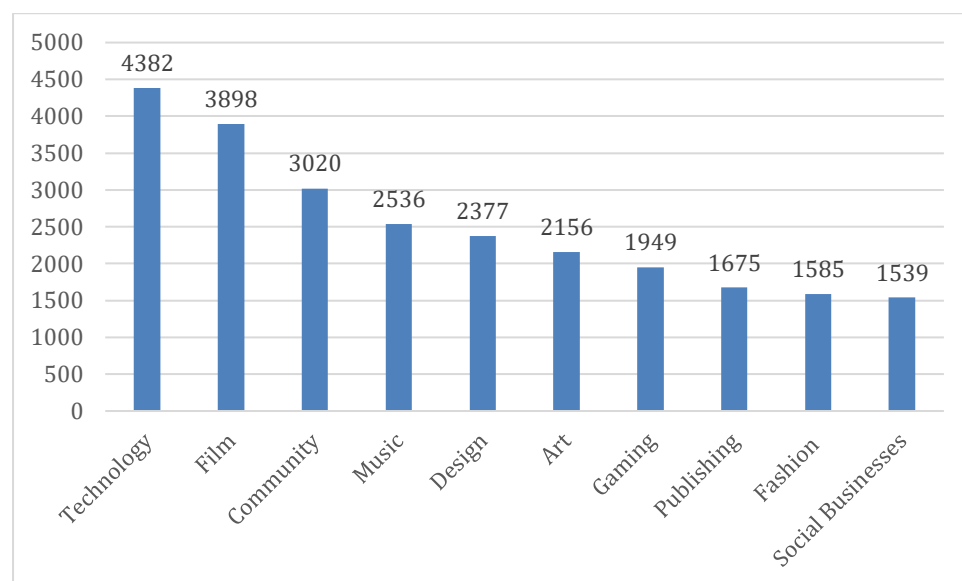


Figure 2 Top 10 completed crowdfunding campaigns by category in Europe in 2015

2.5.3 Crowdfunding platform models

Like any model of business or structure of a firm, there exist several different types of approaches to how a crowdfunding platform operates. For instance, Kickstarter uses an All-or-Nothing funding model. This means that if the funding goal of the creator is not reached, the funds are returned to the funder and the creator receives nothing from the campaign (Gerber, Hui, & Kuo, 2011).

Another crowdfunding platform, RocketHub uses an All & More fundraising system. Here, creators can keep the money they raise even if the funding goal is not reached. However, should they reach or exceed their goal, RocketHub will waive the submission fees (4 %) for the creators' first five projects (Gerber et al., 2011). Likewise, the crowdfunding platform IndieGoGo uses a keep-what-you-raise funding model. However, should the creator not reach his or her goal, the platform will charge a higher fee (Gerber et al., 2011).

Whereas Kickstarter mainly attract creators and funders from the USA, RocketHub and IndieGoGo attracts creators and funders globally. Similar among these platforms is the payment process fee placed on the creators should the goal be reached (3-5%), with an exception of IndieGoGO where it's the accumulated amount that gets charged.

2.6 Regulations

Crowdfunding, such as it is viewed in this thesis, is a relatively novel form of raising funds. Thus, a professional framework that businesses can operate within and where investors can find some level of risk protection is still under development.

Currently reward- and donation-based crowdfunding platforms, such as IndieGoGo and Kickstarter, are the most widespread and acknowledged platforms. Furthermore, national crowdfunding platforms such as DNB' Startskudd and Perx have emerged, giving Norwegians the ability to use "local" crowdfunding services. In addition, equity-based platforms, such as Seedrs, are experiencing a rapidly growing popularity, especially with the legalization of equity crowdfunding in the US (Karabell, 2013).

In 2012 President Barack Obama signed into law the Jumpstart Our Business Startups Act (JOBS) in order to encourage funding of small businesses by easing many of the country's securities regulations. Consisting of seven "Titles", the JOBS act has allowed accredited and non-accredited investors the opportunity to issue securities and loans, granting easier access to lending- and equity-based crowdfunding services.

In Europe, the European Commission and the European Parliament have taken an active interest in the growing economic phenomenon of crowdfunding. Currently, there exists no EU level policy intervention on the subject of crowdfunding. However, in March 2018, as part of its Fintech⁵ action plan, the European Commission presented a proposal for a regulation on crowdfunding service providers (European Commission, 2018). This proposal mainly focuses on crowdfunding services that entail a financial return for investors, i.e. services that apply lending- and equity-based models of crowdfunding. Once in effect, this new regulation will allow crowdfunding platforms to apply for an EU passport, enabling them to operate across borders within the EU with a certain level of credibility.

Proposed by the European Commission, this passport will require crowdfunding platforms to operate within a certain set of rules. These rules will have the purpose of improving access to crowdfunding for small investors and businesses, particularly start-ups (European Commission, 2018). In addition, they will allow for a better protection regime and a higher level of guarantees for investors on crowdfunding platforms, based on three specific guidelines;

- Clear rules on information disclosures for project owners and crowdfunding platforms.
- Rules on governance and risk management.
- A coherent approach to supervision.

2.6.1 Crowdfunding regulations in Norway

Although crowdfunding has seen a tremendous rise in popularity in recent years and policy makers have become aware of its importance, it's still considered a national phenomenon with limited cross-border activity (ECN, 2017). In a study of the European crowdfunding market, the European Commission found that crowdfunding activities are mainly concentrated in a few countries (The United

⁵ Financial technology

Kingdom, France, Germany and The Netherlands), which have developed their own domestic rules and regulations (ECN, 2017).

In Norway, instead of having its own regulations for alternative financing, crowdfunding is instead partly regulated through the Securities Trading Act, the Management of Alternative Investment Funds Act and the Financial Institutions Act. For the average entrepreneur, these laws are complicated and difficult to interpret and the need for a simplification with its own transparent rules for crowdfunding is needed.

In a proposal to the Norwegian Parliament, the construction of a simple and transparent regulation for alternative financing is in the nation's best interest. A simplified regulatory framework, together with readily available information and overview of the framework conditions may encourage businesses and investors alike to employ the use of crowdfunding.

2.7 Summary

This section of the thesis has dealt with the theoretical foundation and definitions that will permeate this study. Here, the reader has been introduced to the entrepreneur, the innovation process, the definition of crowdfunding and the regulation of crowdfunding.

This include an introduction to the entrepreneur and his or her role as an important contributor and facilitator of innovation. In detail, this thesis presents the innovation process and how it relates to the overall stimulation of innovation. As an important part of the innovation process, the management of innovation, and the subsequent theoretical approach of the Lean Startup is presented. Here, the researcher explains how the various activities and principles inherent in the model of the Lean Startup coincide and share many similarities with crowdfunding and its inherent mechanisms. Within this context, the researcher applies the model of the Lean Startup as a method for comparing the various mechanisms inherent in crowdfunding and explaining the phenomenon.

Finally, this thesis gives a definition on the phenomenon of *crowdsourcing* and the various “crowd-services” it encompasses, including crowdfunding. In detail, the researcher produce and present an overview of the market size of the service, various models of crowdfunding platforms, and both national and international crowdfunding regulations.

3.0 Methodology

3.1 Introduction

As an explorative study, the goal of this thesis is to develop an understanding about the nature of crowdfunding and its role in entrepreneurial activities. More accurately, with the use of a qualitative methodological approach will this paper attempt to illuminate the usefulness of crowdfunding among entrepreneurs and start-ups.

In order to acquire the necessary data on which to develop an answer to the research question, will this section of the thesis include an overview of the methodological approaches available, the corresponding research design and an introduction to qualitative methodology.

3.2 Methodological approach

A robust and well-performed research is not accidental. Like any other aspect of an experiment, it requires careful planning as well as a careful execution in order to accomplish the greatest result.

According to Saunders et al. (2007), the research design is the general plan for how to answer the research question. Additionally, Ragin (1994) defines research design as “*a plan for collecting and analyzing evidence that will make it possible for the investigator to answer whatever question he or she has posed*”. It’s therefore prudent to restate the research question before establishing the research design and discussing the choices available.

“How useful is crowdfunding as a tool for acquiring capital for early-stage companies and entrepreneurs?”

In order to properly research and investigate the phenomenon of crowdfunding among early-stage companies and entrepreneurs, existing research on the subject has been investigated and acts as the foundation for this research. Furthermore, the fundamental goal of research is to illuminate a specific phenomenon, in this regard this thesis has applied the use of three distinct steps in order to answer the research question.

First and foremost, existing literature on crowdfunding in general has been reviewed with a focus on its usefulness in acquiring capital. Secondly, several approaches towards business incubators and entrepreneurs has been completed in order to gain insight into the entrepreneurial experience. Thirdly, an analysis of the collected data and an identification of commonalities among the different actors has been conducted. The following section will cover the choice and description of the research design applied in this thesis.

3.3 Descriptive, casual and exploratory research

Ghuri and Grønhaug (2005) distinguish between three types of research design; exploratory, descriptive and casual. Exploratory research is meant to provide new insights into an area that has little existing information (Saunders et al., 2009). It's commonly applied when confronted with an unstructured problem where the research process may change direction and the answer is unclear. Furthermore, in order to generate new insights, exploratory research attempts to answer questions such as; what, when, where, how, who or why. These types of questions are often applied in studies where the purpose is to gain understanding of a specific topic, particularly topics that are wide and unclear.

