The Influence of Entrepreneurs' Prior Founding Experience on the Drivers to opt for Equity Crowdfunding as a Source of Funding in Dutch Information Technology Companies.

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Abstract

Research into equity crowdfunding has only recently begun. While several studies have explored the supply side of crowdfunding, such as signalling factors and motivators to invest in crowdfunding campaigns, little is known about what drives entrepreneurs to use equity crowdfunding instead of other funding sources. The existing literature has identified and discussed various drivers. Though, it could be questioned if these drivers are applicable and similar for all firms. The aim of this study is to investigate whether the prior founding experience of entrepreneurs influences the drivers to opt for equity crowdfunding as a source of external finance. This paper defines a driver as a factor which drives an entrepreneur to opt for equity crowdfunding as a source of finance. Based on a review of the literature on equity crowdfunding, main drivers were identified which were addressed during the semi-structured interviews. Six comparable Dutch information technology firms were selected; three firms were characterized by founders with prior founding experience and three firms were characterized by founders without prior founding experience. The interviews were coded using the qualitative data analysis software NVivo. Analysing the results demonstrated that the drivers ‘obtaining feedback’ and ‘lack of funding alternatives’ were influenced by prior founding experience. Moreover, new drivers were identified. The authors hope this paper will provide useful evidence for researchers who will continue to work in this field.

Keywords: Equity Crowdfunding; Drivers; Founding Experience; Founders; Entrepreneurship; Entrepreneurial Finance.

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1. Research Context

The following chapter presents the background of the study that provides context to the information discussed in the research paper, the rationale for research, and finally the research question.

1.1 Background

In their initial phase, new firms encounter challenges in finding external sources of financial capital (Belleflamme, Lambert & Schwienbacher, 2014; Moritz & Block, 2016). Indeed, financial capital through venture capitalist and banks is mostly attracted in a later development phase and may simply not be available because the firm is too young (Brown, Mawson & Rowe, 2018; Moritz & Block, 2016; Walthoff-Borm, Schweinbacher & Vanacker, 2018). Early funding is usually provided internally, by the founder self or friends and family (Moritz & Block, 2016). When these funds are insufficient, the start-up faces a funding gap (Pierrakis & Collins, 2012). This funding gap has led entrepreneurs to seek for a new source of external finance, so called '*crowdfunding'*. Especially after the financial crisis of 2008, this external source of financing gained in popularity, hence showed a fast development (Belleflamme, Lambert & Schwienbacher, 2014; Cumming & Johan, 2020). This recent phenomenon has developed as a new relevant finance mechanism that refers to the act of drawing funds from the '*crowd*' (Lukkarinen et al., 2016; Moritz & Block, 2016). In other words, crowdfunding helps firms to raise small amounts of money from the general public that wants to support new ideas and entrepreneurs; instead of raising big amounts of money from a small group of sophisticated investors (Belleflamme, Lambert & Schwienbacher, 2014; Lukkarinen et al., 2016; Nasafi et al., 2020; Parhankangas, Mason & Landström, 2019). This alternative source of funding enables firms to obtain external capital in their early stages, therefore enabling to close the funding gap (Brown, Mawson & Rowe, 2018; Hemer et al., 2011; Moritz & Block, 2016).

Crowdfunding investment is an umbrella term which covers several forms characterised by different returns on investment. These forms include donation-based crowdfunding, reward-based crowdfunding, lending-based crowdfunding, royalty-based crowdfunding and equity-based crowdfunding (Belleflamme, Lambert & Schwienbacher, 2014; Lukkarinen et al., 2016; Mollick, 2014; Parhankangas, Mason & Landström, 2019).

Recently, equity crowdfunding emerged as a new important actor in entrepreneurial finance (Cumming & Johan, 2020; Vulkan, Åstebro & Fernandez Sierra, 2016). Ahlers et al. (2015) define equity crowdfunding as *"a method of financing, whereby an entrepreneur sells a specified amount of equity or bond-like shares in a company to a group of (small) investors through an open call for funding on Internet-based platforms."* This growing phenomena provides the general public the opportunity to invest in new ventures; an opportunity that was mostly reserved to well-connected investors such as angel investors, venture capitalists and accredited investors (Belleflamme, Lambert & Schwienbacher, 2014; Yasar, 2021).

The equity crowdfunding market displayed a rapid growth since 2012, roughly doubling in volume each year, making it one of the fastest-growing components of the crowdfunding market (Massolution, 2015; Walthoff-Borm, Schweinbacher & Vanacker, 2018). It's market size is currently estimated at 6.2 billion US dollars, and is expected to reach 17.9 billion dollars by 2023 (Juniper Search, 2021). The growth of the equity crowdfunding market has led to an increasing amount of discussions on the topic and research is developing quickly (Moritz & Block, 2016; Walthoff-Borm, Schweinbacher & Vanacker, 2018).

1.2 Problem discussion

A review of the excising equity crowdfunding literature shows that current contributions mainly follow a descriptive, explanatory or concept based approach; often going hand in hand with national case studies (Brem, Jovanovic & Tomczak, 2014; Dorfleitner, Kapitz & Wimmer, 2014; Moritz & Block, 2016). Several themes recur surrounding studies on equity crowdfunding including dynamics on platforms (Hornuf & Schwienbacher, 2018; Vismara, 2018; Vulkan, Åstebro & Fernandez Sierra, 2016), the success factors of equity crowdfunding campaigns (Ahlers et al., 2015; Ralcheva & Roosenboom, 2016; Vismara, 2016), signalling factors (Ahlers et al., 2015; Ralcheva & Roosenboom, 2016; Vismara, 2016) and the outcomes after successful equity crowdfunding campaigns (Signori & Vismara, 2017). Moreover, there is a large body of empirical research that focuses on investors' decisions to invest in equity crowdfunding campaigns (Belleflamme, Lambert & Schwienbacher, 2014; Cumming, Meoli & Vismara, 2019; Hornuf & Schwienbacher, 2018; Wald, Holmesland & Efrat, 2019)

But before firms are listed on equity crowdfunding platforms, entrepreneurs first need to decide whether they want to opt for equity crowdfunding as a source of external finance. Several studies examined the drivers of entrepreneurs to raise funds through equity crowdfunding campaigns (Ahlers et al., 2015; Belleflamme, Lambert & Schwienbacher, 2014; Burtch, Ghose & Wattal, 2013; Di Pietro, Prencipe & Majchrzak, 2018; Hemer et al., 2011; Liu et al., 2016; Macht & Weatherston, 2014; Martin, 2012; Mollick, 2014; Moritz & Block, 2016; Polzin, Toxopeus & Stam, 2018; Schwienbacher & Larralde, 2010; Vismara, 2016; Wald, Holmesland & Efrat, 2019). In addition, studies performed by Belleflamme, Lambert & Schwienbacher (2014) and Miglo (2016), analyse under which conditions entrepreneurs consider equity crowdfunding to be a more suitable source of funding than reward-based crowdfunding.

As equity crowdfunding emerges as a viable source of external capital for firms, it is essential to shed the light on the drivers that determine the utilisation of this source of external financing (Cholakova & Clarysse, 2015; Vismara, 2018). Based on the work of Ahlers et al. (2015), this paper defines a driver as a factor which drives an entrepreneur to opt for equity crowdfunding as a source of finance. The current literature has identified and discussed various drivers; however, it could be questioned if these drivers are applicable and similar for all firms. It could be assumed that depending on the prior founding experience of the founders of the firm, drivers to opt for equity crowdfunding as a source of external capital might differ. Within this paper, founding experience is defined as a lived experience where entrepreneurs are shaped and created by the founding events. These founding events contribute to the development of cognitive abilities, the establishment of important relationships as well as building a track record and reputation (Baron, 2008; Davidsson & Honig, 2003; Hsu, 2005, 2007; Morris, 2015; Politis, 2005, 2008; Reuber & Fischer, 1999; Sarasvaty, 2001; Toft-Kehler, Wennberg & Kim, 2014). According to Baron (2008), these cognitive abilities gained during the founding experience influence decision-making behaviours of entrepreneurs, including financial decisions. Shane & Khurana (2003) argue that prior founding experience enables to build a reputation and provides useful resource ties that are important predictors in the ability of obtaining funds for a new venture. Hence, prior founding experience might impact entrepreneurs' drivers to finance their firm through equity crowdfunding. Therefore, the aim of this study is to investigate whether prior founding experience of entrepreneurs influences the drivers to opt for equity crowdfunding as a source of external finance. The following research question will be answered:

"What influence does the prior founding experience of entrepreneurs have on the drivers to opt for equity crowdfunding as a source of funding in Dutch information technology companies?"

To answer this question, a case study will be conducted. To ensure the relevance of the cases, companies will be selected based on criteria relevant to the study and based on their similarities. Six comparable Dutch information technology firms will be selected; three firms are characterised by founders with prior founding experience and three firms are characterised by founders without prior founding experience.

In the remainder of the paper, the existing literature will be discussed, followed by an explanation of the methodology and a presentation of the results obtained from the interviews. Subsequently, the findings will be discussed, and this paper concludes with a conclusion, limitations, and suggestions for further research.

2. Literature Review

To demonstrate understanding of the topic, to provide evidence that may be used to support the findings and to find out what already has been researched by scholars, a literature review has been carried out. Based on the research context and main research question, the literature review consists of the following topics.

2.1 Crowdfunding

Advances in technology are changing the way financing is provided within a company (Vismara, 2016). This is because advances in information and communication technology have simplified the interaction between those who want to invest money and those who need it (Vismara, 2016). Consequently, existing empirical analyses reveal an impressively growing volume of money raised worldwide through crowdfunding (Belleflamme, Lambert & Schwienbacher, 2014).

