« Le financement participatif : nouveau mode de financement responsable de l’Entreprise »

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CR-15-05
The purpose of this paper is to explain in details the nature of crowdfunding, its influences on the economic society, its choices of allocating the existing capital in comparison to the traditional sources of finance, but more importantly to focus on discovering and verifying
whether crowdfunding as an alternative investment model is socially responsible, and whether it could be considered as a new and a confirmed method of socially responsible investing.

Introduction

Entrepreneurs all over the world are in a constant search for new projects, ventures, ideas, and what always seems to be the inevitable part in making such businesses successful is for sure the possibility of finding the available funding. There are various funding possibilities that are at disposal for each entrepreneur, such as traditional ways of funding as venture capital, business loans, angel investors or grants of various kinds, however not all businesses can turn to this type of funding as a potential solution. This is especially the case for SMEs (Small and medium enterprises) and start-up companies looking for initial capital investment to fund early stages of business, due to different administrative constraints imposed by financial intermediaries, such as banks, and the general funding non-availability or strict selection process on the financial market in the years subsequent to the crisis. This is the point where crowdfunding enters the scene. The possibility of financing small entrepreneurial projects without the interference of any financial intermediary institution. It serves as a way of gathering/drawing the funds needed for new projects involved in for-profit or non-profit, artistic, cultural areas of business, as well as small and medium start-up companies whose founders search for contributions specifically from the internet mass (so-called “the crowd”, that is, the people using the internet willing to invest various amounts in a certain project and in this way contribute to its development), without including financial intermediaries. It is a concept rather dependable on the presence and dynamics of social networking, since this is the engine of the whole process. It has developed form the notion of crowdsourcing (Howe, 2006), where the company, via an “open call”, outsources an activity previously performed by an ordinary employee to the online crowd. It is a means of outperforming a traditional market industry at a lower cost and much more efficiently, since “collective intelligence” according to Lévy (1994), (Levy, 1994) and equally “the Wisdom of Crowds” according to Surowiecki (2013) (Surowiecki, 2013), are the terms used to show the power of collective thinking, which is often much more efficient than a single mind. Crowdfunding can be described as a way of gathering the creativity of the mass and the available mass capital in order to create new businesses and in this way boost the productivity of economic society. The success of the business started in this way depends exclusively on the willingness of the “crowd” to invest in
such a project/idea in return for a certain compensation, be it a financial based one (equity based/investing in return for a monetary/ownership pay off) or an experience based one (non-monetary, reward/donation based - a sort of social identification with the content that is being funded, in return for some form of reward - recognition, pre-sales future product, tangible promotional material,...). (Belleflamme, Lambert., & Schwienbacher, 2011). Over the last few years, it has shown very important results, and has insured its presence both in professional but as well in the scientific world, since more and more researchers are working on developing an academic view of crowdfunding and confirming its more than valuable impact on the economic society. One of the most up to date but also the most complete review of crowdfunding written by Dominique Stucki (Stucki, 2014), points out the importance of a regulatory crowd investing framework today and gives a detailed insight of all the fields here concerned, such as public offering, payments systems, investment management. Horizon 2020 is including projects financed by crowdfunding, and are especially eager to support equity and lending-based crowdfunding, since the funds gathered are much more relevant and can have an important impact in financing SMEs and various projects supporting sustainable development.