Descriptive research, however, is applied in situations where the problems are structured and well-defined (Ghuri et al., 2005). As opposed to exploratory research, descriptive research solely focuses on the “what” in an attempt to give a detailed explanation of a situation or a phenomenon (Shields & Tajalli, 2006). Likewise, it

utilizes surveys, questionnaires and content analysis as opposed to interviews and focus groups.

Lastly, casual research base itself on many of the same premises as descriptive research. However, casual research is applied in situations where the researcher investigates cause and effect relationships (Ghauri et al., 2005). Opposed to the focus on the “what” in descriptive research, casual research focus on the “why”. It attempts to describe and explain the correlation between different variables through the use of quantitative, experimental or quasi experimental methodology (Shields et al., 2006).

Thus, considering the research question, the focus of this research is to gain insight into the usefulness of crowdfunding among entrepreneurs. This includes whether or not crowdfunding is a viable alternative to traditional funding, and if there are any underlying reasons for why a company may choose or not choose the service. In other words, an exploratory approach seems necessary in order to successfully and thoroughly answer the research question. This will include a literature review of existing scientific articles on the subject, as introduced in the literature review section. In addition, research to find how widespread crowdfunding is among entrepreneurs and its corresponding usefulness will be conducted.

3.3.1 Quantitative and qualitative research

Research is defined as a systematic investigation into and study of materials and sources in order to establish facts and reach new conclusions. In order to successfully and reliably collect data, analyze, validate and reach a conclusion, we must first correctly investigate the phenomenon that are under scrutiny (Ghauri et al., 2005).

When defining a methodological approach, there are two available options one may consider; a quantitative approach or a qualitative approach. Each have their unique designs and carries with them a specific set of benefits and drawbacks.

A quantitative approach emphasize the application of objective measurements and the statistical, mathematical, or numerical analysis of data collected through polls,

questionnaires, and surveys, or by manipulating pre-existing statistical data using computational techniques (Labaree, 2009). Quantitative research focuses on the gathering of numerical data, the analysis of it, and reaching a conclusion that can then be applied to generalize groups of people or to explain a particular phenomenon.

On the other hand, a qualitative approach emphasizes the qualities of individual entities and on the processes and meanings that are not experimentally examined or measures in terms of quantity, amount, intensity or frequency (Labaree, 2009). As opposed to quantitative research where objectiveness is important, qualitative research stresses the importance of the socially constructed nature of reality, the intimate relationships between the researcher and what's being studied, and the situational constraints that shape the inquiry (Labaree, 2009). It seeks to answer questions of how social experience is created and given meaning.

3.4 Research design

Qualitative research differs from quantitative research in that there are no specific data-gathering instruments, purposely designed to secure information relevant to a hypothesis, nor any defined analytical procedures specified in advance (Flick, 2007). Instead, the research design of a qualitative study can be said to encompass the description of the current state of the research question, the theoretical and the methodological commitments, and how these areas of the thesis affected the research (Flick, 2007).

Likewise, Hammersly and Atkinson (1995), argue that research design should be a reflexive process, which operates throughout every stage of a project. Maxwell (2005) on the other hand views research design as a combination of several important components, including research purpose, conceptual context, methods and validity, revolving around and supporting the research question .

What seems necessary, and undeniably important, is to develop a research design for qualitative research that includes the different views and approaches on the subject and customize it to this thesis' specific needs. As a result, the research design of this thesis will include an orientation of how the data acquisition will be concluded, a

thorough review of the data acquisition, an analysis of the data, an examination of its validity and reliability and finally a conclusion and answer to the research question.

3.4.1 Qualitative research design

As an exploratory study, the nature of the research question requires an in-depth look at entrepreneurial ventures in order to provide the necessary research data. To elaborate, this means that a quantitative research design is inadequate, since the particularities of this thesis' chosen field of study requires a deeper penetration in order to provide a satisfying answer. Hence, this thesis will make use of a qualitative research design.

Unlike quantitative studies that examine numerical evidence, qualitative studies examine text as empirical evidence. The data collection process focuses on obtaining the perspectives of the participants in everyday practices and knowledge closely related to the issue under study (Flick, 2007).

As a method for interpreting and explaining phenomenon, qualitative research attempts to gather empirical evidence and interpret the world through an interpretive, naturalistic approach (Denzin & Lincoln, 2005). Through the use of field notes, interviews, conversations, photographs, recordings and memos, this approach turns the empirical evidence gathered within the focus field into a series of representations of that particular focus area. Thus, qualitative research study things in their natural setting, attempting to make sense of, or interpret, phenomenon in terms of the meanings people bring to them (Denzin et al., 2005)

The advantage of using qualitative methods lies in the fact that they generate rich, detailed data that leave the participants' perspectives intact and provide multiple contexts for understanding the phenomenon under study (Labaree, 2009). It's because of this detailed examination that qualitative research can be used to vividly demonstrate phenomena or to conduct cross-case comparisons and analysis of individuals or groups.

Within the realm of qualitative research, we can in general assume four basic methodological approaches in collecting or producing data, determined by the type of data they produce:

1. Verbal data - data gathered through interviews, conversations, recordings and memos.
2. Observation data – data gathered through field notes, observations etc.
3. Social science data - data gathered through high quality datasets interpreted through statistical programs such as STATA, SPSS or SAS.
4. Analysis of the data of one the previous three methodological approaches and constructing a more code-oriented numerical interpretation.

Moving forward, this thesis will make use of an interview study targeted towards individuals and entities that can be related to the entrepreneurial experience. By interviewing business incubators and listening to entrepreneurs share their experiences, it's this thesis' hope that these actors, who find themselves at different stages of the entrepreneurial ladder, will provide this research with a unique perspective of the usefulness of crowdfunding.

Regarding the term “entrepreneur”, this thesis views this actor as a person or persons who are in the very first stages of their business venture. The reasoning behind this is that we want to examine businesses that are still in their “infant” stages, and who are actively trying to establish themselves and acquire capital. Likewise, the business incubator is an entity who provides entrepreneurs and start-ups with counseling, guidance and financial advice in order to stimulate and hopefully increase their chance of becoming established.

3.5 Interview

Interviews are one of the dominant data-gathering methods within qualitative research and can provide valuable information regarding the experiences and interactions of individuals or a group of individuals.

Within the realm of interview studies, there exist three distinct, fundamental approaches to gathering qualitative data:

1. Structured interview.
2. Unstructured interview.
3. Semi-structured interview.

The structured interview is by its very nature a very ridged and controlled interview. Described as a “verbally administered questionnaire” by Gill et al. (2008), the structured interview follows a set of predetermined questions with little to no variation and with no scope for follow-up questions to responses that warrant further elaboration (Gill et al., 2008).

As a consequence, structured interviews are quick to conduct and easy to administer and may be of particular use in situations where clarification of certain questions are required or if there are trouble with the literacy or numeracy of the respondents (Gill et al., 2008). However, due to its rigid structure, the structured interview, because of its limited participation and room for discussion, provide little “depth” into respondents’ response and the phenomenon under study.

On the other hand, unstructured interviews follow no predetermined interview guide and do not reflect preconceived theories or ideas and are performed with little or no organization (Gill et al., 2008). As a result, an unstructured interview may simply start with an opening question and proceed based, primarily, on the initial response of the interview participant.

However, unlike structured interviews, unstructured interviews are time-consuming and can be difficult to manage and steer in the direction most relevant to the phenomenon under study due to the lack of a predetermined interview questionnaire (Gill et al., 2008). Nevertheless, the unstructured interview may provide great “depth” into a specific phenomenon but are usually only applied in situations where very little is known about the subject area.

Finally, the semi-structured interview consist of several key questions that help to define the areas to be explored, but also allows the interviewer or interviewee to diverge in order to pursue an idea or response in more detail (Gill et al., 2008). The flexibility offered by this approach, particularly compared to structured interviews, allows for the discovery or elaboration of information and the opportunity to asks questions outside the interview guide should it prove necessary to do so.

Additionally, there are several different methods of which to conduct an interview. First and foremost, the most common example of an interview is a face-to-face meeting between the researcher and the interviewee with a set of questions that are answered in a more or less open dialogue. Secondly, a group interview, where several individuals participate simultaneously and may engage in discussion, thereby providing several different perspectives to the same questions. Thirdly, a narrative interview, where instead of asking question, the participant tells a story of their experiences and interactions.

In this thesis, the interviews conducted with the entrepreneurs and incubators followed a semi-structured interview design. In this regard, an interview guide consisting of 15 questions related to entrepreneurial activities and crowdfunding was constructed (see attachments 1). This type of design allowed this thesis to engage in a more fluid conversation with the interview participants. This paper will argue that this design allowed for a greater penetration into the subject area and allowed for questions to be asked by both the interviewer, and the interviewee to further elaborate on responses and experiences.

3.6 Data analysis

A principal technique applied among qualitative researchers to analyze data is thematic analysis. Described by Boyatzis (1998), thematic analysis as a process for encoding qualitative information. The encoding requires the construction of an explicit “code”. This may be a list of themes; a complex model with themes, indicators, and qualifications that are casually related; or something in between those two forms (Boyatzis, 1998). A theme is a pattern found in the information that at the

maximum describes and organizes possible observations, or at the minimum interprets aspects of the phenomenon (Boyatzis, 1998).

In other words, thematic analysis is a method for analyzing information by discerning patterns, or in this case *themes*. These themes can either be *pre-figured*, in other words decided upon in advance or they may be identified during the data collection process (Given, 2008). This last type of themes is an example of an *emergent* or *intuitive* strategy, referring to the researcher's intuition and ability to discern important themes in the collected data (Given, 2008).