According to Massolution (2015), there are two main types of crowdfunding, namely financial crowdfunding and non-financial crowdfunding. Financial crowdfunding implies that there must be a financial return for the investors within a certain time frame. With non-financial crowdfunding, there is no financial return in any way. These two types could be further subdivided into the following five crowdfunding models: (1) Donation-based crowdfunding; often a charity or NGO where money is donated without the expectation or legal obligation of a return in any form. (2) Reward-based crowdfunding; here the investment is used to finance the production of a product or good that the investor receives in return for his financial contribution to the campaign. These are often innovative or new products that people are willing to wait for and where discounts for pre-orders or bulk purchases are offered to encourage the sale. (3) Lending-based crowdfunding; here a company or entrepreneur receives a debt that must be paid off within a certain period at a pre-agreed interest rate. (4) Royalty-based crowdfunding; entails receiving contracts that are a guarantee that investors will receive a fixed percentage of the company's revenue. However, this model is much more complex than the other models and therefore less commonly used. (5) Equity-based crowdfunding; here an investor benefits from the potential future success of a business, as he receives equity in return for his investment and thus becomes a partial owner. The return on their investment could be achieved by paying dividends or by increasing the valuation of the company. However, this form of crowdfunding involves considerably greater risks (Ahlers et al., 2015; Massolution, 2015).

Continuing the latter form, equity crowdfunding, several scholars in the literature have been concerned with its definition (Belleflamme, Lambert & Schwienbacher, 2014; Bradford, 2012; Freedman & Nutting, 2015; Mollick, 2014; Nasafi et al., 2020). In most cases, about the same is defined using various elements like collecting funds from the crowd, via online platforms, and in return for equity. Combining the insights of numerous scholars, Ahlers (2015) et al. defines equity crowdfunding as follows: *"equity crowdfunding is a method of financing, whereby an entrepreneur sells a specified amount of equity or bond-like shares in a company to a group of (small) investors through an open call for funding on Internet-based platforms."*

In the same paper, Ahlers et al. (2015) emphasizes that research into equity crowdfunding has only recently begun. While several studies have explored the supply side of crowdfunding, such as signalling factors and motivators to invest in crowdfunding campaigns, little is known about what drives entrepreneurs to use equity crowdfunding instead of other funding sources (Ahlers et al., 2015; Cholakova & Clarysse, 2015; Moritz & Block, 2016; Ralcheva & Roosenboom, 2016; Vismara, 2016). Based on the work of Ahlers et al. (2015), this paper defines a driver as a factor which drives an entrepreneur to opt for equity crowdfunding as a source of finance. As equity crowdfunding emerges as a sustainable source of external capital for modern companies, it is essential to shed light on the driving forces behind its use (Cholakova & Clarysse, 2015; Vismara, 2018).

2.2 Drivers for Equity Crowdfunding

By interviewing entrepreneurs with crowdfunding experience, a study by Belleflamme et al. (2013) identified three main drivers that determined the use of equity crowdfunding to finance projects. The most significant outcome of the study revealed raising money as being the main driver for entrepreneurs to leverage crowdfunding, followed by obtaining feedback on their services or products and grabbing the attention of the crowd (Belleflamme, Lambert & Schwienbacher, 2013). A study by Gerber et al. (2012) shows similar outcomes on the interviews they conducted. The research they performed identified the following five categories which drive entrepreneurs to utilize equity crowdfunding: increased awareness of the product or service, self-affirmation, financing, forming relationships and networks, and replication of success stories (Gerber, Hui & Kuo, 2012). Furthermore, Brown et al. (2015) conducted interviews on 42 UK- based equity crowdfunding ventures researching their drivers to engage in equity crowdfunding. Their research showed the following outcomes: receiving feedback, media presence, increased attention of potential customers, funding speed, the maximum level of autonomy and a perceived lack of funding alternatives (Brown et al., 2015).

Even more research has been conducted on the drivers of entrepreneurs to raise funds from the crowd through equity crowdfunding. Evident from the literature, further drivers were: (1) the few formal obligations, speed and flexibility that go along with the actual funding process (Moritz & Block, 2016; Schwienbacher & Larralde, 2010) (2) the ability to obtain funding in the early stages of a company's life cycle and thus the opportunity to close the early-stage gap (Hemer et al., 2011), (3) the ability to choose the amount of equity offered to limit the loss of ownership and control (Ahlers et al., 2015; Macht & Weatherston, 2014; Vismara, 2016), (4) the ability to sell to many small investors, instead of few and big ones (Ahlers et al., 2015; Belleflamme, Lambert & Schwienbacher, 2014), (5) the ability to be legitimized by the market (Martin, 2012), (6) the ability to engage the crowd to get publicity, visibility, contacts, press coverage and interest from potential employees and outside funders (Burtch, Ghose & Wattal, 2013; Di Pietro, Prencipe & Majchrzak, 2018; Macht & Weatherston, 2014; Martin, 2012; Mollick & Kuppuswamy, 2014; Wald, Holmesland & Efrat, 2019), and finally, what is significantly clear from the research is (7) the ability to benefit from the 'wisdom of crowds', by obtaining feedback, collective skills, resources and knowledge from the public, which could result in useful insights and could assist in developing or testing new ideas prior to launch (Belleflamme, Lambert & Schwienbacher, 2014; Di Pietro, Prencipe & Majchrzak, 2018; Lambert & Schweinbacher, 2010; Liu et al., 2016; Macht & Weatherston, 2014; Polzin, Toxopeus & Stam, 2018; Schwienbacher, 2018; Schwienbacher & Larralde, 2010; Surowiecki, 2005; Wald, Holmesland & Efrat, 2019)

2.3 Drivers for Equity Crowdfunding Instead of Reward-based Crowdfunding

Likewise, there are studies analysing the drivers of capital-seeking entrepreneurs to opt for equity crowdfunding over reward-based crowdfunding as their source of funding

(Belleflamme, Lambert & Schwienbacher, 2014; Blaseg & Koetter, 2015; Brown et al., 2015; Miglo, 2016).

Belleflamme et al. (2014) and Miglo (2016) build a theoretical model to determine the conditions under which entrepreneurs prefer equity over reward-based crowdfunding. Their research shows that entrepreneurs prefer equity crowdfunding when a larger amount of capital is required. This is the case as reward-based crowdfunding enables pre-ordering, which in turn enables price discrimination between crowd funders and other customers. As the capital requirement increases, the entrepreneur is forced to disrupt the pricing system to attract more pre-orders than would otherwise be optimal. At a certain level, the disruption of price discrimination becomes excessive, resulting in a significant decrease in the profitability of the crowdfunding initiative. Conversely, equity crowdfunding becomes more advantageous with larger amounts, because of the fact that larger amounts encourage the entrepreneur to ask more individuals to participate in the funding, with little effect on the portion of the profit he or she has to give up to get funding (Belleflamme, Lambert & Schwienbacher, 2014).

Furthermore, Belleflamme et al. (2014) suggests that information asymmetry leads to a preference in equity crowdfunding. The reason for this being that the inability for consumers to determine product quality hinders the entrepreneur more when trying to pre-sell the product than when trying to attract investors who will ultimately not consume the product (Belleflamme, Lambert & Schwienbacher, 2014). Though, on the contrary, Miglo (2016) shows that reward-based crowdfunding is favoured when information asymmetries are high.

2.4 Drivers for Equity Crowdfunding Instead of Other Sources of Finance

Entrepreneurs without a track record are less attractive to traditional investors like banks, business angels and venture capitalists (Pierrakis & Collins, 2012). Therefore, equity crowdfunding is particularly attractive to these entrepreneurs.

In addition, it is evident from that research that equity crowdfunding generates public awareness for the company and its products and services (Belleflamme, Lambert & Schwienbacher, 2014; Di Pietro, Prencipe & Majchrzak, 2018; Lambert & Schweinbacher, 2010). The public could create a potential hype around the company. This results in more exposure to more investors, facilitating future access to additional capital (Macht & Weatherston, 2014). Finally, Miglo (2016) shows that entrepreneurs prefer equity crowdfunding to traditional forms of financing when entrepreneurs want to stimulate and increase the potential future demand for their product or service.

2.5 Main Drivers Evident from the Literature

The drivers identified in the literature have been categorized to identify the main drivers that drive entrepreneurs to opt for equity crowdfunding as a source of finance. These main drivers were later addressed during the interviews.

Main Driver	**Author(s)**
1. Raising money	(Belleflamme, Lambert & Schwienbacher, 2013; Gerber, Hui & Kuo, 2012)
2. Obtaining feedback	(Belleflamme, Lambert & Schwienbacher, 2013, 2014; Brown et al., 2015; Di Pietro, Prencipe & Majchrzak, 2018; Gerber, Hui & Kuo, 2012; Lambert & Schweinbacher, 2010; Liu et al., 2016; Macht & Weatherston, 2014; Martin, 2012; Polzin, Toxopeus & Stam, 2018; Schwienbacher, 2018; Schwienbacher & Larralde, 2010; Surowiecki, 2005; Wald, Holmesland & Efrat, 2019)
3. Publicity	(Belleflamme, Lambert & Schwienbacher, 2013, 2014; Brown et al., 2015; Burtch, Ghose & Wattal, 2013; Di Pietro, Prencipe & Majchrzak, 2018; Gerber, Hui & Kuo, 2012; Lambert & Schweinbacher, 2010; Macht & Weatherston, 2014; Martin, 2012;

	Miglo, 2016; Mollick & Kuppuswamy, 2014; Wald, Holmesland & Efrat, 2019)
4. Forming relationships / broadening network	(Gerber, Hui & Kuo, 2012)
5. Funding speed	(Brown et al., 2015; Moritz & Block, 2016; Schwienbacher & Larralde, 2010)
6. Lack of funding alternatives	(Brown et al., 2015; Hemer et al., 2011; Pierrakis & Collins, 2012)
7. Maximum level of autonomy	(Ahlers et al., 2015; Belleflamme, Lambert & Schwienbacher, 2014; Brown et al., 2015; Macht & Weatherston, 2014; Vismara, 2018)

Figure 1: Main drivers evident from the literature

2.6 Founding Experience

Education, training, employment experience, founding experience and owner experience constitute a large set of variables recognised by scholars as contributing to the development of the entrepreneur's knowledge and skills, thus contributing to the entrepreneur's human capital (Estrin & Mickiewicz, 2016; Unger et al., 2011).