Crowdfunding as a model, includes multiple parties in its functioning, such as the owner, the platform, but also all the people who invest even the smallest amount of money, are acknowledged as valuable and important part of the system. Also, each of these parties is involved in the production process and therefore are automatically considered as taking parties (stakeholders) in the company. What this tells us is that, it can be considered as a model following the stakeholder theory (Freeman, 1984), which focuses on ethical and moral side of managing a business through including and fulfilling not only the shareholders’ interests but also those of all other involving parties as well. The development and work on the stakeholder theory has opened a path to a rather important research on a variety of related topics, but most importantly, it contributed to the development of the notion of corporate social responsibility, introduced by Bowen (Bowen, 1953), and defined by the European Commission as "the voluntary integration by companies of social and environmental concerns in their business operations and in their interaction with their stakeholders" (European Commission, 2002). This definition has been modernised in 2011, due to a much higher public interest and concern for social and ethical performances of business, after the crisis, and now CSR is defined as “the responsibility of enterprises for their impacts on society”, while the focus is to embrace the stakeholders role in implementing social, ethical and
environmental dimensions into the business’ core strategy (European Commission, 2011). The CSR, as a form of sustainable development, or more precisely, business sustainability, has for a goal to find a balance between purely financial values and goals and those more environmentally, ethically, philanthropically oriented ones. Carroll (Carroll, 1991) has presented the responsibilities imposed by CSR in a form of a pyramid, including economic responsibility (profit), legal responsibilities (compliance with the laws and standards), philanthropic responsibilities (social well-being), and the ethical responsibilities (compliance with corporate codes of conduct). For a long time there has been a great professional but also a scientific disagreement between these two types of valorisation: the corporate financial management and, on the other side, socially responsible management. CSR has introduced socially responsible investing, which focuses the capital of companies on responsible investment and is boosting general awareness and inciting other investors to support companies whose products are “responsible”, be it environmentally, socially or ethically. This also elevates the topic of ethical consumerism (Ethical Consumer Research Association, 1989), which represents the need of the consumers to base their daily decision making process on the environmental and social impact of the product in question. Today, we are witnessing the more and more important development and presence of responsible products on the market, varying from alimentation industry, construction industry to pharmaceutical and beauty industry. These kinds of products are also a subject of more and more crowdfunding campaigns, where people are trying to raise awareness and need for this type of products directly through the incitation of consumers to invest and cooperate in their development. The notion of creating shared value comes to mind, since this type of collection of funds supports stakeholders’ interference in various phases of creating the product. Socially responsible investing, as all other types of investment has also its proper regulations, who have a rather general application and can be applied to different sectors and industries. Socially responsible investment has brought the need for the appearance of a non-financial reporting, such as a non-profit organization, GRI (Global Reporting Initiative), ISO (International Standard Organisation/ ISO26000), or TBL Reporting (Triple Bottom Line- people, planet, profit) (Elkington, 1997) which through the use of stakeholder analysis handle sustainability reporting, including economic, environmental, social and governance performance information on companies. This type of reporting and a potential standardisation of socially responsible behaviour, even though they can differ internationally, since not all behaviour is equally ethically accepted across nations, serve a long term goal for the companies, both economically and socially.
Problematics

The purpose of my research is to concentrate on crowdfunding as a new method of socially responsible investing, that is, to test the intention of the “crowd” when deciding to place an investment. Is it purely financial, or does it depend on the type of the crowdfunding model (donation based or not)? Focus will be also placed on understanding whether projects focusing on sustainable development (environmental sustainability, community involvement …) attract more attention in crowd funders (incite ethical consumerism) in comparison to other types of projects, or not. We could suppose that the donation model of crowdfunding would surely show responsible behaviour, but what about the other three models? What is the role of investors (shareholders, in the case of equity crowdfunding), and how are they treated in respect to the managerial behaviour in socially responsible investing? What are the connections to the stakeholders’ theory? Is there an arbitrage between ethics and a financial benefit when choosing and allocating an investment? Is non-financial reporting applicable and does it follow the international standards? The main question I will try to answer, and the one that can circle up all of the above sub questions is: whether crowdfunding can be considered as a potential new method of socially responsible investment?

The first part of the paper will include the theoretical introduction to crowdfunding, summarizing its most important features, starting from the notion of crowdsourcing, through the introduction of the Internet and Web2.0 technologies bringing the social network power to its peak point. Next, the crowdfunding activity is to be thoroughly explained, including its main actors, crowdfunding models and their overall performance in the recent years, including the collection of funds and its social and economic impact.