The process of generating categories or themes requires the researcher to notice patterns in the data relating to the topics described by the interviewees. For example, after the collection process, when analyzing the interview, you are reminded of something mentioned previously by another interviewee, or you see a recurrent theme among the interviewees responses. In instances where these themes are pre-figured, they should form the basis for categorizing the data, where they are emergent or intuitive, they should be thoroughly examined and studied in order to sufficiently explicate the data.

Marshall and Rossman (1999) state how categories should be internally consistent and externally divergent. In other words, a category should contain things of the same nature, but at the same time remain distinct from each other and don't overlap (Marshall & Rossman, 1999). If two categories overlap, then they're not suited as distinct themes for the analysis. Likewise, if some data is not covered by the categories, the categories may either be incomplete or inadequate to cover the emerging ideas in the data.

It's this method of analyzing that will be applied when analyzing, discussing and interpreting the information gathered in this thesis. The following section of discussion and interpretation will present the reader with characteristics identified by examining and analyzing the interviews with the incubators. These characteristics will act as the themes or categories and be the foundation for interpreting the information gathered among the incubators and entrepreneurs.

3.7 Data evaluation

An important step in assessing whether or not the information gathered for an experiment can be considered valid and reliable is data evaluation. In this regard, assessors must evaluate both the quality of the available data for the purpose of the analysis, and the means of which they were acquired.

When evaluating the trustworthiness of qualitative data, there are four factors that need to be considered. Firstly, the trustworthiness of the data, secondly, the credibility of the data, thirdly, the conformability of the data, and finally, the dependability of the data (Guba, 1981). In order to ensure that these factors are evaluated, the researcher needs to consider validity and reliability to such a degree as to sufficiently determine the quality of the data (Johannessen, Christoffersen, & Tufte, 2010).

3.7.1 Validity

Validity, much like reliability, is related to the scientific research method and its role of controlling whether or not an experiment, and its consequent results can be considered valid. Its purpose is to determine whether the data that emerges from the data collection process truly represent the phenomenon being studied (Johannessen et al., 2010). It encompasses the entire experimental concept, including the research design, structure and execution of the experiment, and establishes whether the results obtained meet all the requirements of the scientific research method.

In terms of validity, there exist two distinct categories that influence the overall validity of the experiment; internal validity and external validity. Internal validity dictates how an experimental design is structured and encompasses all the steps of the scientific research method (Johannessen et al., 2010). Hence, internal validity ensures that the hypothesis, design, observation, analysis and conclusion of the experiment holds a certain level of credibility.

On the other hand, external validity encompasses the process of examining the results and determining to which extent the findings and the consequent results can be generalized (Johannessen et al., 2010). For example, ensuring a degree of

randomization in the sampling and making use of control groups can assist in lessening external validity problems.

Ensuring that each step of the experimental process is completed in accord with the scientific research method will ensure that the results much easier can be accepted by the public, as well as academia. However, as with any hypothesis the results cannot be viewed as absolute truths, but instead as statistically significant and plausible.

3.7.2 Reliability

The idea behind reliability is that any significant result must be more than a one-off finding and can be repeated. This means that researchers must be able to perform the exact same experiment, under the same conditions and arrive at the same conclusion. Furthermore, without the ability to replicate both the experiment and its conditions, the hypothesis and its inherent results cannot be considered statistically significant and reliable. Therefore, to achieve a high degree of reliability in an experiment, it's important to be careful what data is being used, how it was collected and how it was eventually processed (Johannessen et al., 2010).

In order to ensure an experiment is conducted with the highest degree of reliability, steps such as maintaining consistency across interviews, conveying the purpose of the research in a simple manner and maintaining a degree of professionalism is required. Not only will this assist in producing reliable results, moreover it will make conducting an experiment easier, more efficient and easier to analyze. Furthermore, as a necessary ingredient to the overall validity of an experiment, reliability enhances the strength of the results and reinforce the value of the findings.

3.8 Summary

This section of the thesis has explored the various methodological approaches available when carrying out research. In this regard, this thesis has presented the reader with the various ways of conducting research, the importance of a well-established and thorough research design and an introduction to the topic of quantitative and qualitative research.

In detail, the researcher has presented this thesis as an exploratory study into the phenomenon of crowdfunding. Through the use of a semi-structured interview, with a predetermined interview guide, the researcher hope to discern distinct themes or categories in the collected data through the use of thematic analysis. These findings will then be evaluated in terms of validity and reliability, and thoroughly discussed towards the end of the thesis.

4.0 Data collection

4.1 Introduction

The previous section of the thesis introduced the reader to the theory behind data acquisition and this paper's reasons for choosing a qualitative research design, with interview's as the main activity for acquiring data. This section takes this one step further and will guide the reader through the practical application of the methodological approach and the reality of how the data acquisition process took place.

In order to create a clear image of how this thesis acquired data will this section of the thesis include an overall walkthrough of the data collection process, an analysis of the data and finally an evaluation of the data and whether or not it can be considered valid and reliable. The purpose of this is to paint a picture of how the theory was applied in practice and hopefully show the reader the practical benefits of establishing a sound theoretical foundation beforehand.

4.2 Data collection

For the purpose of this research, a semi-structured interview was used. Less rigid and structured than structured interviews, while still maintaining a framework, semi-structured interviews are personal interviews, that allows the researcher to identify participant's emotions, thoughts and opinions regarding a particular research subject. While still maintaining a loose framework, the semi-structured interview allows the researcher to steer the conversation in the direction of a particular subject or follow a particular strand of the conversation.

The main advantage of the semi-structured interview is that it allows for personal and direct contact between the interviewer and interviewee. However, due to its structure, in order to produce reliable and valuable data, the interviewer must possess the necessary skills and capabilities required to successfully conduct the interview (Gill et al., 2008). What is more, semi-structured interviews offer the researcher room for flexibility in terms of the flow of the interview, while still maintaining a semblance of structure, thereby giving both the interviewer and interviewee the opportunity to pursue specific topics and strands of the conversation.

In addition to structuring the interviews in line with the framework of semi-structured interviews, the conduction of the research also involved the use of a predetermined interview-guide as a data collection tool. In order to steer the conversation and touch upon important topics, questions regarding entrepreneurial characteristics, raising funds and crowdfunding was prepared in advance. As a data collection tool, the purpose of the interview-guide was to guide the interview towards the satisfaction of the research objectives, and act as a checklist during the interviews.

Some of the questions included in the interview-guide were the following:

1. Among the entrepreneurs that approach you, is there any specific industry/business-type that stand out?
2. Among the entrepreneurs that approach you, is there any type of financing that dominates? What is the “go-to” form of raising funds?
3. Among the entrepreneurs that approach you, is there any specific area of starting a new business that repeats itself from entrepreneur to entrepreneur?
4. Have any of the entrepreneurs that you’ve assisted been in contact with crowdfunding? What was the result?
5. How would you classify the entrepreneurial landscape of Stavanger, Rogaland? What kind of businesses comes to you for assistance?
6. What is your relationship to crowdfunding? Is crowdfunding something you’ve mentioned to your clients? Why/why not?

Table 3 Excerpt from the interview-guide, see APPENDIX A for a full presentation

4.3 Sample selection

For the purpose of this research, sample members with special relationships to the phenomenon under investigation was approached. This included actors within the entrepreneurial landscape of Stavanger, Rogaland that actively operate with entrepreneurs and have extensive knowledge and experience within the field of entrepreneurship. Moreover, these actors have proven themselves to be reliable, trustworthy and competent in terms of offering assistance to entrepreneurial ventures, having the confidence of both the local community and the government. Within this context, the main participants of this study were 3 business incubators local to Stavanger, Rogaland and included:

1. Skape.
2. Validé.
3. Innovation Dock.

Furthermore, in order to acquire a different perspective on the process of starting a new venture, specifically the process of raising funds and testing the market, the researcher attended a Pecha Kucha event where 6 entrepreneurs shared their experiences with establishing a new venture. This included a wide variety of businesses, ranging from product-based companies offering the consumer smart-lamps, to production-based businesses producing microgreens. The selection of entrepreneur included:

1. Alphafish.
2. MoneyCycle.
3. What's Brewing.
4. Smågrønt.
5. Beyonder.
6. VOED.

4.4 Research process

Meetings with the incubators were held between April and May of 2018 with representatives from the incubators mentioned above. Initially, these incubators were contacted by e-mail, explaining the purpose of the research and how they could contribute with relevant information regarding their own experiences on the subject. However, these first attempts failed, and reaching out by e-mail proved to be an ill-suited method for establishing contact.

Nevertheless, Innovation Dock provided an insightful response in an e-mail regarding their relationship to crowdfunding, but stressed they had little to contribute with actual clients who've made active use of the service. Likewise, Skape brought up in their response that they had little experience with actual clients who've made use of crowdfunding as a tool to acquiring capital.

This research, despite the lack of actual clients among the incubators who've made use of the service, view this as incredibly valuable information. This was brought forth to the incubators in a second e-mail and followed up through a telephone call. Subsequently, this became the ticket in to meeting with the incubators.

The interviews took place at the incubators offices in Stavanger, Rogaland and lasted approximately 10 to 15 minutes. However, due to busy schedules and time limitations, the conversations with Validé and Innovation Dock was conducted by telephone. During the conduction of these interviews, the incubators were free to express their thoughts and opinions on the topics presented, and venture beyond if they were so inclined. The conversations with Skape and Validé were recorded, and a rough transcript of the interview was constructed in order to assist the researcher in analyzing the data. A short summary of the collected data can be viewed in APPENDIX B.