Entrepreneurship is generally conceptualized as a process involving multiple stages over time where the entrepreneur plays numerous roles involving skill sets such as creating, negotiating, allocating, mentoring, and selling (Morris & Schindehutte, 2005; Shane & Khurana, 2003). The overall process varies in the volume (number), velocity (rate at which they are processed), and volatility (degree or intensity) of events processed by entrepreneurs. These events result in affective reactions and social learning, both of which influence the decision-making behaviours of entrepreneurs, including financial decisions (Baron, 2008). Indeed, several studies performed by Davidsson & Honig (2003), Politis (2005, 2008) and Sarasvaty (2001) highlight that prior founding experience helps entrepreneurs to gain the ability, skills and knowledge useful for future decision-making processes. Entrepreneurs who have founding experience have developed a set of capabilities that enable them to generalize knowledge from one setting and effectively apply it to a new situation (Toft-Kehler, Wennberg & Kim, 2014). Moreover, researchers have linked the role of prior founding experience in explaining self-efficacy (Baron & Ensley, 2006), entrepreneurial intentions (Krueger, 2007), business practices (Cliff, Devereaux Jennings & Greenwood, 2006), information processing (Cooper, Folta & Woo, 1995), learning from failure (Shepherd, 2003) and metacognition in decision making (Haynie et al., 2010).

Previous founding experience contributes not only to what entrepreneurs know, but also to who they know (Hsu, 2007). Not only do the cognitive abilities gained during previous founding experience influence entrepreneurs' financial decision making, so do the established relationships with resource suppliers (Politis, 2005; Reuber & Fischer, 1999). In addition, prior founding experience helps to establish a track record and reputation, which can provide access to tangible resources like capital and labour, as well as intangible resources in the form of social networks and social capital. According to Shane & Khurana (2003), prior founding experience provides useful resource ties and is therefore an important predictor in the ability of obtaining funds for a new venture.

By combining these studies, this paper defines founding experience as a lived experience where entrepreneurs are shaped and created by the founding events. These founding events contribute to the development of cognitive abilities, the establishment of important relationships as well as building a track record and reputation (Baron, 2008; Davidsson & Honig, 2003; Hsu, 2005, 2007; Morris, 2015; Politis, 2005, 2008; Reuber & Fischer, 1999; Sarasvaty, 2001; Toft-Kehler, Wennberg & Kim, 2014).

2.7 Theoretical Framework

The literature presents several drivers for entrepreneurs to opt for equity crowdfunding as a source of external financing. This study aims to explore, examine, and understand the influence of prior founding experience on entrepreneurs' drivers to finance their firm through equity crowdfunding.

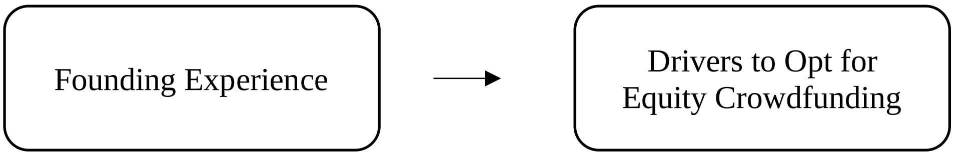

Figure 2: Theoretical framework

3. Methodology

This chapter clarifies the research methodology of the study and comprises subsections that reflect the sequence of the steps involved in the research: research design, data collection and data analysis.

3.1 Research Approach

This research provides a novel contribution to the existing research on drivers to opt for equity crowdfunding as a source of external financing. Since the existing theory of drivers for equity crowdfunding is very broad, and based on research conducted on founding experience, the authors assumed that drivers may vary depending on the founding experience of entrepreneurs. The theory development follows a reasoning logic combining deductive and inductive elements, called abductive reasoning. In this way, the theory is based on a mixture of theory derived from the literature, and theory that emerged from the process of data collection, analysis and interpretation (Saunders, Lewis & Thornhill, 2016). This method, involving a back-and-forth engagement between literature and the empirical phenomenon, has the advantage to start the search into the existing body of knowledge while remaining open to the possibility of being surprised by the data rather than using it to confirm pre-understandings (Alvesson & Kärreman, 2007; Bell, Bryman & Harley, 2019; Saunders, Lewis & Thornhill, 2016). Through the collection of qualitative data, the authors aimed to potentially identify new drivers and identify variations in the drivers to opt for equity crowdfunding depending on the prior founding experience of entrepreneurs.

3.2 Research Design

The research implies both an explanatory and exploratory procedure, seeking to examine entrepreneurs' drivers to opt for equity crowdfunding as a source of external finance and the influence of prior founding experience on these drivers (Saunders, Lewis & Thornhill, 2016). The aim of the research is to build theory through logical reasoning using an abductive approach. Abductive research combines deductive and inductive elements, and is suited for this study as it involves a dialogical process between the existing literature and the empirical phenomenon (Bell, Bryman & Harley, 2019; Saunders, Lewis & Thornhill, 2016). Although the tendency of the research process is inductive, the current body of research on drivers for equity crowdfunding (figure 1) serves as an inspirational support for the structure of the semi-structured interviews and for the interpretation of the empirical data (Bell, Bryman & Harley, 2019).

To identify possible variations in the drivers to opt for equity crowdfunding depending on the prior founding experience of entrepreneurs, a multiple case-study approach is adopted with a comparative design. Building theory from cases enables the authors to produce accurate, interesting and testable theory (Bell, Bryman & Harley, 2019). Multiple firms that were successfully financed through equity crowdfunding are selected and divided into two groups: (A) Entrepreneurs without prior founding experience; (B) Entrepreneurs with prior founding experience. The analysis and comparison of multiple cases facilitates the recognition of patterns and relationships between constructs, and what is unique within and between cases. The theoretical reflection on these findings initiates the theory-building process (Bell, Bryman & Harley, 2019).

To conduct the research, a purposive sample was chosen. The platform Pitchbook enabled the identification of nineteen suitable cases for the research. Eventually, six firms were selected; three firms were founded by entrepreneurs with prior founding experience and three firms were founded by entrepreneurs without founding experience. Semi-structured interviews with founders of firms financed through equity crowdfunding were conducted to identify the nature of their drivers to opt for equity crowdfunding as a source of external financing. The semi-structured interviews were designed based on themes derived from the literature (figure 1).

3.3 Data Collection

3.3.1 Sampling Method

A purposive sampling method was used for this study. This is a hand-picked sampling method, where units are chosen with direct reference to the research question (Bell, Bryman & Harley, 2019; Eisenhardt & Graebner, 2007). The study aims to investigate entrepreneurs' drivers to opt for equity crowdfunding and the influence of prior founding experience on these drivers. Therefore, to ensure the relevance of the comparisons, selecting cases that are as similar as possible is crucial. Though, for the cases to be compared, they must show differences in only one area, which is the previous founding experience of the founder (s).

The database of Pitchbook facilitated the selection of 120 firms that were successfully financed through equity crowdfunding in the Netherlands. Eventually the selection was narrowed down to nineteen firms. First, the majority of companies belonging to the same primary industry sector were selected. This resulted in the selection of 40 firms from the information technology sector. Looking at the business status, nine firms appeared to be out of business, reducing the sample to 31 firms. The primary industry group criteria enabled the authors to further narrow down the sample to 25 firms within the software industry. By looking at the ownership status of the companies, 23 firms had in common to be privately owned. Finally, the location of the headquarters criteria (in the Netherlands) narrowed down the selection to nineteen firms. This selection provided the researchers with nineteen comparable firms financed through equity crowdfunding.

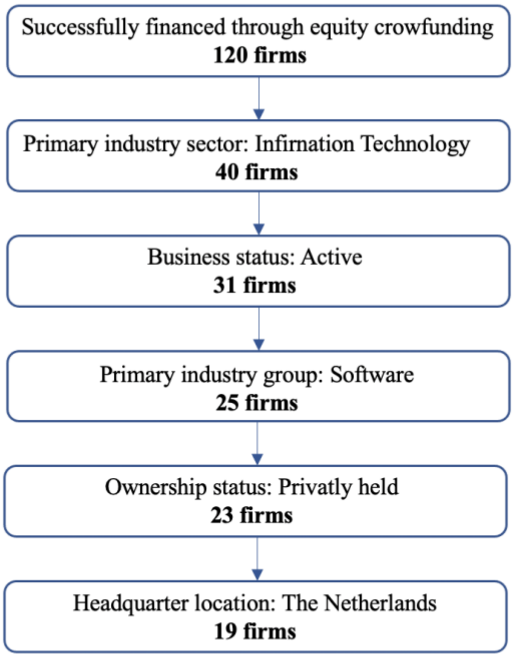

Figure 3: Case selection criteria

Since the database does not provide detailed information about the firms and the founders, secondary research was conducted through the websites and LinkedIn to gain additional information and get in contact with the founders. Eventually, as these secondary sources provided limited insights, the nineteen firms were contacted through LinkedIn to gather specifications about the founder(s)' prior founding experience, whether the firm received previous external financing and whether the firm had a board of directors which could have influenced the decision to opt for equity crowdfunding as a source of external financing. Additionally, the firms were asked if they would be willing to participate in the research. The information gathered enabled further narrowing down the selection criteria of the sample; the selected firms did not receive prior external financing and were not influenced by a board of directors. In addition, the selected entrepreneurs with prior founding experience had to have at least founded two companies before. Eventually, from the firms suited for the research, six firms were willing to participate. Three firms were founded by entrepreneurs without prior founding experience (group A) and three firms founded by entrepreneurs with prior founding experience (group B).

