

How dynamic capabilities matter for the implementation of a successful equity crowdfunding campaign

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1. Introduction

The advent of Internet has dramatically changed the landscape in which firms compete, create value and innovate (Wirtz et al., 2010). Web 1.0 technologies allowed companies and expert individuals to create contents and display them through the Web, reaching a swarm of passive internauts and displaying them information about products and services. Technological evolution has boosted the transition from Web 1.0 toward Web 2.0; a new environment in which information is “many to many”, allowing communication between active users (Berthon et al., 2012; Mangold and Fauls, 2009). Web 2.0 has been identified as a prerequisite for the development of crowdsourcing (Brabham and Daren, 2008). The development of Web 2.0 technology, the popularity of crowdsourcing and the global financial crisis, which has increased the cost of traditional financial resources, has been recognized as three main drivers of the current crowdfunding phenomenon (Dushnitsky et al., 2016; Lukkarinen et al., 2016). Crowdfunding is an umbrella term used to describe different forms of fundraising, alternatives to traditional ones (bank, venture capitalist, angel, accelerators). Under this umbrella is included equity crowdfunding, that consist in an open call in which entrepreneurs sell a specified amount of equity or bond-like shares in a company on the Internet, hoping to attract a large group of investors. Due to the novelty of this interesting topic, the mechanisms and dynamics of equity crowdfunding are not yet well understood (Griffin, 2012). In particular, the preliminary work of the authors found that emerging literature is focused on the analysis of three dimensions: crowdfunding platform (Dushnitsky et al., 2016; Giudici et al. 2013), crowdfunding investors (Cholakova and Clarysse, 2015; Hornuf, 2016) and crowdfunding campaign (Ahlers et al., 2015; Lukkarinen et al., 2016). The aim of the work is to propose a new dimension of evaluation of the equity crowdfunding phenomenon, the organization. This paper use a dynamic capabilities view (Teece and Pisano, 1994) in order to understand if the characteristics of a crowdfunding campaign, and hence his probability of failure or success, are related to firm’s capabilities.

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2. Design/ Methodology/ Approach

In order to reach our goal we chose to adopt a conceptual approach. Given that this paper try for the first time to establish a link between the topics of dynamic capabilities and equity crowdfunding this is the most suitable approach. Our methodology consisted then in a review of the two topics separately, after that, thanks to the extensive knowledge acquired we were able to build propositions assessing the importance of dynamic capabilities in enhancing the success rate of an equity crowdfunding campaign.

3. Dynamic capabilities as determinant of equity crowdfunding project success

3.1 Dimensions of dynamic capabilities underlying equity crowdfunding project

In order to study the impact of dynamic capabilities on equity crowdfunding project it is useful to abstract from specific routines and processes and to consider broader composite dimensions. This paper distinguishes three dimensions: coordinating/integrating activities, learning and strategic competitive response processes. It is thought that these dimensions constitute distinct and significant drivers that lead the development of new configurations of functional competences. Coordination/integration capability describes the firm's ability to assess the value of existing resources and integrate them to shape new competences (Iansiti and Clark, 1994; Amit and Schoemaker 1993). Teece et al. (1997) suggest that the lack of efficient coordination and combination of different resources and tasks may explain why slight technological changes have overwhelming effects on incumbent firms' competitive positions in a market. Learning capability can be conceived as a principal means of attaining strategic renewal. Renewal requires that organizations explore and learn new ways while at the same time exploit what they have already learned (March, 1991). Strategic competitive response capability is based on the extended definition of dynamic capabilities proposed by Eisenhardt and Martin (2000) that includes the creation of market change as well as the response to exogenous change (Helfat et al., 2007). This capability can be conceptualized as the ability of the firm to scan the environment, identify new opportunities, assess its competitive position and respond to competitive strategic moves.

3.2 The role of sensing, seizing and transforming capabilities within an equity crowdfunding process.

Strong dynamic capabilities allow firms to challenge competitors and competition in a changing environment. According to Teece dynamic capabilities can be broken down into three categories: sensing, seizing and transforming and each one plays a different role in the recourse to equity crowdfunding. The sensing capabilities is important because determine a firm's ability to understand the importance of equity crowdfunding as a new source of capital alternative to more traditional ones. Seizing capabilities enables firms to allocate the correct resource to an equity crowdfunding process, in this way the firm can efficiently manage the entire process without miss other interesting financial opportunity. With the transforming capabilities firm are able to renew their structure, their capabilities and their routines, in order to successfully manage the new equity crowdfunding process. The interaction of those

capabilities help firms to successfully manage the environmental changes, represented in this case by the introduction of a new source of capital.

4 Discussion and conclusion

The advent of Internet, web 2.0 technology and the financial crisis has led to a change in the environment in which firms compete. These three factors are recognized as important driver also for the evolution of the financing cycle of firm, with the emergence of new available source of capital (Dushnitsky et al., 2016; Lukkarinen et al., 2016). This paper focuses on one of this new source, the crowdfunding. This term is considered as an umbrella, under which is included equity crowdfunding (Belleflamme et al., 2014) that consist in an open call in which entrepreneurs sell a specified amount of equity or bond-like shares in a company on the Internet, hoping to attract a large group of investors. The purpose of this paper is to provide a new dimension of analysis in order to facilitate the understanding of equity crowdfunding phenomenon, the firm. This dimension is added to the ones existing in the literature that are; crowdfunding platform, crowdfunding investors, crowdfunding campaign and it's analysed under the theoretical lenses of dynamic capabilities. Dynamic capabilities theory in fact analyse the ability of firms to maintain and sustain their competitive advantage by actively adapt to rapid environmental changes; when the environment evolves rapidly and unpredictably, firms can reach and maintain their competitive edge through continuous development of resources (Teece et al., 1997) and routines (Eisenhardt, Martin, 2000; Winter, 2003). This paper theoretically links the dynamic capabilities of firms with the implementation of a successful equity crowdfunding campaign and analyse what is the role of different category of dynamic capabilities in the implementation of such campaign. Our findings are twofold:

1. The process of coordination, learning and strategic competitive responses are activities that facilitate change within organization. These three processes are all important for the implementation of an equity crowdfunding process, since it is considered as an environmental change.
2. Sensing, seizing and transforming capabilities play a different role in the equity crowdfunding process. Sensing helps firms to understand the importance of this new source of capital, seizing enable firm to allocate resource correctly and transforming is crucial to renew the structure and make it fits with equity crowdfunding needs.

To the best of our knowledge this is the first paper that attempt to link equity crowdfunding with the theory of dynamic capabilities, arguing that crowdfunding can be considered as an environmental change and that possessing dynamic capabilities help firms to adapt to this change. This paper has certain limitation, due to the fact that is exploring a new topic and that there are no references on the interception between equity crowdfunding/dynamic capabilities. Future analysis must attempt to find empirical evidence of this link, by analysing firms that successfully implement an equity crowdfunding campaign.

Key words: *Equity crowdfunding; dynamic capabilities; web 2.0; crowdsourcing; crowdfunding.*

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