As mentioned above, the information gathered from the perspective of the entrepreneurs was collected by attending a Pecha Kucha event. On 26. April. 2018, the researcher attended a Pecha Kucha event at Innovation Dock's premises in Stavanger. Here, various entrepreneurs from the local community presented their businesses and the experiences they've acquired with raising funds, testing the market

and raising brand awareness. This information was mainly collected using notes, and writing down excerpts from the presentations.

4.5 Data analysis

In order to analyze the data, this thesis applied the use of thematic analysis. Described by Boyatzis (1998) as a method for encoding qualitative information, this type of analysis examines the collected data and establish categories or themes by identifying patterns in the data. The main advantage of thematic analysis is that it compounds and simplifies the data into concrete themes, making the findings easier to compare and measure using qualitative techniques. Moreover, thematic analysis, and the identification of themes derived from the collected data, gives the researcher the ability to structure the qualitative data in order to satisfy the research objectives and more easily present the findings.

4.6 Data evaluation

First and foremost, assessing the different sources of information is the first step in giving credibility to the collected data. In this regard, one question arises; can the sources of information be considered reliable?

The three incubators interviewed in this thesis, Innovation Dock, Skape and Validé, are all prominent and established actors within the entrepreneurial landscape of Stavanger, Rogaland. With easily accessible offices in Stavanger, these incubators offer quality services including guidance, support and advice for new ventures. Skape, for instance, is the result of a partnership between government agencies, Rogaland county council and the 26 municipalities of the county. Its purpose is to establish Rogaland as the most attractive location for new businesses in Norway by offering guidance, courses in marketing, accounting and product development and seminars where entrepreneurs can extend their network.

Likewise, validé is the official innovation actor for the University of Stavanger and offer entrepreneurs assistance throughout the commercialization process. In addition, through close work with local researchers, Validé help formulate, evaluate and verify ideas, and eventually assist in the establishment of a new venture. Furthermore,

Validé is responsible for the Norwegian research council's FORNY and VRI-Helse program and the Directorate of Health and Innovation Norway's INNOMED program, three government supported programs with the purpose of furthering Norwegian innovation.

Lastly, backed by both DNB and BDO, two prominent figures on the Norwegian financial market, Innovation Dock offers networking events, business courses, competent guidance and support for new ventures. With state of the art premises' in Stavanger, they offer quality services that support and further the entrepreneurial landscape of the county.

Secondly, the structure of this thesis and the theoretical foundation that supports it has provided this thesis with a framework for examining the information gathered among business incubators in Stavanger, Rogaland and local entrepreneurs. In this regard, the researcher has produced information that seems to indicate a pattern among the incubators, and subsequently the entrepreneurs. Implying that the results wasn't a one-off finding and further giving support to the validity of the research and the reliability of the collected information.

Lastly, in order to gauge how the incubator's responses correlate with that of the entrepreneur's, this thesis applied the data acquired amongst the incubators as a measuring tool. By identifying several characteristics from the interviews, such as business type, knowledge and experience, this thesis found that the entrepreneurs exhibit the same characteristics, and furthermore, share many of the same experiences. These identifiers, presented in section 5 of the thesis, reveal a correlation between the incubator's responses, and the experiences of the entrepreneurs, further giving weight to the trustworthiness of the findings.

4.7 Summary

In summary, this section of the thesis has given the reader a view of how the data collection process was conducted. Here, the reader is presented the application of the methodology presented earlier in the thesis and shown the real-world and practical applications of the methodological approach.

First and foremost, the reader is introduced to how the researcher reached out the various incubators, and the process of establishing a time and place for an interview. For the purpose of this research, semi-structured interviews were used with a predetermined interview guide. In detail, this guide included questions regarding entrepreneurial characteristics, raising funds and experiences with crowdfunding.

Secondly, although the information gathered among the incubators used a fairly standard method for data collection, the information gathered among the entrepreneurs used a somewhat different approach. Here, the researcher attended a Pecha Kucha event where 6 entrepreneurs presented their experiences with starting a new venture.

Thirdly, this section presents the analysis of the empirical data and the use of thematic analysis. By applying the method of thematic analysis, this thesis discerned 4 distinct themes or categories that this thesis proposes influence the usefulness of crowdfunding.

1. The nature of the entrepreneur and their business.
2. Experience and knowledge of the service.
3. Awareness and marketing of the service.
4. The entrepreneurial landscape and its culture.

Lastly, the reader is presented with the data evaluation and a walkthrough of the different sources of information and their reliability as informants. Here, the reader is shown how the theoretical foundation and the structure of the thesis assist in the data collection, and influence the overall validity of the thesis.

5.0 Interpretation of results and discussion of findings

5.1 Introduction

In this section of the thesis, the reader will be introduced to the findings generated by interviewing business incubators in Stavanger, Rogaland and the

experiences shared by the entrepreneurs. Here, you'll be presented with the different opinions surrounding crowdfunding, and its viability as a tool for acquiring capital for early-stage companies. More specifically, by identifying characteristics and situations from the incubators responses that are beneficial to running a crowdfunding campaign, will this research highlight commonalities and shared characteristics among the entrepreneurs.

Furthermore, by discussing the findings and interpreting the responses and experiences will the reader be introduced to the significance of the findings. What they truly mean. Moreover, this research will examine the identified characteristics and draw comparisons to established theory, as introduced in section 2, to further weigh the usefulness of the phenomenon and its impact on entrepreneurial ventures.

5.2 Discussion of findings

This section of the thesis deals with the information gathered through interviewing business incubators in Stavanger, Rogaland and an interpretation of the experiences shared by entrepreneurs in the region. In order to establish a simple, yet meaningful interpretation will this section first examine the information gathered among the business incubators. Here, this research will highlight their relationship to crowdfunding and by analyzing and interpreting their response, and identify entrepreneurial characteristics that are advantageous, or disadvantageous when running a crowdfunding campaign. Next, this thesis will present the entrepreneurial experiences and connect these to the characteristics previously identified among the incubators.

5.2.1 Business incubators

The three business incubators interviewed in Stavanger, Rogaland, Innovation Dock, Skape and Validé, all agreed that crowdfunding is an interesting and innovative method for acquiring capital. However, during their establishment as incubators, they've had few experiences with clients successfully applying crowdfunding as a tool for acquiring capital.

Skape: Among the “basic entrepreneurs” that come to us, entrepreneurs that wants to start a service-based business, it’s usually support from banks, personal funds, family, friends and investors that acts as sources of capital.

Validé: I believe that the its concrete products that people can order in advance that have the opportunity to launch a successful crowdfunding campaign, as opposed to service-based innovations. Here you have concrete products that are well described, with good terms and conditions, where people can easily see where their money is going.

Innovation Dock: Very few or none of our clients have made use of crowdfunding as a means to acquiring capital. This works best when there’s one, concrete product that is being offered. Also, crowdfunding is more suited towards product launch and promotion than funding for new businesses.

Shared among the incubators is the experience that it’s usually service-based businesses that come to them for assistance. Likewise, in the few instances where crowdfunding has been applied, it has been with a limited degree of success. During the interviews, the incubators highlighted several reasons for why they thought crowdfunding was applied to such a low degree among the entrepreneurs they interact with.

First, the nature of the entrepreneur and their business. The incubators, through their experiences have witnessed mostly service-based businesses coming to them for assistance. In these instances, despite being aware of the service of crowdfunding, they’ve opted to either not tell their clients of the service or advised against running a crowdfunding campaign. There are several reasons behind this decision, one of them being the very nature of the businesses, and how most of the entrepreneurs that seek the help of the incubators are service-based and fall within the realm of service innovation.

In these instances, should the entrepreneur choose to start a crowdfunding campaign, the crowd i.e. the online investors, would have difficulties in concretely seeing where their money is going. Moreover, from the entrepreneur’s perspective, rewarding

donations would be difficult due to the fact that they're not offering a concrete product, but rather a service. Furthermore, the service may be in the form of a local business, further enhancing the difficulty of attracting the crowd's attention.

Secondly, experience and knowledge. Another reason behind the incubators reluctance to mention crowdfunding is that they have little experience and knowledge with the service and therefore cannot accurately depict its usefulness.

Skape: I haven't guided anyone to crowdfunding myself, because I'm unsure of service myself and what it represents. Then it has the effect that it takes a lot work and time, both for me and the entrepreneurs which gives them little in return.

This is mainly the reasons for why I haven't mentioned crowdfunding for our clients, because they're usually not in that segment or they're not in a "showstopper" situation. Even if they ask me of the functionalities of crowdfunding I'm of little help, mainly because I know little about it myself. Therefore, I coach them on the things I know and have experience with.

Validé: Our impression is that it's not as easy as "snapping your fingers" and then the money pours in. Likewise, we have little experience with crowdfunding and our clients have other sources that we advise they take advantage of.

We recently had a business client that had started a crowdfunding campaign. However, here we interceded and advised that they should pull it back because it seemed idealistic and we did not quite believe in it.

Prevalent among the incubators was their limited experience with crowdfunding and as a consequence their knowledge of the service. Instead they advise their clients on sources of capital they're familiar with and have experience acquiring and introduce them to networks that may help furthering their agenda. This include assisting entrepreneurs secure funding through bank loans, private investors or governmental support.

Skape: We also see entrepreneurs that have innovative and new things, but we usually route these to either Validé or Innovation Norway. They handle what's "new" and innovative. Here they can get funding through networks and the investors that lie in the background. For instance, Innovation Norway have money they've been awarded by the state to give out to new businesses, free money that these businesses don't have to pay back.