Firm	Prior founding experience	Obtained external finance prior to the crowdfunding campaign	Influenced by a board of directors
A1	No	No	No
A2	No	No	No
A3	No	No	No
B1	Yes	No	No
B2	Yes	No	No
B3	Yes	No	No

Table 4: Case selection

3.3.2 Data Collection Tool

Qualitative data was collected through the conduction of semi-structured interviews with the founder(s) of the sampled firms. As the research aims to gain a rich description of the founders' drivers to opt for equity crowdfunding as a source of external financing, primary data was collected. Indeed, semi-structured interviews unfold in a conversational manner where the interviewer commences with a set of interview themes but has some latitude to ask for further questions in return to what are seen as interesting comments from the interviewee (Bell, Bryman & Harley, 2019; Saunders, Lewis & Thornhill, 2016). In the context of a multiple case study, it is important to follow a certain structure when conducting interviews to ensure comparability between cases (Bell, Bryman & Harley, 2019). Semi-structured interviews allow to gain insights into the founding experience of the interviewee, to explore and explain the themes identified in the literature around drivers for equity crowdfunding, but also to discover and understand new drivers.

3.3.3 Semi-structured Interview Guide

Recommendations proposed in the book *Business Research Methods* by Bell, Bryman & Harley (2019) guided the design of the semi-structured interview guide. The interview questions are ordered in a logical flow but can be still altered if needed during the actual interview to allow respondents to talk openly and develop ideas on the topic. Moreover, the formulation of the questions was based on the research question to ensure relevance of the data collection (Bell, Bryman & Harley, 2019).

The interview guide is divided into five parts (Appendix 1). The first part of the interview is an introduction to thank the interviewees for their time, introduce the researchers, introduce the topic of the interview, inform about the anonymity of the research, and ask for consent about recording the interview. The second part of the interview is related to the founder(s). This part aims to investigate if the founders have previous founding experience, what kind of experience, and what kind of previous funding experience they have. This data provides relevant background information and enables the researchers to investigate whether previous founding experience has affected the founder(s)' choice to opt for equity crowdfunding as a source of external financing. In the third part of the interview, the questions are specific to equity crowdfunding. General information was asked to understand the context of the equity crowdfunding campaign. In addition, interviewees are asked why they have made the choice to seek financing through an equity crowdfunding campaign. This question allows respondents to freely talk about what their drivers were and could potentially result in the identification of new drivers. Within the fourth part of the semi-structured interview, the questions derive from the themes of drivers for equity crowdfunding exposed in the literature (figure 1). These questions allow the authors to explore the relevance of these drivers for the founders when opting for equity crowdfunding. Follow-up questions could be asked when it is necessary to delve deeper into the underlying reasons. Finally, the last part is the closure of the interview. Respondents are asked if they have additional comments or insights to provide. This allows respondents to talk freely and make remarks about what they consider as additional important information.

3.3.4 Interview Preparations

In April and May 2021, six interviews were conducted via Zoom, lasting between an hour and an hour and a half. Prior to the interviews, secondary data was collected through the websites of the firms and the LinkedIn profiles of the founders. Indeed, proper preparation enables to show competence and credibility, hence helps to gain trust of the interviewees and avoid data quality issues (Saunders, Lewis & Thornhill, 2016). Moreover, a consent form was sent to the respondents that needed to be accepted before joining the interview session (Appendix 2). In their book *Research Methods for Business Students* Saunders, Lewis & Thornhill (2016, p.401) suggest key measures to take into consideration when preparing the interviews:

- Level of knowledge: before the interviews, the researchers ensured to be knowledgeable on the research topic, the interviewee's career path and about the company.
- Developing interview themes: an interview guide was created to ensure all themes are covered during the interview (Appendix 1).
- Appropriate interview location: due to the COVID-19 pandemic, the interviews were held online via ZOOM. Though, the researchers ensured to be in a quiet environment to avoid any disturbance.

3.4 Data Analysis

To study the data in a systematic yet flexible manner, the semi-structured interviews were analysed following a thematic approach. The essential purpose of this approach is to search for themes, or patterns, that occur across a data set (Bell, Bryman & Harley, 2019). The abductive nature of the study implies a combination of a deductive and inductive approach to analyse the data. Theoretically derived themes from the literature were analysed and these were complemented or modified as the data set was explored (Saunders, Lewis & Thornhill, 2016). This made it possible to develop and test theories and to identify key themes or patterns from the dataset.

To undertake the thematic analysis, coding was used to categorise the data with similar meanings. This allows the authors to comprehend the meaning of the collected data. In the case of a deductive approach, a framework of codes derives from existing theory and the literature, referred to as '*a priori*' codes (Saunders, Lewis & Thornhill, 2016). On the contrary, in the case of an inductive approach, codes are based on actual terms used by participants collected in the data, referred to as '*in vivo*' codes (Saunders, Lewis & Thornhill, 2016). As part of this study, an abductive approach was used meaning that codes are both theory and data driven. The thematic analysis of the collected data started by applying the codes deriving from the theory (raising money; obtaining feedback; publicity; forming relationships / broadening network; funding speed; maximum level of autonomy; lack of funding alternatives), while remaining open for emerging codes. By encoding the data, both data units referring to the same topic and data units to be compared, can be linked (Saunders, Lewis & Thornhill, 2016). The coding process was realised using the computer-assisted qualitative data analysis software NVivo that allowed the researchers to organise and categorise the collected data.

The data was further analysed by comparing findings per theme of group (A) Entrepreneurs without prior founding experience, and group (B) Entrepreneurs with prior founding experience. A qualitative logic was followed, where the authors were interested in observing potential relationships between prior founding experience and entrepreneurs' drivers to opt for equity crowdfunding as a source of external financing. The influence of prior founding experience was assessed on whether a driver was relevant for one category of entrepreneurs and not for the other one, and conclusions were drawn. The strength of the conclusions was categorised into strong, moderate, and weak (Appendix 3).

3.5 Research quality

3.5.1 Reliability

To ensure the reliability of the study, consistency was created by ensuring a rigours design of the data collection and analysis. To collect the data, a semi-structured interview guide was developed. Both authors were present during the interviews, yet the same author consistently led the interviews. Moreover, to avoid participant bias, the interviewees were informed that the interviews remain anonymous which stimulates openness and reduces fear of providing certain information (Saunders, Lewis & Thornhill, 2016). The reliability of the coding was ensured through careful preparations. Coding must be consistent between coders and therefore the authors ensured to have gained considerable knowledge of the subject area, adopted the same coding rules, and checked reliability of the coding by having 16.7 percent of the collected data coded by both coders (Bell, Bryman & Harley, 2019). The coding was considered reliable when the intercoder reliability coefficient was 0.80 or greater (Lavrakas, 2011). After having coded 16.7 percent of the data, the intercoder reliability coefficient was 0.87, thus the coding was considered reliable.

3.5.2 Validity

Validity refers to the appropriateness of the measures used, accuracy of the analysis of the results and generalisability of the findings (Saunders, Lewis & Thornhill, 2016). Internal validity was ensured by selecting suited cases that allowed to show relationships between the proposed theories and the collected data. Additionally, to avoid potential threat to the validity of the data, contextual variables were highly controlled by selecting cases that were as similar as possible. External validity was limited because small samples limit generalisability of qualitative studies (Buchanan, 2012). A potential flaw of this study is that the findings identified are industry specific. Nonetheless, findings and learnings of the study could lead to generalisations and can be applied across other settings.

4. Empirical Data and Findings

By coding the interviews, the team was able to categorize the data into the driver categories identified from the literature. Moreover, eight new drivers were identified. For each driver, the results for both groups, (A) Entrepreneurs without prior founding experience and (B) Entrepreneurs with prior founding experience, will be presented and discussed separately and then empirically analysed.

4.1 Raising Money

Since all interviewees indicated that raising money was a driver to opt equity crowdfunding, nothing could be compared here. Consequently, a conclusion could be drawn that prior founding experience does not influence this driver. The evidence for this is strong.

4.2 Obtaining Feedback

4.2.1 No experience

All entrepreneurs who had no prior founding experience indicated that they did not opt for equity crowdfunding to receive feedback on their product. For example, one entrepreneur indicated that he had already done this before the campaign: *“No, at that moment not anymore. I had actually done that before, and quite extensively too" (Interview A1).* Although this was not an initial driver, two out of three entrepreneurs indicated that this was a result of the campaign. It gave confirmation to the entrepreneur who had already received plenty of feedback before the campaign as investors now *“put their money where their mouth was” (Interview A1).* Another entrepreneur indicated that his goal was achieved within 24 hours, which gave him a lot of confidence. Therefore, it was not a driver, but a nice side effect.