The second part will concentrate on theoretically approaching the topic of Corporate Social Responsibility and more importantly socially responsible investing through socially responsible funds and their overall presence and practice, and their liaison with the nature of funds gathered through crowdfunding. From the early years until today, I will try to summarize, in the best possible way, the development of this phenomenon and its impact on the business world and the overall society, by focusing on all its spheres – economic, social, environmental, legal and ethical. We will look at the reaction of customers with regards to the incorporation of a social context in companies, and try to find out what impact it has on the customer decision-making process, and in what measure it incites ethical consumerism throughout the crowdfunding activity.
Methodology

The experimental part is purely qualitative, since the method used for this research will be an exploratory case study analysis, (Yin, 2013), including various techniques of collecting the data, such as the “triangulation of data”, that is, primary - multiple interviews (with crowdfunding platforms and its backers, but also with certain personalities from the sphere of CSR both inside and outside the crowdfunding world), secondary – public or private documents such as reports, studies, articles (Industry Crowdfunding reports, statistical reports provided by different platforms,...) , and tertiary – scientific documentation including scientific articles, books and other case studies. According to Yin (Yin, 2013), the use of case studies is recommended when the researcher needs to answer questions such as “how” and “why”, but also when the events investigated are not possible to control or predict, but equally so when the focus of a research is a certain new phenomenon. Crowdfunding as such is a recent phenomenon, and even more so when combined with corporate social responsibility. Therefore, there was no place for any other type of research but the exploratory case study, which will answer why and how do the platforms choose certain projects to finance, how the motivations alter between economic and social goals in crowd funders and how does all of it impact the position of crowdfunding on a corporate social responsibility scale.

Throughout the experimental part of this paper, it is planned to analyse three case studies, by solicitation of platforms based in France, and on projects realized in the last two to three years, with the aim of focusing the most on equity crowdfunding platforms, due to the amount of capital/funds collected and therefore the potentially biggest impact on the economic society, but also due to the fact that they are the most susceptible to point out the role of stakeholders with respect to corporate social responsibility framework. The research will focus on comparing behaviour in entrepreneurial sectors including technological, social and environmental projects. The platforms that I aim to contact are platforms such as Anaxago, Wiseed, Smartangels, however it is still not decided which campaigns exactly will be taken into account. It is planned to take three different cases, coming from three different platforms while the goal of the case study analysis will be to compare the three cases, their approaches towards balancing between economic and other socially responsible goals, and judging by the final results, try to define whether they follow a certain typology or not. The interview guide will be also established, aimed for a structured, paper based, self-report (individual) interviews mainly based on principal questions (equal across interviewees), however sometimes, if necessary, including investigation and implication questions (Rubin & Rubin,
The interviews are to be done with different parties involved, such as the project owner, platform owners, but also a certain number of crowdfundees, while the questions will be focusing on motivations for starting a campaign, conscious behaviour when starting the campaign, but also the behaviour vis-à-vis the other stakeholders, choice of projects for launch by the platform, reporting standards, future plans regarding the IPO.

**Results**

Possible outcomes include proofs of positive/negative relation between different models of crowdfunding activity, different types of financed projects and the presence of socially responsible investment and equally responsible behaviour vis-à-vis the stakeholders. For the donation crowdfunding model, it is expected for this relation to be confirmed positively, since the responsible behaviour and investment actions are already motivated by the cause of the donation. However, for the other three models, it is interesting to test the behaviour and motivation of investors, but also the behaviour of the project owner with regards to stakeholders. Also, what is interesting to find out is the proportion of responsible projects throughout different platforms, and equally so the amount of funds collected throughout these campaigns, in order to gain a general perception of where to place crowdfunding on the social responsibility scale. Lastly, the final results should normally also confirm the positive general impact of crowdfunding on the growth of start-up and SME business sector.
Bibliography


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