Entrepreneurs that can prove they have a solid business idea that represent something significantly new and promising may receive funding from Innovation Norway. In these cases, Innovation Norway offer financing services for newly established innovative businesses with an expected value creation potential and high growth ambitions. Here they can offer an establishment grant of 50 000 to 100 000 NOK depending on the complexity of the project, with a maximum sum of 500 000 NOK for projects with national potential and 700 000 NOK for projects with international potential. Money that these entrepreneurs don't have to pay back.

Furthermore, although crowdfunding is a new and innovative method for acquiring capital, the core ideas and activities of the service have existed for quite some time. Moreover, viewing crowdfunding from the perspective of the Lean Startup model, the core activities and principles inherent in a thorough and well-developed crowdfunding campaign coincide with the basic principles of the Lean Startup approach.

Validé: We don't have much experience with Lean. Five or six of us have passed the Lean course and are certified. However, we have decided to use it to a much greater degree than we have done until now. There's a new version out and it's even better than before, and it's a good method, but it's the same things, the same questions, just put into a new system and structure. Like The Emperor's New Clothes, because it's about the same things that's always been important. Finding the market, investigating competitors, interpreting market signals and developing what the customer wants.

In other words, crowdfunding is much like the Lean Startup model. It's the same principles and activities, but in a new wrapping. At first glance, the service may

appear strange and alien, but upon further examination, the fundamental principles of crowdfunding is nothing inherently new, it's only a collection of familiar activities and services wrapped in a new packaging.

Thirdly, awareness and marketing of the service. The impressions of the incubators are that the awareness of crowdfunding as a source for capital is relatively low. In addition, a general view of the Norwegian media shows little crowdfunding activity in terms of marketing of the service, further diminishing the awareness of the service and the possibility of entrepreneurs applying it.

Skape: For the “basic entrepreneurs”, this can be one of the tools they can use. It's available, it's out there but it's not marketed enough, so there's potential for it.

When you first get the masses involved and can highlight success stories, that's when you can draw in more. It's important to highlight success stories in the media, for example I used this and that and got this. Then they can come to business conferences and show how they actually used crowdfunding to fund their business, so I think the threshold to use it pretty low, but it's the knowledge of it that's lacking.

Validé: We have so far had one company that has conducted a crowdfunding campaign. They started in English but experienced very little response from Norwegian consumers. For the Norwegians this seemed a little distant, and no foreigners would invest in a small business in Stavanger. Thus, they translated the campaign into Norwegian, which gave them a little better response, but ultimately, there was little they got through this.

Among the many crowdfunding platforms available, such as Kickstarter, Indiegogo, GoFundMe and the Norwegian platforms StartSudd and Perx, customer awareness, at least in Norway, seems to be relatively low. The presence of these services, without prior knowledge of them, seems to elude many if they're not actively searching for alternative means of funding. Furthermore, with little knowledge of the service from

both parties, the incubator and entrepreneur, the difficulty of successfully applying it is further enhanced.

Lastly, the entrepreneurial landscape and its culture. The final reason behind the incubators reluctance to suggest crowdfunding to their clients lies in the nature of the entrepreneurial landscape of Stavanger, Rogaland and its culture. Traditionally, means of funding such as close relations and private funds, bank loans, government support and private investors have been the go-to means for acquiring capital. A new method for acquiring capital, such as crowdfunding could therefore find it difficult being applied in a landscape with an already established culture of funding.

Skape: I think it's a bit of cultural thing, and it's more widespread in Eastern Norway (Østlandet) than here in Rogaland. We have a different method of acquiring funds here, but then there may be potential for crowdfunding.

In summary, this research has identified four distinct characteristics that the incubators perceive as crucial to the successful application of a crowdfunding campaign. These characteristics acts as either reasons for the incubators to suggest crowdfunding to the entrepreneur in the first place, or as important characteristics for the successful application of the service.

5. The nature of the entrepreneur and their business.
6. Experience and knowledge of the service.
7. Awareness and marketing of the service.
8. The entrepreneurial landscape and its culture.

5.2.3 Entrepreneurs

In this sub-section of the thesis I'll present the entrepreneurs experiences regarding acquisition of funds, raising brand awareness and developing the product. However, unlike the information presented in the previous sub-section, this information was acquired by attending a Pecha Kucha event, an event where entrepreneurs shared their experiences regarding growing pains, difficulties and hurdles along their way to becoming established.

First, entrepreneur 1 or Alphafish, presented a product-based business where they offer smart home technology. Here, they presented a smart-lamp that can function as a multi-media power docking station, alarm clock and wake-up light and that can monitor, control and reduce your home's energy consumption. As for funding, the entrepreneur had utilized private funds to finance his business, as well as running a crowdfunding campaign on Kickstarter in the background. Furthermore, on their site, you're able to pre-order their product, which in itself is a form of crowdfunding that help finance their business.

Entrepreneur 1: I've used my own money, but I'm also running a crowdfunding campaign to attract customers and hopefully large investors and partners for the business.

However, the main purpose of the campaign was not to acquire capital, but to raise brand awareness and test the market. Additionally, the entrepreneur saw that a crowdfunding campaign, without large amount of effort, work and time put in, would not yield enough money to successfully finance the project.

Second, entrepreneur 2 or MoneyCycle, presented a service-based business idea that functions as a motivation and reward system to reduce car traffic, improve public health and promote the environment. The service revolves around a "pot", where individuals who want less traffic, better public health and a cleaner environment can pay money into the "pot". On the other hand, those that are willing to bike, walk or jog can get paid out of this "pot". The service itself has characteristics similar to that of a crowdfunding campaign, where random individuals give money to a specific cause. Likewise, the business already has a crowdfunding campaign running on Startskudd, but like with entrepreneur 1, the main purpose isn't to raise capital, but instead test the market.

Entrepreneur 2: The main purpose of our crowdfunding campaign is to determine if there are enough people who want a system like MoneyCycle. If the answer is yes, then we can proceed to the main goal. The second purpose is to raise enough money to continue our work.

However, in terms of acquiring capital, the entrepreneur has already managed to get funded by Innovation Norway through their establishment grant with 100 000 NOK. Furthermore, they're attempting to clarify the market potential of the service on an international scale in order to raise brand awareness and attract more backers.

Entrepreneur 2: Since the development of the service is so expensive, we hardly get enough money through crowdfunding in Norway. With an international campaign, we might get the funds we need to launch the service.

Third, entrepreneur 3 or What's Brewing, presented a somewhat different business. Their business doesn't offer a concrete product or a specific service, but is instead a beer festival where breweries can attend and promote their products, people can experience local food and listen to live music. One of the discerning experiences of this entrepreneurs is how they've used "controversial" marketing to attract attention and, as an effect, sell a high number of tickets.

Entrepreneur 3: We made a plan to become visible in the media. We put out censored lists of which breweries would attend, renamed the festival from "What's Brewing a beer-festival" to "What's Brewing a beep-festival" On our website, we asked visitors if they worked for the drink-licensing department or not. This led to debates in Stavanger Aftenblad, and raised attention on national and international beer-blogs.

Norwegian law makes it illegal to promote alcohol in the public space, this also include the promotion of breweries by any other actor than an existing brewery. In other words, a beer festival could not promote attending breweries. However, through the use of social media and humor that reflected the absurdity of the law, What's Brewing managed to change Norwegian law to allow beer festivals this right. This, in turn, drew a lot of attention, both foreign and domestic and attracted a great number of attendees to the festival. Moreover, this "marketing" helped the business raise capital through ticket sales, brewery attendance and investors interested in the concept.

Fourth, entrepreneur 4 or Smågrønt, presented primarily a production-based business. Here, they presented their urban farm solution where they grow microgreens in specially adapted shipping containers that use filtered rain water, is fully organic and use no pesticides or additives. Like entrepreneur 3, this business received funding through Innovation Norway's establishment grant and private funding by another production-based company, Hydrokult AS.

Entrepreneur 4: Right now, we're looking for more money. We've already received funds from Innovation Norway, and through a partnership with Hydrokult. We've been out to restaurants and other actors with our products, trying to raise the awareness of our business and perhaps receive funding that way.

And fifth, entrepreneur 5 or Beyonder, presented a product-based business revolving around the production, development and sale of new battery solutions for a wide range of sectors. They're currently amidst development of a non-flammable, high power, cost-effective, sustainable and durable battery technology. In contrast to the previous entrepreneurs, this business has relied solely of private funds and private investors. However, one of the challenges they've faced is conveying their complex and highly technological product in simple terms to potential investors and also finding the *right* investor.

Entrepreneur 5: We've definitely tried to change the message, to try to simplify, but also to find the right investors that understand a bit more. One of the key learnings – we shouldn't spend time on those that wouldn't understand the beauty of it.

As for alternative means of funding, the entrepreneurs have been reluctant to engage in crowdfunding due to the nature of their product and complex mechanics that lie beneath. The difficulty is making investors understand the product, however, with crowdfunding this is sourced out to millions of individuals, making the search for like-minded individuals easier.

And last, entrepreneur 6 or VOED, presented a service- and product-based web and mobile application revolving around the editing, posting and sharing of videos on a

new social media platform. During their presentation, they talked about their experiences with Level-Up, the University of Stavanger's student-incubator, Innovation Norway and their efforts to secure funding through these services.

Initially, they received 50 000 NOK from Level-Up to fund the development of the service, and further applied to Innovation Norway for more funding. However, Innovation Norway's criteria for apps to receive funding are steep, so in order to convince them they presented an MVP⁶, as well as a competent development team. This, in turn, convinced Innovation Norway of the seriousness of the project and they were granted 100 000 NOK for further development and market clarification.