4.2.2 Experienced

Two of the three entrepreneurs with prior entrepreneurial experience indicated that obtaining feedback was a driver for them. For example, one entrepreneur indicates that a successful crowdfunding campaign *"means that the market kind of backed you" (Interview B2).* In addition, the experienced entrepreneurs indicated that the crowd not only provides feedback, but is also often willing to help, because they are enthusiastic and have invested their own capital. For example, one of the entrepreneurs had given part of the crowd their source code during the start-up phase. This meant that these investors could help with programming, *"building the product, setting up the architecture, the security stuff, things like that, depending on what they are specialized in" (Interview B3).* Moreover, even if there was a need for help or if there were specific questions, the entrepreneur could consult the expertise of his crowd. The entrepreneurs indicated that one does not have this with traditional investors, who simply transfer money and perhaps take a general advisory role.

4.2.3 Empirical analysis

When comparing the differences between the experienced and inexperienced entrepreneurs, it could be concluded that obtaining feedback was a driver for the experienced entrepreneurs and not for the inexperienced entrepreneurs. In addition, it could be concluded that experienced entrepreneurs use the knowledge and experience of their crowd to their advantage, where the inexperienced entrepreneurs have not mentioned this. Consequently, a conclusion could be drawn that prior founding experience does influence this driver. The evidence for this is strong.

4.3 Publicity

4.3.1 No experience

Interviews with entrepreneurs without prior founding experience exposed contrasting results concerning the driver publicity. One interviewee said it was "*one big marketing stunt*" *(Interview A1)* and affirmed to be very happy with the result of the equity crowdfunding campaign as it offered large exposure and the opportunity to promote the product. The other two interviewees did not opt for equity crowdfunding for publicity reasons. Their argument was that their product could not be used by the investors. Indeed, their product being very niche it was "*not realistic to think that we could attract customers through a Symbid campaign" (Interview A3).*

4.3.2 Experienced

Two out of the three entrepreneurs with prior founding experience clearly indicated that publicity was not a driver to opt for equity crowdfunding as a source of external financing.

Indeed, they indicated that they did not want any publicity yet because at that phase of the start-up they were still building their product. "*I wanted to operate under the radar, my network could know what I was doing, but I did not want any publicity for a product that was not finished yet" (Interview B2).* However, one interviewee indicated that publicity motivated his choice to conduct an equity crowdfunding campaign; "*It was not the main reason, but on a marketing point of view it definitely interesting*" *(Interview B1).* Indeed, he indicated that for marketing reasons it was interesting to raise money through equity "*it looked good when a company raised money through the crowd" (Interview B1).*

4.3.3 Empirical analysis

When comparing the data of the two groups of founders, it could be concluded that publicity was not a driver for the majority of the experienced entrepreneurs nor for the inexperienced entrepreneurs. Indeed, the entrepreneurs indicate that the market the firm is operating in is extremely niche and therefore it was not seen as realistic to attract customers through a crowdfunding campaign. Moreover, in this stage of the start-up, the product is still in the building phase, and it is not the right moment to start promoting yet. Nonetheless, within both groups of founders, one interviewee still affirmed that publicity was a driver to conduct an equity crowdfunding campaign. Consequently, it could be concluded that prior founding experience does not influence this driver. The evidence is weak.

4.4 Forming New Relationships / Broadening Network

4.4.1 No experience

All three entrepreneurs without prior founding experience indicate that forming new relationships and therefore broadening their network was not a driver for them. One of the entrepreneurs explained during the interview that he had hoped that someone from the crowd would invest a large amount of money in the future, as the platform he used had said this was common, however this was unfortunately not the case for him. Though, two out of three inexperienced entrepreneurs indicated that *"establishing new relationships was a fun and pleasant side effect" (Interview A1 & A3)* One of the newly formed relations even managed to help one of the entrepreneurs with subsidies.

4.4.2 Experienced

The experienced entrepreneurs were very quick and clear when it came to whether forming new relationships and thereby broadening their network had been a driver for them. All three stated with full conviction that this had not been the case. One of the entrepreneurs even indicated that his entire crowd consisted of people he already knew before. He had assembled this crowd himself. Yet one of the experienced entrepreneurs also indicated that establishing new relationships had ultimately been a side effect for him. *"Some have invested a few thousand euros in my company, so yes, I think it's important that you are grateful for that and that creates a bond that was not there before with such people" (Interview B2).*

4.4.3 Empirical analysis

When comparing the differences between the two groups of founders, it could be concluded that forming new relationships and therefore broadening their network was not a driver for the entrepreneurs with prior founding experience, nor for the entrepreneurs without prior founding experience. Though, several entrepreneurs have indicated that establishing new relationships is a pleasant side effect. Consequently, a conclusion could be drawn that prior founding experience does not influence this driver. The evidence for this is strong.

4.5 Funding Speed

4.5.1 No experience

All entrepreneurs that had no prior founding experience indicated that the funding speed was not a driver to opt for equity crowdfunding as a source of external financing. They mention that other types of financing could be faster, but that in their start-up position they simply did not have access to those. One interviewee specifies that the whole process is time consuming "*in total it took us five to six months from the moment that we decided to go for it until it was on our bank account" (Interview A2).* This is because the equity crowdfunding platforms require a lot of information before launching the campaign, including a pitch, financial forecasts, market potential, a video. Indeed, once the campaign starts, it goes fast "*within three to four days we reached our target, then there were only some legal and notarial matters to round off."* One interviewee conducted a second round of equity crowdfunding and indicates that in that case speed was a driver. Indeed, he had all the documentation required by the platform prepared from the previous round, therefore cutting off the longest part of the process. All by all, the funding speed is not considered as a driver for entrepreneurs without founding experience, mainly because preparing the campaign is very time consuming.

4.5.2 Experience

All entrepreneurs with prior funding experience indicated that they did not opt for equity crowdfunding to get their funding faster. Indeed, they mentioned that it is not faster than when getting funds through Business Angels or Venture Capitalists "*it turns out to be the same hassle as with Business Angels" (Interview B1).* Indeed, the preparations of the equity crowdfunding campaign ask for a lot of preparations on financial and legal aspects, "*that asks a lot of time from a small start-up*" *(Interview B1).* Nonetheless, the interviewees also mentioned that Business Angels and Venture Capitalists are extremely long to get on board; "*especially in such an early stage of the start-up, they really avoid any kind of risk, and therefore it takes really long before they say yes*" *(Interview B3).* In addition, one of the founders mentioned that through the equity crowdfunding campaign he could collect all the required capital in one go, whereas with Business Angels or Venture Capitalists he would have had to get several ones on board "*and that is definitely an advantage" (Interview B1).*

4.5.3 Empirical analysis

When comparing the differences between the two groups of founders, it could be concluded that the funding speed was not a driver for the entrepreneurs with prior founding experience, nor for the entrepreneurs without prior founding experience. Indeed, both groups of entrepreneurs indicated that the preparation of the campaign is very time consuming. Therefore, the data provides strong evidence that prior founding experience does not influence this driver.

4.6 Maximum Level of Autonomy

4.6.1 No experience

The entrepreneurs without prior founding experience thought it was important to maintain control over their business. Though, maintaining the maximum level of autonomy was not an initial driver for them, all three entrepreneurs ensured they kept the majority of their shares to accomplish this. They indicated that, although many investors are often uninvolved and never show up at shareholders' meetings, one must still organize these and keep them engaged and informed. *"Even though they have a small percentage, and therefore may not actually be able to exert a great deal of influence, they are a factor that you have to take into account" (Interview A3).*

4.6.2 Experienced

The entrepreneurs with prior founding experience also indicated that they wanted to retain control of their company for as long as possible. Similar to the group of inexperienced entrepreneurs, this group indicated that the shareholders are 'dormant shareholders' and that maintaining the maximum level of autonomy was not an initial driver for them to opt for equity crowdfunding. One of the interviewees sheds light on this driver from a different angle: *"it could be an advantage and a disadvantage. The advantage is that they don't bother you, and the disadvantage is that you don't have a sparring partner. You should find it in a different way" (Interview B2).* Finally, one of the entrepreneurs indicates during the interview that if one really needs a large amount of money (at a later stage), one could no longer achieve this via (equity) crowdfunding and therefore must start doing business with a VC, which means that one loses a large part of their business. *"So, at a certain point you can no longer avoid it, but the later the better. Then you don't have to give away as much" (Interview B1).*

4.6.3 Empirical analysis

When comparing the groups of founders, it could be concluded that maintaining the maximum level of autonomy was not a driver for both groups; yet all entrepreneurs considered it as an important aspect. It turns out that the way in which the entrepreneur organizes the crowdfunding and what structures are being used, also have a significant effect on retaining control over the business. Even though the shareholders ultimately have no say and are rarely involved, entrepreneurs are obliged to keep them informed. A conclusion could be drawn that prior founding experience does not influence this driver. The evidence for this is strong.

4.7 Lack of Funding Alternatives

4.7.1 No experience

All three interviewed entrepreneurs without prior founding experience agreed that one of the drivers to opt for equity crowdfunding was because they could not find another suited financing alternative to fund their firm. Indeed, banks are a no go to finance start-ups since they want certainty which is something a firm in that stage cannot provide, "*banks simply do not do start-up funding, that is no realistic alternative as start-up, banks want certainty*" *(Interview A3).* Other alternatives mentioned by the interviewees were Business Angels and Venture Capitalists however these options were not suited for several reasons. Looking at Business Angels, two of the interviewees mentioned that they did not have the right network to reach out to these investors "*I did not have the idea that I had the right network for that*" *(Interview A1).* Additionally, in this stage of the start-up, Business Angels find it a big risk to invest such a big amount of money, and when they do want to invest the conditions are very unfavourable for the entrepreneurs "*if they want to take the risk, they want a large part of the company, we did not want that*" *(Interview A3).* Moreover, when it comes to Venture Capitalists, they are involved in larger investments, thus not applicable for the interviewed start-ups "*Venture Capitalists invest way bigger sums of capital, even for seed funds, therefore 80.000 euros is not realistic to get from them" (Interview A1).* Finally, interviewees indicated that other forms of lending money were available, however against very high interest rates "*with other types of lending you often already talk about nine percent interest per year, we find that too much*" *(Interview A2).* Moreover, lending money means that it needs to be paid back which was considered as a high risk by the interviewee "*we did not exactly know when we would start to make money, and therefore when we would be able to pay it back*" *(Interview A2).* All by all, as mentioned by the interviewees, there exist many options to obtain capital, however, these were not suited for the entrepreneurs to finance their start-up.

4.7.2 Experienced

All three entrepreneurs with prior funding experience clearly indicated that the lack of funding alternatives was not a driver to use equity crowdfunding as a source of external financing. Indeed, they indicated that "*there are plenty of them" (Interview B1)*, that there are nowadays more forms of financing *"I think there are increasingly different forms of funding types" (Interview B2)* and one interviewee also mentioned to have the choice for which type of financing he would chose *"I could also have chosen to go for venture capitalists or business angels" (Interview B3).* The question was more in their opinion, which of these types of funding is the best for the firm "*there is a lot of money available, and that is interesting, but also makes it difficult to choose, because what is the best for my company?" (Interview B2).* Two interviewees showed confidence in their ability to get funded by Business Angels or Venture capitalists. Indeed, they argue that due to their track record, investors trust them "*I already showed a few times that I was capable of successfully founding a company, and therefore they trust me, which is important because they invest a lot of money in it*" *(Interview B1).* Moreover, an interviewee mentioned that he believes it is easier to crowdfund as a known entrepreneur, than as a new entrepreneur. Additionally, one of the entrepreneurs also had experience with funding a company through a loan from the bank. He argues that a bank loan "*is the cheapest way to fund, because lending money is always better than giving away equity, well in the case that you are sure your company will become successful*" *(Interview B3).* Indeed, the disadvantage of a bank loan is that a bank does not lend money to a company but only to individuals, therefore the entrepreneur. This is associated with high risks for the entrepreneur since having dept can be problematic for personal matters such as buying a house. In addition, if the firm does not become successful, the entrepreneur will personally get into financial problems "*if you are not successful, you have big trouble with the bank*" *(Interview B3).* All by all, the entrepreneurs with experience did not opt for equity crowdfunding because of a lack of alternative sources of financing.

4.7.3 Empirical analysis

When comparing the differences between the two groups of entrepreneurs, it could be concluded that the lack of funding alternatives was a driver for the inexperienced entrepreneurs and not for the experienced entrepreneurs. Whereas the entrepreneurs with prior funding experience could get access to multiple sources of external capital, the entrepreneurs without prior funding experience chose for equity crowdfunding because the other options were difficult to get access to, or the conditions were not favourable. The entrepreneurs with experience mentioned that their track record enables them to get trust from investors and therefore Business Angels or Venture Capitalists are willing to invest in their firm. On the contrary, entrepreneurs without prior founding experience did not reach out to these forms of external funding because they did not have the right network for it, or because the conditions requested by investors are unfavourable. To conclude, the data provides strong evidence that prior founding experience influences this driver.

4.8 New Drivers

4.8.1 No experience

Besides the fact that the drivers derived from the literature were discussed during the interviews, this research was also designed to potentially identify new drivers. During one of the interviews, an inexperienced entrepreneur indicated that he had opted for equity crowdfunding as it allowed him to **make use of his network**. After introducing the idea to his network, which had only given positive feedback so far, it now became clear who in his network really believed in the idea, as these were the ones who would *"put their money where their mouth was" (Interview A1) and* become investors. In this sense, this new driver is strongly related to the previously known driver derived from the literature 'obtaining feedback'. In addition, it became clear from the interviews that two inexperienced entrepreneurs had chosen to opt for equity crowdfunding to **share and thereby reduce their risk.** This new driver is at odds with the driver to maintain the maximum level of autonomy. Though, the founders would ensure that they would own the majority of their shares. Furthermore, there was another driver that became evident from an interview with an entrepreneur without prior founding experience, which was **the success from others**. *"We heard that others had good experiences with Symbid and at that time saw several campaigns fill up at a rapid pace" (Interview A2).* Moreover, the interviews revealed that entrepreneurs could plan better with (equity) crowdfunding than if they were to talk to a private investor. This is since the entire process surrounding equity crowdfunding has a **clear trajectory**. This newly found driver is closely related to the driver 'funding speed'. Finally, the interviews with the inexperienced entrepreneurs revealed that one of the drivers was that their **friends and family could co-invest** through this form of financing. *"And the great thing is that your friends and family can join in too, even though that may not* *be the main part. Ultimately, however, we saw that half of all our funding came from them. It is great that the platform, and this form of financing, made that possible" (Interview A3).*

4.8.2 Experienced

Two out of the three entrepreneurs with previous experience also discussed that **being able to use their network** was a driver for them. They both indicated the same: *"I have a huge network of readers, customers, you name it, all over the world. And if you are in such a situation, crowdfunding may make more sense, it will be easier" (Interview B2).* With one of them it was even the case that he had selected his entire crowd himself. *"What we did is we made a list of people we knew, a long list, who all had something that we thought was useful to us. So, for example people who were good at programming, or people who were lawyers, or who in any way had a skill that we found interesting, designers, that kind of people, basically everything you need, but you don't want to spend money on in the beginning" (Interview B3).* In addition, the same two entrepreneurs also indicated that the **clear trajectory** of equity crowdfunding had been a driver for them. They mentioned that, for example, angel investors could still say no at the last minute and this led to an uncertain situation. *"You start a process, you do that together with crowdfunding platform Seedrs, and you know, based on experience, that it takes about three months to prepare, then you do a month-long promotion, you do your campaign under your own network, and then you have the result. So, you know in advance that the money will be in your bank account on a certain date, that's the advantage, it's clearer. You are not dependent on one person. Statically it is a much more predictable process" (Interview B2).* A new driver that emerged from an interview with an experienced entrepreneur is that this form of financing was a **good fit with their business** ethics and beliefs; *"it suited our ideal purpose" (Interview B1).* In addition, this entrepreneur was also **curious** about this form of financing, which also resulted in a driver for him. He wanted to *"see how it worked" (Interview B1).* The last new driver that emerged in an interview was the fact that the investors also became **ambassadors** for the product. This naturally resulted in word-of-mouth advertising, which is particularly in line with the driver 'publicity' in many areas. However, the difference in the drivers lies in the origin of the publicity and when it occurs in the timeframe.

4.8.3 Empirical analysis

When comparing the differences and similarities between the two groups of founders, it could be concluded that interviewees from both groups feel that **being able to use your network** to your advantage and the **clear trajectory** of the process of equity crowdfunding was a driver for them to opt for this form of external finance. The drivers **share and thereby reduce the risk**, **the success from others** and **friends and family could co-invest** are only mentioned by one or more entrepreneurs without prior founding experience, and the drivers **suits the company**, **curiosity** and **investors are ambassadors** are only mentioned by one of the founders with previous founding experience. As all these new identified drivers were not consistently discussed during every interview, it is not clear whether they relate to the other entrepreneurs or not. Consequently, no further conclusion could be drawn from this as to whether prior founding experience influences these drivers.

4.9 Overview of the findings

Drivers	Entrepreneurs without prior founding experience			Entrepreneurs with prior founding experience			Driver influenced by founding experience	Evidence strength
	A1	A2	A3	B1	B2	B3		
Raising money	X	X	X	X	X	X	No	Strong
Obtaining feedback				X	X	X	Yes	Strong
Publicity	X			X			No	Weak

Forming new relationships / broadening network							No	Strong
Funding speed							No	Strong
Maximum level of autonomy							No	Strong
Lack of funding alternatives	X	X	X				Yes	Strong
Being able to use your network	X				X	X	N/A	N/A
Clear trajectory			X		X	X	N/A	N/A
Share and thereby reduce the risk		X	X				N/A	N/A
The success from others		X					N/A	N/A
Friends and family could co-invest			X				N/A	N/A

Suits the company				X			N/A	N/A
Curiosity				X			N/A	N/A
Investors are ambassadors					X		N/A	N/A

5. Discussion

5.1 Drivers derived from the literature

All interviewees indicated that **raising money** was an important driver to opt equity crowdfunding, which is entirely in line with the existing literature. A study by Belleflamme, Lambert & Schwienbacher (2013), for example, revealed raising money as being the main driver for entrepreneurs to leverage crowdfunding.

In addition, it appears from the same research that **obtaining feedback** is the second largest driver for entrepreneurs; consistent with all interviewed entrepreneurs with prior founding experience. This driver is repeatedly demonstrated in several other studies (Belleflamme, Lambert & Schwienbacher, 2013, 2014; Brown et al., 2015; Di Pietro, Prencipe & Majchrzak, 2018; Gerber, Hui & Kuo, 2012; Lambert & Schweinbacher, 2010; Liu et al., 2016; Macht & Weatherston, 2014; Martin, 2012; Polzin, Toxopeus & Stam, 2018; Schwienbacher, 2018; Schwienbacher & Larralde, 2010; Surowiecki, 2005; Wald, Holmesland & Efrat, 2019). Interestingly, specific forms of feedback such as 'self-affirmation' (Gerber, Hui & Kuo, 2012) and 'being legitimized by the market' (Martin, 2012) are mentioned by several entrepreneurs too. In addition, it appears that the group of entrepreneurs with previous founding experience uses the knowledge and experience of their crowd to their advantage. This is consistent with the literature as this phenomenon is referred to here as making use of the wisdom of the crowd (Hienerth & Riar, 2013; Surowiecki, 2005). Despite all the similarities, nothing has emerged from the literature that could explain why the entrepreneurs with prior founding experience see this as a driver and the inexperienced entrepreneurs do not.