Entrepreneur 6: We couldn't apply for the student funding once again, so we had to find another source of funding. Innovation Norway don't count apps as innovative, so you have to show them what's unique and have some sort of development competence on your team. We didn't have that so the first time we applied, we failed. However, the second time we had developers from Estonia join our team, and after a discussion with Innovation Norway we managed to persuade them of our seriousness and received funding.

5.3 Interpretation of results

Like the previous sections, this section will look at the response from the incubators and entrepreneurs and interpret the collected information. Furthermore, by establishing a link between the characteristics identified in the previous sub-section (section 5.2.1), I'll attempt to present commonalities among the entrepreneurs, their relationship to crowdfunding and ultimately, the usefulness of the service.

First and foremost, the characteristics identified by examining the incubator's responses will act as the themes or the categories that this research previously mentioned is an integral part of the method of thematic analysis. In this regard, this research has identified four distinct characteristics, or themes, that impact whether an entrepreneur will engage in the application of a crowdfunding campaign.

⁶ Minimum Viable Product – A very basic prototype

1. The nature of the entrepreneur and their business.
2. Experience and knowledge of the service.
3. Awareness and marketing of the service.
4. The entrepreneurial landscape and its culture.

Furthermore, these characteristics also impact whether or not an incubator will raise the subject of crowdfunding to their clients. As these business incubators play an important role in the establishment of new companies, their own experience and knowledge impact the overall application of crowdfunding. Hence, the usefulness of crowdfunding cannot be revealed by only looking at the phenomenon from the perspective of an entrepreneur, one must consider several perspectives in order to gauge the overall usefulness of the service.

Firstly, among the 6 entrepreneurs presented in this thesis, only two have applied the use of a crowdfunding campaign. However, the main purpose of these campaigns was not to raise capital, but instead raise brand awareness and test the market.

Furthermore, these entrepreneurs, entrepreneur 1 and 2, presented a product-based and service-based business respectively. In this regard, the very nature of the business and the products or services they offer might impact the successfulness of the campaign.

Gerber, Hui & Kuo (2011) tells us that while creators seek funds, funders seek rewards, often in the form of *tangible* products and/or services (Gerber et al., 2011). Entrepreneur 2 is a service-based business, unlike entrepreneur 1 that offers a tangible product. Attracting funders and, likewise, attention to the business through a crowdfunding campaign may therefore prove futile due to the funders not concretely seeing where their money is going.

In addition, with entrepreneur 1 who uses Kickstarter as the medium for a crowdfunding platform, should the goal of the campaign not be reached, the accumulated funds will be returned to the funders. Thus, leading to, in the sense of reaching the funding goal, an unsuccessful crowdfunding campaign.

Secondly, entrepreneur 3, due to the nature of their business as a beer festival, have little in terms of tangibility, due to all the different activities present at the festival. Additionally, as a festival local to Stavanger, attracting funders outside of the region would prove challenging and a crowdfunding campaign would therefore be difficult to complete.

Thirdly, entrepreneur 4, as a production-based business would initially seem like an ill-suited candidate for a crowdfunding campaign. However, upon closer inspection of the business and how they produce their products, they may prove to benefit from engaging in a crowdfunding campaign. Taking into consideration the fitness- wave currently sweeping through society and the focus on ecological and healthy food, the production of microgreens, despite being localized to Norway, could find popularity online and benefit from a crowdfunding campaign.

Fourthly, entrepreneur 5, base their decision of staying away from alternative means of funding on the complexity and intricate nature of their product. Despite being one of the few entrepreneurs offering a concrete, tangible product, they would rather find investors themselves. However, with crowdfunding, their product would be available to receive funding from millions of individuals online, making the search for like-minded individuals easier.

And last, entrepreneur 6. As a service- and product-based mobile application, the potential of launching a successful crowdfunding campaign is present. However, the market for mobile applications is a tough and difficult market to compete in. Currently, there are 6,787 app projects open to receiving funds on Kickstarter, and diversifying themselves in order to stand out would have to their number one objective.

To elaborate, the very nature of the entrepreneurial business plays an important role in whether or not they're "eligible" for running a crowdfunding campaign. Depending on the tangibility of their product or service, and its inherent characteristics, the method of crowdfunding may or may not prove successful. However, this is mainly limited to the business itself and the entrepreneur behind it, and is confined to first characteristic this research identified. The other three, experience and knowledge,

awareness and marketing and the entrepreneurial landscape and its culture can all, roughly, be contributed to an individual's reluctance to engage in exploratory behavior.

In a study directed towards an individual's general response to environmental stimuli, called optimum stimulation level (OSL), Raju (1980) identifies three distinct characteristics that inhibits exploratory behavior.

1. Rigidity has been found to correlate negatively with risk-taking behavior (Kogan & Wallach, 1964; Schaninger, 1976). Rigidity has also been found to correlate negatively with innovations in a sample of farmers (Robertson, 1971).
 2. Intolerant persons are expected to engage less in exploratory behavior (Berlyne, 1960). They also perceive atypical products as "newer" than do people who can tolerate ambiguity, and are more reluctant to buy such products (Blake, Perloff, & Heslin, 1970).
 3. Highly dogmatic people are generally less receptive to new or unfamiliar stimuli, such as new products (Coney & Harmon, 1979; Jacoby, 1971).
- (Raju, 1980)

Here, Raju (1980) defines rigidity as the general reluctance to try new responses over time. Furthermore, intolerance of ambiguity refers to the general ability of an individual to handle uncertainty (Raju, 1980). Higher levels of this traits mean greater discomfort in the face of uncertainty. The third and last trait, dogmatism, is the extent to which an individual can react to relevant information on its own merits, unencumbered by irrelevant information in the situation (Raju, 1980). Less dogmatic people are generally more open-minded.

Raju (1980) find that most studies seem to indicate that high levels of intolerance to ambiguity, rigidity and dogmatism leads to a lower acceptance of new and unfamiliar stimuli, and, therefore, do not favor exploratory behavior. Crowdfunding, being a new and innovative method for acquiring capital and promoting a business will seem

inherently risky to certain individuals, and requires an exploratory mindset to be adopted and applied. Mittelstaedt et al. (1976) hypothesize that those with higher OSL levels are more likely to exhibit greater awareness of and a greater tendency to evaluate, symbolically accept, try and adopt new products and retail facilities. The findings on the subject suggest that OSL is positively correlated with various exploratory tendencies, such as adopting new products, switching brands, seeking out information out of curiosity and risk taking (Raju, 1980).

Lastly, the entrepreneurial landscape and its culture, however impacted by the reluctance to engage in exploratory behavior, may also be affected by the spatial proximity to other businesses and innovational actors. In this regard, Katz & Wagner (2014) introduce the model of “innovation districts”. These districts are geographic areas where leading-edge anchor institutions and companies cluster and connect with start-ups, business incubators, and accelerators (Katz & Wagner, 2014). Here, innovative firms and talented workers are choosing to congregate and co-locate, as well as knowledge-intensive sectors are locating key facilities close to other firms, research labs, and universities in order to share ideas and practice “open innovation” (Katz et al., 2014). In areas such as these, ideas spread. New methods and models that are applied at one firm, often finds itself tried out and adopted at another.

5.5 Summary

In summary, this section of the thesis has given an in-depth look at the interpretation and discussion of the collected data. Building upon the method of thematic analysis, this research present 4 distinct characteristics that the researcher proposes influence the usefulness of crowdfunding, and the process of identifying these among the data acquired between the incubators and entrepreneurs.

Furthermore, by interpreting and discussing these characteristics, this research attempts to explain how each characteristic influence the adoption and application of crowdfunding. This research finds that the nature of the entrepreneur and their business, and the tangibility of their product or service greatly influence whether a crowdfunding campaign will produce significant results.

Furthermore, depending on the rigidity, intolerance to ambiguity or dogmatism of an individual, their willingness to conduct exploratory behavior is affected. This, in turn, affect the willingness to explore new methods for raising funds, such as crowdfunding. Lastly, this research propose that the entrepreneurial landscape and its culture may also be affected by the spatial proximity to other firms, their interconnectedness and the established, traditional methods for raising funds in the region.

6.0 Conclusion and recommendations

6.1 Introduction

The purpose of this thesis was to examine and determine the usefulness of crowdfunding as an alternative method for acquiring capital for early-stage companies and entrepreneurs. In this regard, this thesis formulated a research question that comprised this issue:

“How useful is crowdfunding as a tool for acquiring capital for early-stage companies and entrepreneurs?”

In addition, this thesis formulated two sub-questions that further supported the main research question, and would provide insight into the usefulness of crowdfunding:

“How is crowdfunding affected by the nature of the entrepreneur?”

“What are the characteristics of an entrepreneur that employ the use of crowdfunding?”

In this section of the thesis, the reader will be presented with the final conclusion on the subject of crowdfunding, and its usefulness as a tool for acquiring capital for early-stage companies and entrepreneurs. This will include an overview of the findings, their significance and consequently, an answer to the research question.

Furthermore, this section will present the limitations of this thesis and the various elements that could either be improved upon or done differently. Finally, the reader will be presented with recommendations for future research, and the various subject areas illuminated in this thesis that may hide interesting and valuable information.

6.2 Research conclusion

The phenomenon of crowdfunding is a new and exciting process that has risen in popularity in recent years. As a new and innovative method for raising funds, it challenges the old and traditional methods for acquiring capital, and stands as a bold statement to how the world continuously moves forward.

The purpose of this thesis has been to uncover and shed light on the usefulness of crowdfunding as a tool for acquiring capital among early-stage companies and entrepreneurs. As a relatively new and different method for raising funds, the underlying mechanisms of the service and its implications on individuals, businesses and the market isn't entirely understood.

Furthermore, although the phenomenon of crowdfunding is new, the activities and principles that guide it, is not. Presented earlier in this thesis, this thesis show how the Lean Startup model, and its inherent mechanisms, coincide and share many similarities with crowdfunding. Moreover, these mechanisms have always been at the core of good and thorough market preparation and penetration. It's only now, when presented as a completely new method for raising funds and promoting products that it seems alien and risky.

In this regard, this thesis presented the reader with various entrepreneurial experiences from the perspective of business incubators in Stavanger, Rogaland, and local entrepreneurs. This information was gathered by interviewing three business incubators local to the region, and listening to 6 entrepreneurs share their experiences with starting a business. Upon close examination of the incubator responses, this research identified four distinct characteristics that impact the successful adoption and application of crowdfunding among entrepreneurs. Furthermore, by discussing the

findings, this research presented the reader with the process of discerning these characteristics, as well as interpreting what they mean and how they impact the adoption of crowdfunding.

In terms of usefulness, this thesis proposes that the successful adoption of crowdfunding among entrepreneurs relies on these four characteristics:

1. The nature of the entrepreneur and their business.
2. Experience and knowledge of the service.
3. Awareness and marketing of the service.
4. The entrepreneurial landscape and its culture.

Moreover, these characteristics not only influence the adoption and successful application of crowdfunding among entrepreneurs, but also the adoption of crowdfunding among incubators. As an integral part of the successful establishment of a new business, a change in how incubators view crowdfunding could prove beneficial to the overall usefulness of the service.

Another essential point presented in this thesis is the individual's reluctance to engage in exploratory behavior. Either due to rigidity, intolerance of ambiguity or dogmatism, individuals are reluctant to adopt and apply new products, processes, services and technologies. Moreover, these traits aren't unique to any one person, but can be found everywhere in varying degrees. However, when associated with an entrepreneur or incubator, these traits will negatively affect an individual's openness to try new things, such as a new method for acquiring capital. In addition, the spatial proximity to other firms and institutions, and their relationship between each other may also influence the adoption of new methods of business practice, and impact the overall application of crowdfunding.

In conclusion, the usefulness of crowdfunding as a tool for acquiring capital is a difficult question to answer. This thesis propose that the four characteristics presented above play a vital part in the successful adoption and application of the service, and as a consequence impact its overall usefulness. However, the individual's reluctance to engage in exploratory behavior is an obstacle, and inhibits the widespread adoption of

the service and its subsequent usefulness on all levels of the entrepreneurial ladder. Within this context, it's the conclusion of the researcher that crowdfunding, as it is today, is of low usefulness for entrepreneurs and early-stage companies in Stavanger, Rogaland.

6.2.1 Limitations

Limitations in this thesis are present and should be mentioned in order for the reader to correctly evaluate and consider the information, and the consequent results, presented throughout this paper.

The primary limitation of this study is the information gathered among business incubators and entrepreneurs. As these actors had little to no experience with the phenomenon of crowdfunding, the information presented in this thesis only represents one perspective on the subject. However, in order to counter this limitation, this thesis examined the information and identified reasons for why these actors haven't interacted with the service, in order to understand the reasons behind their limited experience.

Secondly, the pool of informants. Although the information gathered among the business incubators and entrepreneurs provided a plausible answer, in terms of what impacts the adoption and application of crowdfunding, the number of informants might still negatively influence the research conclusion. In order to provide further support to the research conclusion, and strengthen the overall reliability of the thesis, a greater number of informants with ties to entrepreneurial activities should be investigated.

Lastly, it's important to mention that the phenomenon of crowdfunding is a new and emerging method for raising funds. Therefore, there are no established theoretical foundations on which to analyze and examine the service in order to give an *accurate* and *correct* explanation for the underlying mechanisms of the service. Therefore, the use of the Lean startup model is only one method of analyzing the method of crowdfunding and provide insight into its functionality and usefulness.

6.2.2 Recommendations for future research

This thesis examines a phenomenon that isn't entirely understood, and undoubtedly requires further research to properly understand and explain. This contribution, although with its limitations, could therefore act as a starting point for future research on the subject of entrepreneurial characteristics and crowdfunding. It would be interesting to measure the effect of changes to the characteristics presented in this thesis, and its overall impact on the adoption of crowdfunding. In this regard, the researcher has a few recommendations for future research.

The nature of the entrepreneur and their business. Like any individual, an entrepreneur is characterized by various different traits, skills and capabilities. An investigation into the characteristics of the entrepreneur and their influence on exploratory behavior could therefore provide valuable information in regard to the adoption of crowdfunding. In this respect, how does entrepreneurial characteristics affect the adoption of crowdfunding?

Experience and knowledge. Experience and knowledge is determined by the curiosity of the individual, his or her environment, available sources of knowledge and life experience. An investigation into the usefulness of crowdfunding among individuals who've had actual experience with crowdfunding, and know about its functionalities could provide valuable insight into the usefulness of the service. In other words, how does knowledge of the service affect the overall adoption and application of crowdfunding among entrepreneurs?

Marketing and awareness. Marketing is essential in raising awareness, no matter what the subject is. A study into an individual's response to marketing of crowdfunding, for example through a survey or questionnaire, could give interesting and insightful information regarding the viability of such an action. In this regard, how would marketing initiatives impact the overall adoption of crowdfunding among entrepreneurs?

The entrepreneurial landscape and its culture. Culture is everywhere around us and affect how we act and behave towards one another. Although this thesis finds

evidence that the culture in Stavanger, Rogaland is not beneficial towards the adoption of crowdfunding, there might be areas of Norway that are. Conduction a similar study somewhere else, for example in Oslo, could give valuable insight into how culture and the entrepreneurial landscape affect the adoption of new methods of business practice. In this context, how does the entrepreneurial landscape and its culture affect the adoption of new methods for business practice?

7.0 References

- Ahlers, G. K. C., Cumming, D., Günther, C., & Schweizer, D. (2015). Signaling In Equity Crowdfunding. *Entrepreneurship Theory And Practice* 39(4).
- Belleflamme, P., Lamber, T., & Schwienbacher, A. (2010). Crowdfunding: An Industrial Organization Perspective. *Journal of Business Venturing*, 29(5), 585-609.
- Belleflamme, P., Lamber, T., & Schwienbacher, A. (2014). Crowdfunding: Tapping The Right Crowd. *Journal of Business Venturing*, 29(5), 585-609.
- Berlyne, E. D. (1960). Conflic, arousal and curiosity *McGraw-Hill series in psychology*. New York, New York, Unites States: McGraw-Hill Book Company.
- Blake, B., Perloff, R., & Heslin, R. (1970). Dogmatism and Acceptnce of New Products. *Journal of Marketing Research*, 7(4).
- Block, J. H., Fisch, C. O., & Praag, M. v. (2016). The Schumpeterian entrepreneur: a review of the empirical evidence on the antecedents, behaviour and consequences of innovative entrepreneurship. *Industry and Innovation*, 24(1).
- Boyatzis, R. E. (1998). Transforming Qualitative Information: Thematic Analysis and Code Development. Thousand Oaks, California: Sage Publications.
- Brabham, D. C. (2013). Crowdsourcing. *The MIT Press*.
- Cassar, G. (2004). The Financing Of Business Strtups. *Journal of Business Venturing*, 19(2), 261-283.
- Coney, K. A., & Harmon, R. R. (1979). Dogmatism and Innovation: a Situational Perspective. *Advances in Consumer Research*, 6.
- Cordova, A., Dolci, J., & Gianfrate, G. (2015). The Determinants Of Crowdfunding Success: Evidence From Technology Projects. *Social and Behavioral Sciences*, 181, 115-124.
- Cumming, D. (2012). The Oxford Handbook Of Entrepreneurial Finance. 369-391.
- Denzin, N. K., & Lincoln, Y. S. (2005). The SAGE Handbook of Qualitative Research. London: SAGE Publications Ltd.
- Dietrich, D. A., & Amrein, S. (2016). Crowdfunding Monitoring Switzerland 2016. *The Institute of Financial Services Zug IFZ of the Lucerne School of Business*, 1-64.