Whereas multiple studies highlighted **publicity** as being an important driver for founders to opt for equity crowdfunding as source of external financing, the collected data could not confirm these theories (Belleflamme, Lambert & Schwienbacher, 2013, 2014; Brown et al., 2015; Burtch, Ghose & Wattal, 2013; Di Pietro, Prencipe & Majchrzak, 2018; Gerber, Hui & Kuo, 2012; Lambert & Schweinbacher, 2010; Macht & Weatherston, 2014; Martin, 2012; Miglo, 2016; Mollick & Kuppuswamy, 2014; Wald, Holmesland & Efrat, 2019). Indeed, the majority of the founders did not perceive publicity as a driver to opt for equity crowdfunding. Moreover, no relationship was found within the collected data between prior founding experience and publicity as driver for equity crowdfunding. Yet, empirical findings enabled the identification of relationships between characteristics of the firm, and founders considering publicity as a driver for equity crowdfunding. Publicity was seen as a driver when the product created by the firm could potentially be used by investors. This relates to the research conducted by Miglo (2016), who shows that entrepreneurs prefer equity crowdfunding to traditional forms of financing when they want to stimulate and increase the potential future demand for their product or service. Indeed, the campaign enables to grab the attention of the crowd and create awareness of the firm's products and services (Belleflamme, Lambert & Schwienbacher, 2013; Di Pietro, Prencipe & Majchrzak, 2018; Gerber, Hui & Kuo, 2012; Lambert & Schweinbacher, 2010). However, as the studied firms operate in the software industry, the likelihood of the investors to use the product is very small. Indeed, the products of some of the firms are reserved for a very niche market, and therefore most of the interviewed founders did not expect the equity crowdfunding campaign to have promotional benefits. In addition, a relationship was observed between the stage of the firm and the founders perceiving publicity as a driver for equity crowdfunding. Firms being in a very early development phase and not having a product yet do not want any publicity.

In terms of **forming new relationships and thereby broadening your network**, all interviewed entrepreneurs indicated that this was not an initial driver for them. Nevertheless, half of the entrepreneurs mentioned that this was a pleasant side effect. These findings contradict the literature. Though, it is true that it was only mentioned by one study of Gerber, Hui & Kuo, (2012), and has not emerged from multiple studies.

Studies conducted by Brown et al. (2015), Moritz & Block (2016); Schwienbacher & Larralde (2010) found the **funding speed** of the financing process through equity crowdfunding to be a driver for entrepreneurs to opt for equity crowdfunding as a source of external financing. The findings of this study contradict the literature. Indeed, both groups of entrepreneurs indicated that the funding speed was not a driver to fund their firm through equity crowdfunding. The equity crowdfunding campaign itself is rapid, however, both groups of founders consider the whole process towards the campaign to be very time consuming. Indeed, the equity crowdfunding campaign required around five to six months preparation, therefore not being faster than other types of funding. However, an interesting finding was that founders considered the process to be very predictable. Once founders make the choice to conduct an equity crowdfunding campaign, the process and timeframe is straightforward until the amount needed is raised. This is seen as a benefit, since for other types of funding, for example through investors, it can take a very long time and many meetings before one agrees to invest, making it more difficult to predict when the capital will be raised.

When comparing the groups of founders, maintaining **the maximum level of autonomy** was not a driver for both groups; yet all entrepreneurs found this very important. Although this is clearly apparent from previous research by for example Brown et al. (2015), and therefore contradicts the literature, many elements surrounding this driver were discussed in the interviews. It was mentioned several times that the entrepreneurs made sure that they owned the majority of their shares in order to maintain control over their company. This is entirely in line with the literature discussing that entrepreneurs have the ability to choose the amount of equity offered to limit the loss of ownership and control (Ahlers et al., 2015; Macht & Weatherston, 2014; Vismara, 2016).

Existing literature sheds light on the **lack of funding alternatives** as a driver for entrepreneurs to opt for equity crowdfunding as a source of external financing (Brown et al., 2015; Hemer et al., 2011; Pierrakis & Collins, 2012). Indeed, it is known that in the initial phase, firms encounter challenges to find external capital (Belleflamme, Lambert & Schwienbacher, 2014; Moritz & Block, 2016). When personal funds become insufficient, entrepreneurs must seek other funding alternatives (Moritz & Block, 2016; Pierrakis & Collins, 2012). Aligned with these theories, the results of the study clearly show that entrepreneurs without prior founding experience opt for equity crowdfunding as a source of external financing because they could not find other suited alternatives. This is consistent with the article by Pierrakis & Collins (2012) where the authors highlight that entrepreneurs without a track record are less attractive to traditional investors like banks, business angels and venture capitalists and that therefore crowdfunding is particularly attractive to these entrepreneurs. In fact, the interviewees indicated that banks want certainty, something a firm in the start-up phase cannot provide. With regards to Business Angels and Venture Capitalists, the interviewed entrepreneurs without prior funding experience mentioned to not have the right network to reach out to these types of investors. In addition, if a Business Angel would be willing to invest, it would be under unfavourable conditions for the entrepreneurs. Indeed, without prior funding experience, entrepreneurs do not have a track record, making it difficult to gain trust from investors who often find the risk too big. Finally, other types of lending are available but again against very unfavourable conditions, with high interest rates. Besides, the interviewees indicated that lending is risky because it is difficult to predict how successful the firm will be, and therefore difficult to assess the ability to pay back. On the contrary, the lack of funding alternatives was not a driver to opt for equity crowdfunding for founders with prior funding experience. Interestingly, findings of the study show that these entrepreneurs indicated to have access to multiple sources of external financing but have deliberately chosen for equity crowdfunding because they find this the best suited alternative. These findings are consistent with the literature on founding experience where research shows the connection between prior founding experience and the entrepreneur's ability to obtain funds for a new venture (Shane & Khurana, 2003). In line with studies of Politis (2005) and Reuber & Fischer (1999), this study confirms that during the founding experience, entrepreneurs were able to form relationships and build a network. In addition, interviewees indicated that their prior founding experience enabled them to establish a track record, show their capability of successfully founding firms, thus, to build a reputation and gain trust of investors. The results of the research clearly point out the influence of prior founding experience on the driver '*lack of funding alternatives*' as motivation to opt for equity crowdfunding. Whereas new entrepreneurs are faced with difficulties to obtain certain forms of external financing, founding experience enabled experienced entrepreneurs to form a network, and build trust of investors, therefore providing them access to several financing options.

5.2 New drivers derived from the interviews

Three entrepreneurs, one of whom had no prior founding experience and two who did, indicated during the interview that **being able to use their network** had been a driver for them to opt for equity crowdfunding as a source of external finance. This driver is strongly related to the driver 'obtaining feedback'. Where wisdom of the crowd is previously linked to obtaining feedback, it is also evident from the research that a large crowd of investors enables entrepreneurs to benefit from their knowledge, resources and collective skills (Belleflamme, Lambert & Schwienbacher, 2014; Polzin, Toxopeus & Stam, 2018). This clearly corresponds, for example, to the entrepreneur who had put together his own crowd and selected investors who had a skill or knowledge that was valuable to his firm. As this driver was not addressed in every interview, no comparison could be made between entrepreneurs with and without prior founding experience. Nevertheless, it is interesting to emphasize that not only cognitive abilities acquired during previous founding experiences influence financial decision-making, relationships established during the founding process are a great asset for founders and have shown to influence financial decisions too (Hsu, 2007; Politis, 2005; Reuber & Fischer, 1999; Shane & Khurana, 2003). Moreover, prior founding experience helps to establish a track record and reputation, which could provide access to intangible resources in the form of social networks and social capital (Politis, 2005; Reuber & Fischer, 1999). This means that entrepreneurs with prior founding experience build a network containing the right contacts that could be particularly valuable during an equity crowdfunding campaign. So, one could assume that prior founding experience could potentially have a positive effect on the ability to use your network as a driver to opt for equity crowdfunding. Furthermore, another driver mentioned by one of the interviewed entrepreneurs is that **friends and family could co-invest**. This driver contributes to the existing literature as it has never been discussed before. The only thing evident from the current literature is that early funding is usually provided internally, by the founder himself or friends and family (Moritz & Block, 2016). In addition, another new driver that emerged from the interviews, which contributes to the current literature, is that investors become **ambassadors** of the product. In addition to being particularly in line with the driver of 'publicity' in many areas, it differs in areas such as in the origin of the publicity and in the timeframe when it occurs. To date, it has never been specifically written about. Nonetheless, the literature does show that equity crowdfunding leads to increased attention from potential customers (Brown et al., 2015) and to wider exposure to investors, facilitating future access to additional capital (Macht & Weatherston, 2014). This could potentially be a result caused by current investors who, as ambassadors of the product, have led to new customers or new investors. Finally, there was another driver that became evident from an interview with an entrepreneur without prior founding experience, which was **the success from others**. This finding is consistent with a previous study of Gerber, Hui & Kuo (2012). The research they performed identified a category named 'replication of success stories', which drives entrepreneurs to utilize equity crowdfunding (Gerber, Hui & Kuo, 2012). Apart from this research, it has never been written about and will thus contribute to the existing literature. Nevertheless, much has been written about how fast equity crowdfunding is currently growing. (Juniper Search, 2021; Massolution, 2015; Schwienbacher, 2018; Walthoff-Borm, Schweinbacher & Vanacker, 2018). This growth will lead to an increase in the number of success stories, which in turn could lead to an increasing appearance and importance of this driver. Lastly, there is nothing that has emerged from the literature that could be discussed with the following drivers: **clear trajectory, curiosity, share and thereby reduce the risk**, **suits the company**. These drivers are consequently not discussed in comparison with the current literature and will as a result solely contribute to the existing literature on the drivers to opt for choosing equity crowdfunding.