- ECN. (2017). ECN Review of Crowdfunding Regulation 2017. Available at: <http://eurocrowd.org/2017/10/26/ecn-review-crowdfunding-regulation-2017/#prettyPhoto> (Accessed 10.03, 2018)
- EuropeanComission. (2018). Crowdfunding. Available at: https://ec.europa.eu/info/business-economy-euro/growth-and-investment/financing-investment/crowdfunding_en (Accessed 10.03, 2018)
- Evers, N. (2003). The Process and Problems of Business Start-Ups". *The ITB Journal*, 4(1).
- Fagerberg, J., Mowery, D. C., & Nelson, R. R. (2013). The Oxford Handbook of Innovation. (2), 656.
- Flick, U. (2007). *Designing Qualitative Research*. London: SAGE Publications Ltd.
- Furr, N., & Dyer, J. (2014). *The Innovator's Method: Bringing The Lean Start-Up Into Your Organization* Boston, Massachusetts, United States: Harvard Business Review Press.
- Gerber, E. M., Hui, J., & Kuo, P.-Y. (2011). *Crowdfunding: Why People Are Motivated to Post and Fund Projects on Crowdfunding Platforms*. Evanston, Illinois: Northwestern University.
- Ghuri, P. N., & Grønhaug, K. (2005). *Research Methods in Business Studies: A Practical Guide (Vol. 3)*. Prentice Hall, United Kingdom: Pearson Education.
- Gill, P., Stewart, K., Treasure, E., & Chadwick, B. (2008). Methods of data collection in qualitative research: Interviews and focus groups. *British Dental Journal*, 204.
- Given, L. M. (2008). *The Sage Encyclopedia of Qualitative Research Methods*. Thousand Oaks, California: Sage Publications.
- Guba, E. G. (1981). Criteria for assessing the trustworthiness of naturalistic inquiries. *Educational Technology Research and Development*, 29(2).
- Hammersley, M., & Atkinson, P. (1995). *Ethnography: Principles in Practice (Vol. 3)*: Psychology Press.
- Howe, J. (2006). The Rise Of Crowdsourcing. *Wired Magazine*. Available at: <https://www.wired.com/2006/06/crowds/> (Accessed 16.02, 2018)
- Jacoby, J. (1971). Personality and Innovation Proneness. *Journal of Marketing Research*, 8.
- Johannessen, A., Christoffersen, L., & Tufte, P. (2010). *Introduksjon til samfunnsvitenskapelig metode*. Oslo: Abstrakt forlag AS.

- Karabell, Z. (2013). *The Kickstarter Economy: How Technology Turns Us All Into Bankers*. Available)
- Katz, B., & Wagner, J. (2014). *The Rise of Innovation Districts: A New Geography of Innovation in America*. Massachusetts, United States Brookings.
- Kleeman, F., Voss, G., & Rieder, K. M. (2008). Un(der)paid Innovators: The Commercial Utilization of Consumer Work through Crowdsourcing. *Science, Technology & Innovation Studies*, 4(1), 5-26.
- Kogan, N., & Wallach, M. A. (1964). *Risk taking: a study in cognition and personality*. New York, New York, Unites States: Holt, Rinehart and Winston.
- Kuppuswamy, V., & Bayus, B. L. (2013). *Crowdfunding Creative Ideas: The Dynamics Of Project Backers In KICKSTARTER*.
- Labaree, R. V. (2009). *Research Guides: Organizing your social sciences research paper*. Available at: <http://libguides.usc.edu/writingguide/methodology> (Accessed 15.05, 2018)
- Marshall, C., & Rossman, G. B. (1999). *Designing Qualitative Research*. Thousand Oaks, California: Sage Publications.
- Massolution. (2015). *Massolution Crowdfunding Report*.
- Maxwell, J. A. (2005). *Qualitative Research Design: An Interactive Approach* (Vol. 2). Thousand Oaks, California: SAGE.
- Mollick, E. (2014). The Dynamics of Crowdfunding: An Exploratory Study. *Journal of Business Venturing*, 29(16), 1-14.
- O'Reily, T. (2017). *WTF: What's The Future And WHY It's Up To Us*: Harper Business.
- OECD. (2005). *Oslo Manual: Guidelines for Collecting and Interpreting Innovation Data* (Vol. 3). Paris, France: OECD Publishing.
- Patentstyret. (2018). *Nøkkeltatistikk for Rogaland: Patentsøknader*. Available at: <https://statistics.patentstyret.no/Patent/County/Rogaland> (Accessed 14.02, 2018)
- Raju, P. S. (1980). Optimum Stimulation Level: Its Relationship to Personality, Demographics and Exploratory Behavior. *Journal of Consumer Research*, 7(3).
- Rasmussen, E. S., & Tanev, S. (2015). The Emergence of the Lean Global Startup as a New Type of Firm. *Technology Innovation Management Review*, 5(11).
- Ries, E. (2011). *The Lean Startup*. 60-83.

- Robertson, T. S. (1971). *Innovative Behavior and Communication*. New York, New York, United States: Holt, Rinehart and Winston.
- Saunders, M., Lewis, P., & Thornhill, A. (2009). *Research Methods for Business Students* (Vol. 5). Essex, England: Pearson Education.
- Schaninger, C. M. (1976). Perceived Risk and Personality. *Journal of Consumer Research*, 3(2).
- Schumpeter, J. A. (1934). *The Theory of Economic Development: an inquiry into profits, capital, credit, interest and the business cycle*. Cambridge: The Harvard University Press.
- Shields, P. M., & Tajalli, H. (2006). Intermediate Theory: The Missing Link to Successful Student Scholarship. *Journal of Public Affaris Education*, 12(3).
- Smith, D. A., & Lohrke, F. T. (2008). Entrepreneurial Network Development: Trusting In The Process. *Journal of Business Research*, 61(4), 315-322.
- Tidd, J., & Bessant, J. (2014). *Strategic Innovation Management*.
- Webster, F. (2014). *Theories Of The Information Society* (Vol. 4). New York and London: Routledge.
- Wennekers, S., Wennekers, A. v., Thurik, R., & Reynolds, P. (2005). Nascent Entrepreneurship and the Level of Economic Development. *Small Business Economics*, 24(3).

APPENDIX A

Table showing the interview-guide used under the interviews conducted among incubators in Stavanger, Rogaland regarding their experiences with crowdfunding and assisting entrepreneurs.

Interview Guide – Incubators
Incubator activity
1. What kinds of services do you offer the businesses and entrepreneurs that come to you?
2. What is your relationship to crowdfunding? Is crowdfunding something you've mentioned to your clients? Why/why not?
3. As an incubator, have you been in contact with crowdfunding outside assisting entrepreneurs? Are you aware of the service?
4. I base my thesis on the theoretical model of the Lean Startup, is this something you have experience with?
Entrepreneurial activity
5. How would you classify the entrepreneurial landscape of Stavanger, Rogaland? What kind of businesses comes to you for assistance?
6. Among the entrepreneurs that approach you, is there any specific industry/business-type that stand out?
7. Among the entrepreneurs that approach you, is there any type of financing that dominates? What is the "go-to" form of raising funds?
8. Among the entrepreneurs that approach you, is there any specific area of starting a new business that repeats itself from entrepreneur to entrepreneur?
9. Have any of the entrepreneurs that you've assisted been in contact with crowdfunding? What was the result?
10. How would you classify the entrepreneurial landscape of Stavanger, Rogaland? What kind of businesses comes to you for assistance?

APPENDIX B

Table showing the various opinions and experiences with crowdfunding among incubators in Stavanger, Rogaland.

Business incubators: “What are your relationship to crowdfunding and how do you view it as a source of capital for early-stage companies and entrepreneurs?”			
Primary Data	Incubator 1, Innovation Dock, Founder	Indicates crowdfunding is best suited for product-based businesses. Little to no experience with actual clients that’ve made use of the service. Have more faith in traditional funding. Is a more “global” form of fundraising, not suitable for local businesses.	Crowdfunding experiences
	Incubator 2, Skape, Consultant	Little experience with actual clients that’ve made use of the service. Ill-suited for entrepreneurs outside product-based businesses. Culture may play a vital role in the application of the service. Little knowledge and experience of the service – won’t mention it to his clients due to insecurity of the subject. It’s viable as an alternative method for raising funds, but it needs more exposure.	Crowdfunding experiences

	<p>Incubator 3, Validé, Manager</p>	<p>Little experience with actual clients that've made use of the service. Funders wants concretely to know where their money is going, ill-suited for service-based businesses. Share characteristics and principles with LEAN management. LEAN is not "new".</p>	<p>Crowdfunding experiences</p>
--	---	---	---------------------------------

APPENDIX C

Table showing a rough summary of the different presentations and the various experiences the entrepreneurs shared regarding the establishment of a new business.

Entrepreneurs presenting their entrepreneurial experiences with a focus of acquiring funds, raising brand awareness and testing the market.			
Primary Data	Entrepreneur 1, Alphafish	Product-based business. Relies on traditional funding in terms of private funds. Is running a crowdfunding campaign, however its main purpose raise brand awareness and attract investors.	Crowdfunding and traditional funding
	Entrepreneur 2, MoneyCycle Norge	Service-based business. Have received funds from Innovation Norway and is running a crowdfunding campaign on Startskudd. Purpose of the campaign is mainly to test the marked and raise awareness, raising funds is second.	Crowdfunding and traditional funding, potential governmental support and investors
	Entrepreneur 3, What's Brewing	A beer festival, difficult to classify business type. Have raised funds through the use of “controversial marketing” and ticket sales and investors. Rents out spaces to various beer supplies for a price. No real relationship to crowdfunding.	Traditional funding and investors. Ticket sales

<p>Entrepreneur 4, Smågrønt</p>	<p>Production-based business. Initially started with traditional funding, but quickly received funding from Innovation Norway. Acquired funds from Hydrokult through an investment made by them. Attract customer interested in ecological and healthy foods. No real relationship to crowdfunding.</p>	<p>Traditional funding, governmental support and investors</p>
<p>Entrepreneur 5, Beyonder</p>	<p>Product-based business. Made use of traditional funds such as private funds, and attracted investors interested in their product. Have had difficulties in conveying their product to investors due to the intricate nature of the product. No real relationship to crowdfunding, but could be a viable alternative.</p>	<p>Traditional funding and investors</p>
<p>Entrepreneur 6, VOED</p>	<p>Service/Product-based business. Received funding from LevelUp, the University of Stavanger's student incubator. Struggled to qualify for Innovation Norway's establishment grant, but eventually succeeded and got funds. Had to develop an MVP and prove the viability of the product – Lean.</p>	<p>Governmental support</p>