6. Conclusion

To our knowledge, this paper is the first to conduct an empirical examination of the influence of entrepreneurs' prior founding experience on the drivers to opt for equity crowdfunding as a source of funding. This study provides suggestive evidence that prior founding experience does not influence the following drivers: raising money, publicity, forming new relationships / broadening network, funding speed, and maximum level of autonomy. No differences were found between the two groups for these drivers. On the contrary, this study provides suggestive evidence that the drivers 'obtaining feedback' and 'lack of funding alternatives' are influenced by the prior founding experience of the entrepreneur. Apart from the fact that nothing has emerged from the literature that could explain why entrepreneurs with prior founding experience see 'obtaining feedback' as a driver and the inexperienced entrepreneurs do not, the outcome of the driver 'lack of funding alternatives' could be explained as founding experience enabled experienced entrepreneurs to form a network, and build trust of investors, therefore providing them access to several financing options (Hsu, 2005, 2005; Politis, 2005; Reuber & Fischer, 1999; Shane & Khurana, 2003).

In addition, the interviews also revealed new drivers that could provide useful evidence for future researchers. These drivers were: being able to use your network, clear trajectory, share and thereby reduce the risk, the success from others, friends and family could co-invest, suits the company, curiosity, and investors are ambassadors. According to the authors, it would be particularly interesting to investigate whether the driver 'being able to use your network' could be influenced by prior founding experience of entrepreneurs. It would be interesting as relationships established during the prior founding process influence the financial decision making of entrepreneurs (Hsu, 2005, 2005; Politis, 2005; Reuber & Fischer, 1999; Shane & Khurana, 2003). Additionally, prior founding experience helps to establish a track record and reputation, which could provide access to intangible resources in the form of social networks and social capital (Politis, 2005; Reuber & Fischer, 1999). Consequently, building the right network that could in all probability have an influence on this driver.

Besides the fact that this research contributes to the existing literature, as to date it has mainly explored the supply side of crowdfunding such as signalling factors and motivators to invest in crowdfunding campaigns, these findings could help future entrepreneurs to explore and gain a deeper understanding of equity crowdfunding. It could give them valuable and useful insights and may assist them in their decision-making process. Moreover, it could be beneficial to equity crowdfunding platforms and enable them to gain a richer understanding of what really drives entrepreneurs to opt for this form of financing. A better understanding of their customers' pains and gains could ultimately help to innovate their business models and potentially increase profitability as a result.

Equity crowdfunding is likely to be the subject of many research papers in the coming years. The authors hope this paper will provide useful evidence for researchers who will continue to work in this field.

6.1 Limitations

As with any research, this research is not free of limitations, which may provide important opportunities for future research. First of all, interviews were conducted in Dutch. Being the native language of both the authors and the interviewees this was a deliberate choice to be able to collect as much information as possible which is essential when conducting a case study. However, translating the interviews could lead to interpretations from the authors. Moreover, this paper is written as a graduation thesis for the master Entrepreneurship and Innovation at the University of Lund in Sweden and therefore the authors were restricted to a given timeframe to collect the data and thus conduct the interviews. Additionally, taking into consideration that most of the interviewees are CEOs and business owners, some of the contacted firms did not have time to participate in this study. This could also be affected by the fact that most firms are currently still busy dealing with the consequences of the COVID-19 pandemic. Furthermore, as equity crowdfunding is still new and emerging in the Netherlands, the number of suited cases for the research was limited, which affected the quantity of the conducted interviews, thus the quantity of available data. Nevertheless, having conducted thorough interviews, the authors are satisfied with the quality of the collected data. In addition, the selected companies operating in the IT industry, products are addressed to a niche market, which might have influenced the drivers to opt for equity crowdfunding. These could be different when the firm operates in a market addressed to a larger public. Finally, all interviews were conducted via Zoom which could have limited the ability of the authors to absorb information optimally. Being able to visit the companies and interview the entrepreneurs in person could have provided additional information.

6.2 Further research

Due to the nascent nature of the field, there are several directions for future research. First, it would be interesting to investigate whether the entrepreneur's network influences the drivers to opt equity crowdfunding as a source of funding. During this study, the authors found that prior founding experiences among others influences the network of entrepreneurs which could influence the drivers. Second, it would be interesting to investigate whether the type of company influences the drivers. One interviewee stated that ‘publicity’ was not a driver for him, as his company and product focus on a niche market, and it was unlikely that the investor would therefore be a potential customer. Third, it could be investigated whether the number of founders involved in the founding process of the firm have an influence on the drivers. This may be the case as it could result in a broader human and social capital. Finally, it seems very interesting to the authors to investigate how entrepreneurs look back after several years on the initial drivers to opt for equity crowdfunding and whether their expectations were met.

6.3 Acknowledgements

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Appendices

Appendix 1: Semi-structured interview guide

Good morning/afternoon,

We would like to start with thanking you for your time and willingness to participate in this research. As mentioned in our email, we are currently writing our master thesis with the focus on the use of equity crowdfunding as a source of external financing within Dutch IT companies. We would like to inform you that your name and your company name will remain anonymous within this study.

Would you authorise us to record the conversation? This allows us to process recordings later.

Thank you.

1. The founders

- Who are the founders of (name of the company)?
- Has/have this/these founder(s) earlier been involved in founding a company?
  If yes (otherwise see question 2):
  - How many companies?
  - What kind of companies?
  - What was the role of the founder(s)?
  - How was/were this/these companies financed?

2. Equity crowdfunding

- How much did you raise through the equity crowdfunding campaign?
- Which platform did you use for the equity crowdfunding campaign?
- In which year did you do the equity crowdfunding campaign?
- Did you receive external finance before the equity crowdfunding campaign?
- Did your company have a board of directors when you conducted the equity crowdfunding campaign?

- Was this board of directors involved in the choice to opt for equity crowdfunding as source of external financing?
- Why did you opt for equity crowdfunding as a source of external financing?

Thank you for your valuable insights, we have a few more questions with regards to drivers that we have identified in the literature. We would like to know if these drivers also affected your choice to opt for equity crowdfunding as a source of external financing. **Raising money** is an obvious driver, however…

- Was **obtaining feedback** about your product a reason to opt for equity crowdfunding?
- Was **publicity** a reason to opt for equity crowdfunding?
- Was **forming new relationships and thus expanding your network** a reason to opt for equity crowdfunding?
- Was the funding **speed** a reason to opt for equity crowdfunding?
- Was keeping a **maximum level of autonomy** a reason to opt for equity crowdfunding?
- Was a **lack of funding alternatives** a reason to opt for equity crowdfunding?
  If Yes:
  - Could this be linked with the fact that you did not have a track record?

Well, we have covered all our questions. Is there something you would like to add, or do you have any questions with regards to the research?

Thank you for your time and willingness to participate, we wish you a wonderful day!

Appendix 2: Consent form

Consent Form for The Influence of Entrepreneurs' Founding Experience on the Drivers to use Equity Crowdfunding as a Source of Funding in Dutch Information Technology Companies.

Dear X,

Thank you for your willingness to participate in this study. Through this consent form we would like you to provide with short information on the researchers and expectations of the study.

Please tick the appropriate boxes	**Yes**	**No**
Taking part in the study		
• I have read and understood the study information dated [DD/MM/2021), or it has been read to me. I have been able to ask questions about the study and my questions have been answered to my satisfaction.	☐	☐
• I consent voluntarily to be a participant in this study and understand that I can refuse to answer questions and I can withdraw from the study at any time, without having to give a reason.	☐	☐
• I understand that taking part in the study involves answering questions related to my (possible) previous founding experience, the financing methods used by the firm and the motivations to choose for certain financing methods.	☐	☐
Use of the information in the study		
• I understand that information I provide will be used to write a thesis report as part of the master program in Entrepreneurship and Innovation followed by the researchers.	☐	☐
• I understand that the interview will be recorded and used for academic purpose. The data will be kept confidential and treated in accordance with the EU protection laws.	☐	☐
• I understand that personal information collected about me that can identify me, such as my name and my company, will not be shared beyond the study team.	☐	☐

Signatures

______________________	______________________	________
Name of participant	Signature	Date
_________________________	___________________	________
Researcher name	Signature	Date

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Appendix 3: Evidence strength table

Entrepreneurs without prior founding experience			Entrepreneurs with prior founding experience			Driver influenced by founding experience	Evidence strength
A1	A2	A3	B1	B2	B3		
X	X	X	X	X	X	No	Strong
						No	Strong
X	X	X				Yes	Strong
			X	X	X	Yes	Strong
X	X		X	X	X	No	Moderate
X	X	X	X	X		No	Moderate
X						No	Moderate
			X			No	Moderate
X	X	X	X			Yes	Moderate
X			X	X	X	Yes	Moderate
X	X					Yes	Moderate
			X	X		Yes	Moderate
X			X			No	Weak
X	X		X	X		No	Weak
X			X	X		Yes	Weak
X	X		X			Yes	Weak

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